

This is the 1<sup>st</sup> affidavit  
of Michael Sileika in this case  
and it was made on October 6, 2017.

No. S-1510120  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT*  
*ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, c. 57, AS AMENDED

AND

IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT  
OF NEW WALTER ENERGY CANADA HOLDINGS, INC.,  
NEW WALTER CANADIAN COAL CORP., NEW BRULE COAL CORP.,  
NEW WILLOW CREEK COAL CORP., NEW WOLVERINE COAL CORP. and  
CAMBRIAN ENERGYBUILD HOLDINGS ULC

PETITIONERS

**AFFIDAVIT**

I, **MICHAEL SILEIKA**, Chartered Professional Accountant and Chartered Business Valuator,  
Suite 2200, MNP Tower, 1021 West Hastings Street, Vancouver, British Columbia V6E 0C3,  
MAKE OATH AND SWEAR THAT:

1. I am the lead partner for Valuation and Litigation Support services in British Columbia for MNP LLP and the lead author of the Expert Report prepared as of January 2, 2017 on behalf of the claimant, Kevin James, in this matter and as such have personal knowledge of the facts hereinafter deposed to, save and except where the same are stated to be based on information and belief, and where so stated I verily believe such matters to be true.
2. Attached as Exhibit "A" to my affidavit is my original Expert Report prepared as of January 2, 2017 on behalf of the claimant, Kevin James, in this matter.

SWORN BEFORE ME at Vancouver,  
British Columbia, this 6<sup>th</sup> day of October,  
2017.

A Commissioner for taking affidavits  
for British Columbia

**SHAHDIN FARSAI**  
BARRISTER & SOLICITOR  
400 - 725 GRANVILLE STREET  
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(604) 687-2242

  
MICHAEL SILEIKA

# In the Matter of Walter Energy Canada Holdings, Inc. v. Kevin James

## Expert Report

As at January 2, 2017



### PREPARED BY:

Michael Sileika, CPA, CA, CBV  
Valuation and Litigation Support

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This is Exhibit "A" referred to in the  
affidavit of Michael Sileika  
sworn before me at Vancouver, BC  
this 02 day of Oct 2017

  
A Commissioner for taking Affidavits  
for British Columbia

**SHAHDIN FARSAI**  
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**PRIVATE AND CONFIDENTIAL**

March 3, 2017

Miller Thompson LLP  
Suite 400 – 725 Granville Street  
Vancouver, BC  
V7Y 1G5

**Attention: Ms. Heather L. Jones**  
**Partner**

Dear Ms. Jones:

**Re: Walter Energy Canada Holdings, Inc. v. Kevin James**  
Expert Report<sup>1</sup>

**1 INTRODUCTION**

- 1.1 As experts in business valuation and damage quantification, MNP LLP ("MNP") has been engaged by Miller Thompson LLP ("Counsel") in connection with a matter between Mr. Kevin James and Walter Energy Canada Holdings, Inc. (the "Matter").
- 1.2 At your request, we have reviewed certain information supplied to us with a view to provide an expert report (the "Expert Report") calculating the fair market value ("FMV") of Mr. James' 0.219% royalty interest (the "Interest") in the remaining reserves of the Wolverine Mines (the "Wolverine Mine") as at January 2, 2017 (the "Valuation Date").
- 1.3 Counsel provided to us an instruction letter dated January 20, 2017 (the "Instruction Letter") laying out the expert opinion sought. The Instruction Letter is attached hereto as Appendix D.
- 1.4 Specifically, the Instruction Letter requests that we provide an expert opinion relating to the following:
  - What is the value of Mr. James' 0.219% royalty interest in the remaining coal reserves of the Wolverine Mines?
- 1.5 We understand that Miller Thompson LLP is the legal representative for Mr. James relating to the Matter.

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<sup>1</sup> As defined by the Canadian Institute of Chartered Business Valuators.

## 2 PURPOSE

- 2.1 We understand our Expert Report will be used solely for litigation purposes in connection with the Matter.

## 3 CURRENCY OF REPORT

- 3.1 Unless otherwise noted, all currencies noted in this Expert Report are denominated in Canadian dollars.

## 4 SUMMARY OF VALUE

- 4.1 Subject to the scope, scope limitation, key assumptions, restrictions and qualifications noted in this Expert Report, we calculate the fair market value of Mr. James's 0.219% royalty interest in the remaining reserves of the Wolverine Mine as at the Valuation Date to be as follows (see Schedule 1):

(in C\$000's)	Low	High	Mid
Fair market value of the Interest	6,900	7,400	7,150

- 4.2 Where a specific amount is required, we note the midpoint of the above noted range.

## 5 INDEPENDENCE AND OBJECTIVITY

- 5.1 This Expert Report was prepared in conformity with the Practice Standards of the Canadian Institute of Chartered Business Valuators, and in doing so the author acted independently and objectively.
- 5.2 The author's compensation was not contingent upon an action or event resulting from the use of this Expert Report.
- 5.3 The author prepared this Expert Report in conformity with British Columbia Supreme Court Civil Rules 11-2 – Duty of Expert Witnesses, and certifies that:
- I am aware that as an expert witness, I owe a duty to the Court to provide opinion evidence that is objective and non-partisan, and to provide opinion evidence that is related only to matters that are within my area of expertise;
  - I am aware that I owe a duty to the Court to provide any additional assistance that the Court may reasonably require to determine a matter in issue. I confirm that that I have authored this Report in conformity with this duty. If called to give oral or written testimony before the Court, I will give such testimony in conformity with that duty; and,
  - I am aware of my duty under Rule 11-2 of the British Columbia Supreme Court Civil Rules to assist the court and not assume the role of advocate for any party.
- 5.4 The qualifications of the author is attached hereto as Appendix E.

## 6 DEFINITION OF VALUE

- 6.1 There are several possible measurements of value. For the purpose of our analysis, we are using fair market value, which is defined as:

*The highest price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.*

## 7 PRICE VS. FAIR MARKET VALUE

- 7.1 Our Expert Report is based on a notional or hypothetical market; the Interest has not been subjected to the open market. The ultimate price at which the Interest may be sold may differ from our calculation because of various factors such as the existence of special purchasers, differing negotiating strengths, and the nature and timing of the payment of the purchase price.
- 7.2 Since these factors cannot truly be assessed without actual negotiations taking place to determine the impact of these market forces, these factors have not been considered in our calculations.

## 8 RESTRICTIONS

- 8.1 This Expert Report is not intended for general circulation or publication, nor is it to be reproduced for any other purpose other than as outlined herein. We do not assume any responsibility or liability for losses occasioned by you, Mr. James, Walter Energy Canada Holdings, Inc., directors and / or shareholders thereof, or any other parties as a result of the circulation, reproduction, or use of our Report, or its contents, contrary to the provisions of this paragraph.
- 8.2 We reserve the right (but will be under no obligation) to review all calculations contained in our Expert Report and, if we consider it necessary, to revise our valuation conclusion in light of any information existing at the Valuation Date which becomes known to us after the date of our Report.

## 9 QUALIFICATIONS

- 9.1 Our Report was prepared on the basis of economic and business conditions prevailing at the Valuation Date and on the conditions and prospects, financial and otherwise, of the Interest as reflected in the information and documents we reviewed and as presented to us.
- 9.2 Since the assessment is made at a specific point in time, readers of this Report should be cautioned that it is not likely relevant at a different point in time and that further calculations may be required for our conclusion to be useful at a different date.
- 9.3 This Report must be considered in its entirety by the reader, as selecting and relying on only specific portions of the analyses or factors considered by us, without considering all factors and analyses together, could result in the misinterpretation of the comments and the conclusions there from. It is not appropriate to extract partial analyses or make summary descriptions. Any attempt to do so could lead to undue emphasis on a particular factor or analysis.

## 10 SCOPE LIMITATIONS

- 10.1 Our conclusion is based on information as detailed in our scope of review (see Appendix B), minimal independent research performed by us and various information obtained through correspondence with Counsel. We were restricted or limited in the scope of our work due to no access to management of Conuma Coal Resources Limited and certain relevant details of the Wolverine Mine.
- 10.2 If we had been given unlimited access to management of Conuma Coal Resources Limited, it is possible that we could have arrived at a different conclusion than reached herein.

## 11 MINERAL RESERVES DEFINITION

- 11.1 In the context of this Expert Report, the mineral reserves as noted herein have the following definitions, as defined by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM")<sup>2</sup>:
- **Mineral Reserve:** A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.
  - **Probable Mineral Reserve:** A Probable Mineral Reserve is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
  - **Proven Mineral Reserve:** A Proven Mineral Reserve is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

## 12 BACKGROUND OF THE MATTER

- 12.1 Through a review of information provided to us and information publicly available, we provide the following general background information relating to the Matter.
- 12.2 The Wolverine Mine is a hard coking coal mine located near Tumbler Ridge, BC. Previously owned by Western Canadian Coal Corp. ("Western Coal"), the Wolverine Mine reached commercial production on March 1, 2007. It is our understanding that Western Canadian Coal Corp. changed its name to Western Coal Corp. on September 29, 2009.
- 12.3 It is our understanding that Mr. James is a geologist and was a founding member, officer, and director of Western Coal.<sup>3</sup> On March 31, 2000, Mr. James, amongst others, enter into a royalty sharing agreement (the "RSA") entitling Mr. James to 0.219% "for all product tonnes produced from the West Brazion, Mount Spieker and Wolverine coal properties on a quarterly basis".<sup>4</sup>
- 12.4 Based on information provided in the Instruction Letter, it is our understanding that "an interpretation of the RSA was the subject of a proceeding in the British Columbia Supreme Court which resulted in a finding that Mr. James was entitled to a 0.219% royalty in the coal produced by [the Wolverine] mines".
- 12.5 On April 1, 2011, Walter Energy, Inc. ("Walter Energy") completed the acquisition of all the outstanding common shares of Western Coal Corp. for a total purchase price of approximately \$3.7 billion.<sup>5</sup>

<sup>2</sup> CIM Definition Standards – For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve Definition, adopted by CIM Council on November 27, 2010

<sup>3</sup> In the Supreme Court of British Columbia, Citation: *Walter Energy Canada Holdings, Inc. (Re)*, 2016 BCSC 1746, dated September 23, 2016.

<sup>4</sup> Ibid.

<sup>5</sup> United States Securities and Exchange Commission, Form 10-K, Walter Energy, Inc., for the fiscal year ended December 31, 2011.

- 12.6 Based on information publicly available, it is our understanding that the Wolverine Mine was in production until April 2014 where the mine was idled.
- 12.7 Based on the Instruction Letter, it is our understanding that Walter Energy recognized the RSA and paid Mr. James royalties until the mine was idled in April 2014.
- 12.8 On or around December 2015, Walter Energy entered into the Companies' Creditor Arrangement Act ("CCAA") proceedings to restructure its corporate affairs.<sup>6</sup>
- 12.9 In a Supreme Court of British Columbia document dated August 16, 2016, it is our understanding that Honourable Madam Justice Fitzpatrick approved the sale of Walter Energy to Conuma Coal Resources Limited ("Conuma"), a newly formed Canadian company of the United States parent company ERP Compliant Fuels, LLC. It is our understanding that KPMG Inc. acted as the court-appointed monitor (the "Monitor") of Walter Energy.<sup>7</sup>
- 12.10 Based on information provided in the Instruction Letter, it is our understanding that as part of the Conuma transaction, the RSA was not transferred. By the Decision of the Honourable Madam Justice Fitzpatrick on September 23, 2016, it was determined that the Mr. James' royalty interest did not amount to an interest in land, and the RSA was not assumed by the purchaser. On November 7, 2016, Walter Energy and/or Conuma, by way of Notice, informed Mr. James that they were resiling from the RSA contract pursuant to the CCAA.
- 12.11 On December 5, 2016, Mr. James filed a Notice of Dispute to the Monitor relating to the Interest.
- 12.12 We have been engaged by Counsel in providing our expert opinion relating to the fair market value of the Interest.

### 13 BACKGROUND OF THE WOLVERINE MINE

- 13.1 Through a review of information provided to us and information publicly available, general background information relating to the Wolverine Mine is outlined as follows:
- 13.2 It is our understanding that the Wolverine Mine is located near Tumbler Ridge, BC and contains hard coking coal reserves in three deposits (collectively, the "Deposits"), as follows:
- Perry Creek;
  - Mt. Spieker (EB); and,
  - Hermann.

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<sup>6</sup> Government of Canada, CCAA Records, retrieved from <https://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br03501.html>.

<sup>7</sup> In the Supreme Court of British Columbia, *Order Made After Application (Approval and Vesting Order)*, No. S-1510120, Vancouver Registry, dated August 16, 2016.



13.3 Based on Walter Energy's 2014 Annual Report, it is our understanding that the Deposits contained the following proven and probable reserves:<sup>8</sup>

(in 000's Tonnes)	Status of Operations	Proven	Probable	Total
Perry Creek	Idled	8,827	-	8,827
Mt. Spieker (EB)	Development	12,404	2,345	14,749
Hermann	Development	6,775	2,300	9,075
<b>Total</b>		<b>28,006</b>	<b>4,645</b>	<b>32,651</b>

13.4 As noted above, the status of operations of the Mt. Spieker (EB) and Hermann deposits were classified as 'development'. Based on the Walter Energy's 2014 Annual Report, 'development' is defined as "engaged in the preparation of an established commercially minable deposit (reserves) for extraction but are not yet in production."

13.5 The Wolverine Mine began commercial production on March 1, 2007 and was idled in April 2014. During the operating period, the Perry Creek deposit produced a total of approximately 10.7 million tonnes of coal, with an approximated annual production range of 921.0 thousand tonnes to 1.9 million tonnes. Refer to Schedule 3 for details.

13.6 Based on a document published by the BC Ministry of Energy, Mines and Natural Gas, it is our understanding that the Wolverine Mine is permitted to produce up to 3.0 million tonnes per annum.<sup>9</sup>

13.7 Based on the Walter Energy's 2014 Annual Report, the expected life of the Perry Creek deposit is approximately 4.0 years, and the Mt. Spieker (EB) and Hermann deposits to each have lives of approximately 10 years.

#### 14 VALUATION APPROACH SELECTED

14.1 In determining the appropriate methodology to determine the fair market value of Mr. James 0.219% Interest, we have considered:

- The royalty relates to a future income stream of payments;
- Mt. Spieker (EB) and Hermann deposits are in 'development' and yet to be producing; and,
- Historical information does not necessary reflect future cash flow potential.

14.2 Based on these factors and our experience with the valuation of similar agreements, we have considered a discounted cash flow ("DCF") method in valuing the Interest to be appropriate.

<sup>8</sup> The United States Securities and Exchange Commission, Form 10-K, Walter Energy, Inc., for the fiscal year ended December 31, 2014.

<sup>9</sup> The BC Ministry of Energy, Mines and Natural Gas. *Regional Geologist Summaries, Exploration and Mining in British Columbia 2012*, dated January 2013.

## 15 APPLICATION OF THE DISCOUNTED CASH FLOW METHOD

- 15.1 The DCF method is generally used in situations where the future cash flows can be reasonably forecasted and are expected to differ from historical results.
- 15.2 Under the DCF method, fair market value of the Interest is calculated as the net present value of expected future cash flows generated from the royalty payment. Future cash flows are projected over the life of the Wolverine Mine and discounted by a suitable rate of return, which considers a number of risk factors, such as, agreement specific, industry specific, forecast risk, as well as the time value of money.
- 15.3 This approach considers the amount, timing and relative certainty of projected cash flows expected to be generated by the RSA. Assumptions must be made regarding several items including timing and amount of future cash flows and discount rates. The risk that some of the assumptions will prove to be inaccurate (i.e. forecast risk) is one of the risk factors evaluated in the determination of the discount rate to be used in establishing a range of values.
- 15.4 We discuss the major inputs to the DCF below:
- Forecasted Prices of Coking Coal*
- 15.5 Based on a Supreme Court of British Columbia document dated August 16, 2016, it is our understanding that Mr. James' royalty consideration under the RSA is calculated as 0.219% of revenue generated by the coal produced from the Wolverine Mine.<sup>10</sup>
- 15.6 As the royalty consideration involves future prices of coking coal, for the purposes of determining the fair market value of the Interest, forecasted prices of coking coal needs to be established.
- 15.7 In establishing the forecasted prices of coking coal, we utilized the business intelligence database S&P Capital IQ ("Capital IQ"), specifically, the industry analyst consensus mean forecast of coking coal.
- 15.8 As detailed in Schedule 4, the analyst price forecast is available from 2017 to 2025. It is noted that the number of analyst forecasts estimates decreases over time; therefore, we only placed reliance on the forecast until 2021. We applied the Bank of Canada forecast inflation rate to the price thereafter.
- 15.9 As forecasted prices are commonly communicated as consensus mean, for the purpose of determining the fair market value of the Interest, we utilized the mean analyst forecast price.

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<sup>10</sup> In the Supreme Court of British Columbia, *Order Made After Application (Approval and Vesting Order)*. No. S-1510120, Vancouver Registry, dated August 16, 2016

*Expected Future Production and Timing*

- 15.10 As Mr. James royalty consideration is dependent on the annual production of the Deposits, timing of expected future production is required.
- 15.11 It is our understanding that the annual production of the Wolverine Mine is constrained by the capacity of the preparation plant (the "Plant"). Based on Western Coal's 2007 Annual Report, it is our understanding that the Plant was designed and built to process 3.0 million tonnes of hard coking coal per annum.<sup>11</sup> However, on review of Walter Energy's 10-K filing for the year ended December 31, 2012, it was noted that the Plant was 70.0% utilized and produced 1.8 million tonnes of coal in the Perry Creek deposit during 2012, implying the Plant's capacity to be approximately 2.6 million tonnes per annum.<sup>12</sup> For the purpose of this Expert Report, we assumed the Plant to have capacity of 2.6 million tonnes per annum, as opposed to the 3.0 million tonnes as noted above.
- 15.12 After establishing the capacity of the Plant, a determination of the expected annual production is required, as it may not be reasonable to assume that the Plant will be 100% utilized. We reviewed the Plant's historical production with a view to determine the Plant's normalized production level. As detailed on Schedule 3, assuming capacity of 2.6 million tonnes per annum, the Plant's historical utilization ranged from 55.4% to 72.1%. For the purpose of this Report, we selected a utilization of 65.0%, the approximate mid-point of the above noted range. We note that a utilization of 65.0% is equivalent to production of approximately 1.7 million tonnes per annum.
- 15.13 Based on the above, we selected a production volume of 1.7 million tonnes per annum, generally consistent with historical production volumes as noted on Schedule 3.
- 15.14 In addition, for the purpose of this Expert Report, we have assumed and utilized a restart date of the Wolverine Mine to be January 2, 2017, consistent with a report from the CBC as included in the Instruction Letter.

*Discount Rate*

- 15.15 The discount rate represents a risk-adjusted rate of return on the cash flows of the Interest as at the Valuation Date. Specific risk factors include, industry, forecast, as well as the time value of money.
- 15.16 The risk associated with a royalty stream carries less risk than the operations generating the royalty itself. The discount rate for Mr. James' royalty stream is lower than that of the actual mining operations.
- 15.17 We first established the weighted average cost of capital ("WACC") of coal producers to determine a discount rate for mining operations. The WACC is the weighted average of the cost of debt and the cost of equity. We calculated the WACC using the Capital Asset Pricing Model ("CAPM"), utilizing publicly traded coal producers with a market capitalization greater than \$500.0 million. Based on our analysis on Schedule 5, we calculated a WACC range of 8.0% to 9.0%.
- 15.18 Based on our understanding of the stage of the Deposits, history of the operations, risk associated with a royalty generated future cash flow, as well as other relevant factors, we considered a discount rate of the Interest to reasonably be in the range of 6.0% to 7.0%.
- 15.19 As noted above, our selected discount rate considered a 2.0% discount to the WACC of coal producers. This is primarily due to the nature of the Interest being a royalty stream, which carries less risk than the business operations of coal mining as a whole.

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<sup>11</sup> 2007 Annual Report of Western Canadian Coal Corp.

<sup>12</sup> 1.8 million tonnes divided by 70% = 2.6 million tonnes

## 16 CONCLUSION

16.1 Subject to the scope, scope limitation, key assumptions, restrictions and qualifications noted in this Expert Report, we calculate the fair market value of Mr. James 0.219% interest in the remaining reserves of the Wolverine Mines as at the Valuation Date, to be as follows (see Schedule 1):

(in C\$000's)	Low	High	Mid
Fair market value of the Interest	6,900	7,400	7,150

16.2 Where a specific amount is required, we note the midpoint of the above noted range.

The attached schedules are an integral part of our Expert Report, and demonstrate the application of the selected methodology in determining our conclusion.

Should you have any comments regarding the above, please contact Michael Sileika, CPA, CA, CBV directly at 604.637.1585.

Yours sincerely,

**MNP LLP**



Per:

MICHAEL SILEIKA, CPA, CA, CBV  
Valuations and Litigation Support

**Appendix A**  
Schedules

Walter Energy Canada Holdings, Inc. v. Kevin James

Expert Report

Discounted Cash Flow Analysis

For the period ended December 31

As at January 2, 2017 (in C\$000's, except as stated)

Schedule 1

Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036			
Reserves mined (in 000's tonnes)	1,487	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	564		
Price per tonne (in US \$'s)	187.1	139.9	127.2	125.5	122.5	125.0	127.4	130.0	132.6	135.2	138.0	140.7	143.5	146.4	149.3	152.3	155.4	158.5	161.6	164.9	164.9	164.9	
Total (in US \$000's)	278,179	237,838	216,272	213,289	209,250	212,415	216,663	220,997	225,416	229,925	234,523	239,214	243,998	248,878	253,856	258,933	264,111	269,394	274,781	279,966	92,986	92,986	
Royalty rate	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	0.219%	
Royalty payment (in US \$000's)	609	521	474	467	456	465	474	484	494	504	514	524	534	545	556	567	578	590	602	614	626	638	
Exchange rate (CAD per USD)	1.313	1.267	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	1.228	
Royalty payment	800	660	582	574	560	571	583	594	606	619	631	643	656	669	683	697	710	725	739	754	769	784	
Fair market value of the Interest - Low																							
Royalty payment	800	660	582	574	560	571	583	594	606	619	631	643	656	669	683	697	710	725	739	754	769	784	
Discount rate 7.0%	0.957	0.903	0.844	0.789	0.738	0.689	0.644	0.602	0.563	0.526	0.491	0.459	0.429	0.401	0.375	0.350	0.327	0.306	0.286	0.267	0.250	0.234	
Present value	773	596	491	453	413	394	375	358	341	325	310	296	282	269	256	244	233	222	211	200	189	178	
Total - Low, rounded																							6,900

Fair market value of the Interest - High																							
Royalty payment	800	660	582	574	560	571	583	594	606	619	631	643	656	669	683	697	710	725	739	754	769	784	
Discount rate 6.0%	0.971	0.916	0.864	0.816	0.769	0.726	0.685	0.646	0.609	0.575	0.542	0.512	0.483	0.455	0.430	0.405	0.382	0.361	0.340	0.321	0.302	0.283	
Present value	777	605	503	466	431	415	399	384	370	356	342	329	317	305	293	282	272	261	252	242	232	222	
Total - High, rounded																							7,400

Notes:

- See Schedule 4. Coking coal price forecasts were available until 2025. As analysts forecasts were minimal post 2021, thereafter we applied 2.0% inflation rate equivalent to the Bank of Canada target inflation rate to account for future price changes.
- Based on information provided in the Instruction Letter from Counsel.
- Source of information: S&P Capital IQ. Exchange rate forecasts were available until 2019, we utilized the 2019 exchange rate thereafter.
- This schedule has been compiled without audit, forms part of and should only be read in conjunction with our Expert Report dated March 3, 2017.

Walter Energy Canada Holdings, Inc. v. Kevin James

Expert Report

Production Schedule Forecast

For the period ended December 31

As at January 2, 2017 (in thousand tonnes, except as stated)

Schedule 2

Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Life of Mine																				
Beginning of year	32,651	31,164	29,464	27,764	26,064	24,364	22,664	20,964	19,264	17,564	15,864	14,164	12,464	10,764	9,064	7,364	5,664	3,964	2,264	564
Production	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(564)
Ramp-up adjustment	213	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
End of year	31,164	29,464	27,764	26,064	24,364	22,664	20,964	19,264	17,564	15,864	14,164	12,464	10,764	9,064	7,364	5,664	3,964	2,264	564	-

Notes:

1. Reserves information obtained from the United States Securities and Exchange Commission, Form 10-K, Walter Energy, Inc., for the fiscal year ended December 31, 2014. It is our understanding that the Wolverine mine has been idle since April 2014. For the purpose of this Report, we have assumed that there was no material change to the quantum of recoverable resources from April 2014 to the Valuation Date. Reserves by deposit are as follows:

Reserves - Proven and probable	
Perry Creek	8,827
Mt. Spieker (EB)	14,749
Hermann	9,075
<b>Total</b>	<b>32,651</b>

2. In determining forecast production of the Wolverine Mine, we reviewed plant capacity and historical production information as presented on Schedule 3. We note that the plant had a historical utilization of approximately 60.0% to 70.0%. For the purpose of this Report, we have assumed plant utilization of 65.0%, equivalent to approximately 1,700 thousand tonnes of production per annum. We have assumed that as reserves are depleted in the Perry Creek deposit, the other deposits will be developed to allow for consistent utilization.

3. Based on a review of publicly available information, it is our understanding that the Wolverine Mine was expected restart on January 2, 2017 and reach full production by April 1, 2017. For the purpose of this Expert Report, we have assumed that between January 2, 2017 to April 1, 2017, the mine would experience a ramp-up period to reach full productivity. Ramp-up period adjustments are calculated as follows:

Plant capacity	Schedule 3	2,606
Utilization		65.0%
Reserve mined per annum, rounded		1,700
Ramp-up period average productivity		50.0%
Adjusted reserve mined per annum		850
Pro-rate for three months		0.25
<b>Ramp-up adjustment</b>		<b>213</b>

4. This schedule has been compiled without audit, forms part of and should only be read in conjunction with our Expert Report dated March 3, 2017.

**Walter Energy Canada Holdings, Inc. v. Kevin James**  
Expert Report

Historical Production Schedule - Wolverine Mine

As at January 2, 2017 (in thousand tonnes, except as stated)

Schedule 3

Reference	Mar-31 2007	Mar-31 2008	Mar-31 2009	Mar-31 2010	Dec-31 2011	Dec-31 2012	Dec-31 2013	Dec-31 2014
	Note 1	Note 2	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7
Capacity	2,606	2,606	2,606	2,606	2,606	2,606	2,606	2,606
Production	921	1,880	1,295	1,500	1,083	1,824	1,600	563
Plant utilization	35.3%	72.1%	49.7%	57.6%	41.6%	70.0%	61.4%	21.6%
Annualized	70.7%	72.1%	49.7%	57.6%	55.4%	70.0%	61.4%	n/a
Selected	65.0%							

Notes:

- Information obtained from the 2007 Annual Report of Western Canadian Coal Corp. It is our understanding that production commenced October 1, 2006; production for the year ended March 31, 2007 represents six months of operations.
- Information obtained from the 2009 Annual Report of Western Coal Corp.
- Information obtained from the 2010 Annual Report of Western Coal Corp.
- Information obtained from the United States Securities and Exchange Commission, Form 10-K, Walter Energy, Inc., for the fiscal year ended December 31, 2011. It is our understanding that Walter Energy, Inc. acquired Western Coal Corp. on April 1, 2011. The results represent nine months of production from April 1, 2011 to December 31, 2011.
- Information obtained from the United States Securities and Exchange Commission, Form 10-K, Walter Energy, Inc., for the fiscal year ended December 31, 2012.
- Information obtained from a press release, *Walter Energy to Idle Canadian Operations*, dated April 15, 2014.
- Based on information obtained from the United States Securities and Exchange Commission, Form 10-K, Walter Energy, Inc., for the fiscal year ended December 31, 2014, the Wolverine Mine was idled in April 2014. Although the production for 2014 was not explicitly stated, we assumed that 2014 production be approximated by the difference between the reserves amount, as follows:

2013 reserves per Annual Report	9,390
2014 reserves per Annual Report	8,827
Assumed 2014 production	563



**Walter Energy Canada Holdings, Inc. v. Kevin James**  
Expert Report

Historical Production Schedule - Wolverine Mine

As at January 2, 2017 (in thousand tonnes, except as stated)

Schedule 3

8. Based on a report titled Regional Geologist Summaries Exploration and Mining in British Columbia 2012, as published by the Ministry of Energy, Mines and Natural Gas, it is our understanding that the Wolverine Mine is permitted to produce up to 3.0 million tonne per year.  
In addition, we reviewed production information to determine the production capacity of the plant. The 10-K filing of Walter Energy, Inc. for the fiscal year ended December 31, 2012, notes that the plant was 70.0% utilized and produced 1,824 thousand tonnes of coal; this implies a plant capacity of 2.6 million tonnes per annum. For the purpose of this Report, we utilized plant capacity of 2.6 million tonnes per annum.
9. For the purpose of this Report, we have assumed linear extrapolation of stub period results.
10. This schedule has been compiled without audit, forms part of and should only be read in conjunction with our Expert Report dated March 3, 2017.

**Walter Energy Canada Holdings, Inc. v. Kevin James**  
Expert Report

Analyst Forecast - Coking Coal  
As at January 2, 2017 (in USD)

Schedule 4

Contributor	2017	2018	2019	2020	2021	2022	2023	2024	2025
Axis Capital Limited	160.0	200.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
BMO Capital Markets Equity Research	209.0	130.0	115.0	115.0	n/a	n/a	n/a	n/a	n/a
Bradesco S.A. Corretora de Títulos e Valores Mobiliários	153.0	136.0	127.5	127.5	n/a	n/a	n/a	n/a	n/a
Canaccord Genuity	218.8	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0
CIBC World Markets Inc.	135.0	120.0	120.0	120.0	n/a	n/a	n/a	n/a	n/a
Clarkson Capital Markets	225.0	165.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Erste Group Bank AG	170.0	140.0	125.0	n/a	n/a	n/a	n/a	n/a	n/a
FBR Capital Markets & Co.	200.0	140.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jefferies LLC	198.0	150.0	135.0	140.0	n/a	n/a	n/a	n/a	n/a
National Bank Financial	215.0	160.0	150.0	135.0	n/a	n/a	n/a	n/a	n/a
Other	214.0	155.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other	213.8	150.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other	201.0	150.0	150.0	130.0	n/a	n/a	n/a	n/a	n/a
Other	198.0	140.0	125.0	121.0	n/a	n/a	n/a	n/a	n/a
Other	189.0	130.0	120.0	120.0	n/a	n/a	n/a	n/a	n/a
Other	182.0	125.0	120.0	117.0	n/a	n/a	n/a	n/a	n/a
Raymond James Ltd.	139.0	112.0	115.0	n/a	n/a	n/a	n/a	n/a	n/a
Scotiabank Global Banking and Market	190.0	130.0	130.0	130.0	130.0	n/a	n/a	n/a	n/a
Societe Generale Cross Asset Research	138.0	110.0	110.0	110.0	110.0	n/a	n/a	n/a	n/a
TD Securities Equity Research	210.0	140.0	135.0	130.0	120.0	120.0	n/a	n/a	n/a
Wood & Company	170.0	125.0	128.0	131.0	n/a	n/a	n/a	n/a	n/a
Mean	187.1	139.9	127.2	125.5	122.5	125.0	130.0	130.0	130.0
Median	198.0	140.0	126.3	128.8	125.0	125.0	130.0	130.0	130.0
Number of analyst estimates	21	21	16	14	4	2	1	1	1
Selected	187.1	139.9	127.2	125.5	122.5	125.0	127.4	130.0	132.6

Notes:

1. Information obtained from S&P Capital IQ, [www.capitaliq.com](http://www.capitaliq.com).

2. We note that Capital IQ did not disclose these contributors; however, based on Capital IQ's reputation and reliability, we have included those data points in our analysis.

3. We utilized analysts forecast mean until 2021 after which the number of forecasts were too few for us to place reliance. Post 2021, to recognize future price expectations, we applied a 2.0% inflation rate, equivalent to the Bank of Canada target inflation rate.

4. This schedule has been compiled without audit, forms part of and should only be read in conjunction with our Expert Report dated March 3, 2017.

**Walter Energy Canada Holdings, Inc. v. Kevin James**

Expert Report

Weighted Average Cost of Capital - Coal Producers

As at January 2, 2017 (in Millions CAD)

Schedule 5

Guideline Companies	Ticker	Cash	Total Debt	Market Value of Equity	Total Enterprise Value (EV)	Net Debt to EV	Equity to EV	Historical Effective Tax Rate	Levered Equity Beta	Historical Debt to Equity	Unlevered Equity Beta
Altius Minerals Corporation	TSX:ALS	13	84	549	621	11.5%	88.5%	0.0%	1.42	0.24	1.15
Arch Coal, Inc.	NYSE:ARCH	528	487	2,621	2,580	-1.6%	101.6%	0.0%	-	0.49	-
SunCoke Energy, Inc.	NYSE:SXC	180	1,147	978	2,387	40.5%	59.5%	12.6%	1.29	1.33	0.59
Teck Resources Limited	TSX:TECK.B	1,407	8,343	15,540	22,635	30.6%	69.4%	36.1%	3.57	0.47	2.74
								Average	1.57	0.63	1.12
								Median	1.35	0.48	0.87
								Selected	1.35	0.48	0.87

Low High

Unlevered Equity Beta 0.83 0.91  
Debt-to-Equity 0.48 0.48  
Selected Subject Tax Rate 26.0% 26.0%

Relevered Equity Beta 1.12 1.24

Risk-free Rate 1.7% 1.7%  
Equity Risk Premium 6.0% 6.0%  
Levered Equity Beta 1.12 1.24

Cost of Equity Capital 8.5% 9.2%

Unsystematic Risk Factors Size Premium 1.0% 1.0%  
Company-specific Premium 0.0% 0.0%

Subject's Cost of Equity Capital 9.5% 10.2%

Subject's Estimated Pre-tax Cost of Debt Capital Tax Rate 7.0% 7.0%  
After-tax Cost of Debt 26.0% 26.0%

Debt-to-Capital 5.2% 5.2%  
Equity-to-Capital 32.4% 32.4%

Weighted Average Cost of Capital, Coal Producers 67.6% 67.6%  
Adjustment for royalty stream risk 8.1% 8.6%  
Discount rate, Royalty stream -2.0% -2.0%

Rounded 6.1% 6.6%  
6.0% 7.0%

Notes:

1. Source of information - S&P Capital IQ.

2. This schedule has been compiled without audit, forms part of and should only be read in conjunction with our Expert Report dated March 3, 2017.

Appendix A

Page 6 of 6

**Appendix B**  
Scope of Review

## SCOPE OF REVIEW

In performing our Expert Report, in addition to those outlined in this Expert Report, we reviewed and relied, without audit or verification by us, primarily upon the following information:

- i. An instruction letter from Ms. Heather L. Jones of Miller Thompson LLP, dated January 20, 2017;
- ii. The Annual Report of Western Coal Corp. for the fiscal years ended March 31, 2007 through 2010, inclusive;
- iii. Information obtained from the United States Securities and Exchange Commission, Form 10-K, Walter Energy, Inc., for the fiscal years ended December 31, 2011 through 2014, inclusive;
- iv. Walter Energy Inc.'s press release titled, *Walter Energy to Idle Canadian Operations*, dated April 15, 2014;
- v. Mr. James' Proof of Claim, dated October 1, 2016;
- vi. Mr. James' Application Response, dated August 9, 2016;
- vii. Mr. James Notice of Dispute, dated December 5, 2016;
- viii. The Claims Process Order of Madam Justice Fitzpatrick granted on August 16, 2016;
- ix. The Bankruptcy Procedure Order of Madam Justice Fitzpatrick granted December 16, 2016;
- x. CIM Definition Standards – For Mineral Resources and Mineral Reserves, prepared by the CIM Standing Committee on Reserve Definition, adopted by CIM Council on November 27, 2010;
- xi. The Supreme Court of British Columbia, Citation: *Walter Energy Canada Holdings, Inc. (Re)*, 2016 BCSC 1746, dated September 23, 2016;
- xii. Government of Canada, CCAA Records, retrieved from <https://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br03501.html>;
- xiii. The Supreme Court of British Columbia, *Order Made After Application (Approval and Vesting Order)*. No. S-1510120, Vancouver Registry, dated August 16, 2016;
- xiv. CBC, *Tumbler Ridge to ring in new year with return of mining jobs*, dated December 29, 2016;
- xv. Corporate Registry Notices, Volume: CXLIX, No. 39, dated October 1, 2009, as published by the Ministry of Finance;
- xvi. The Regional Geologist Summaries, Exploration and Mining in British Columbia 2012 Report, as published by the Ministry of Energy, Mines and Natural Gas; and,
- xvii. Information obtained from S&P Capital IQ, [www.capitaliq.com](http://www.capitaliq.com);
- xviii. Duff & Phelps 2016 Valuation Handbook – Guide to Cost of Capital;
- xix. Duff & Phelps 2016 Valuation Handbook – Industry Cost of Capital; and,
- xx. Bank of Canada, Rates and Statistics, 2016, [www.bankofcanada.ca](http://www.bankofcanada.ca).

We have not audited or otherwise verified the accuracy or completeness of the information relied upon in preparing our Expert Report, except as specifically disclosed herein.

Should any of the above noted information not be factual or correct our valuation conclusion, as expressed herein, may be materially different.

**Appendix C**  
Assumptions

## ASSUMPTIONS

In addition to those assumptions outlined elsewhere in this Expert Report, we have assumed the following:

- i. Except as otherwise noted herein, all quantitative and qualitative information provided to us is complete and accurate;
- ii. The Mt. Spieker (EB) and Hermann deposits can reasonably be expected to be production in the near future;
- iii. As reserves are depleted in the Perry Creek deposit, the other deposits will be developed to allow for a consistent Plant utilization;
- iv. Utilizing the analysts' consensus mean from 2017 to 2021, and inflation adjusted thereafter, is a reasonable proxy for future expectation of coking coal prices;
- v. The Wolverine Wine was expected restart on January 2, 2017, and to reach full production by April 1, 2017;
- vi. Utilizing the exchange rate forecast as provided by S&P Capital IQ is a reasonable proxy for future expectation of exchange rate; and,
- vii. Utilizing the last available exchange rate forecast, year 2019, as provided by S&P Capital IQ, is a reasonable proxy for exchange rate expectation post 2019.

We have not audited or otherwise verified the accuracy or completeness of the information relied upon in preparing this analysis, except as specifically disclosed herein. Should any of the above assumptions not be accurate our analysis, as expressed herein, may be materially different.

**Appendix D**  
Instruction Letter





January 20, 2017

Via Email - Michael.Sileika@mnp.ca

MNP  
Professional Chartered Accountants  
2200 West Hastings Street  
Suite 1600 MNP Tower  
Vancouver, BC V6E 0C3

Attention: Michael Sileika

Heather L. Jones  
Direct Line: 604.643.1231  
hjones@millerthomson.com

File: 216564.0001

Dear Mesdames/Sirs:

**Re: Walter Energy Canada Holdings, Inc. –  
Companies' Creditors Arrangement Act;  
BCSC Action No. S-1510120, Vancouver Registry;  
Our Client: Kevin James;**

Thank you for agreeing to assist us in the above-noted matter. As discussed, our client, Mr. Kevin James, is a claimant pursuant to a Claims Procedure Order in a CCAA matter involving Walter Energy Canada Holdings, Inc. et al. The Notice of Dispute filed on behalf of Mr. James in the CCAA proceeding is attached.

### **Facts**

Mr. James and two other individuals entered into a Royalty Sharing Agreement ("RSA") with Western Coal Corp. (subsequently acquired by Walter Energy Canada Holdings, Inc.) (the "Company") in the coal produced from various mines including the mines referred to collectively as the Wolverine Mines which comprise Mount Spieker, Perry Creek and Hermann Mines. An interpretation of the RSA was the subject of a proceeding in the British Columbia Supreme Court which resulted in a finding that Mr. James was entitled to a 0.219% royalty in the coal produced by these mines.

The Company recognized the RSA and paid Mr. James royalties pursuant to the RSA until the mine was shut down in 2014.

The Company applied for and was granted CCAA protection in January 2016. Pursuant to an Order of the Court in the CCAA proceedings the Wolverine Mines were sold to the parent company, ERP Compliant Fuels, of a newly formed Canadian company, Conuma Coal, an arm's length company from the United States. As part of that sale the royalty interest was not transferred. Mr. James challenged the failure to transfer his royalty interest claiming his interest was an interest in the land. By the Decision of Madam Justice Fitzpatrick of

September 23, 2016, it was determined that the royalty agreement did not amount to an interest in land. The RSA was not assumed by the purchaser. The Wolverine Mines are to recommence production shortly as reported by CBC.

By Notice dated November 7, 2016, the Company informed Mr. James that they were resiling from the contract pursuant to the CCAA. Mr. James filed a Notice of Dispute which has, to date, not been resolved. As a result, the next step in the procedure is to initiate a summary trial to resolve this issue under the CCAA which materials must be filed by no later than February 9, 2017.

For your information we attach the following documents:

1. Mr. James' Proof of Claim;
2. Decision of Madam Justice Fitzpatrick dated September 23, 2016; and
3. Report from CBC reporting the recommencement of operations at the Wolverine Mines on January 2, 2017.

### **Opinion Sought**

Given the above-noted facts and assumptions, we ask for your opinion on the following question:

What is the value of Mr. James' 0.219% royalty interest in the remaining coal reserves of the Wolverine Mines?

As you are aware we are seeking an independent expert opinion for this litigation. In your opinion we ask that you set out:

1. Your qualifications;
2. The information and assumptions you relied upon and provide copies of any materials not provided herein;
3. Your opinion on the above-noted question; and
4. Your certification, as follows:

I/WE CERTIFY that:

- (a) I/we am/are aware that I/we have a duty to assist the Court and I/we am/are not to be an advocate for any party;
- (b) I/we have made this Report in conformity with that duty; and
- (c) I/we will, if called on to give oral or written testimony, give that testimony in conformity with that duty.

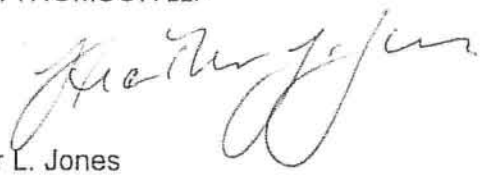


Thank you for your assistance.

Yours very truly,

MILLER THOMSON LLP

Per:



Heather L. Jones  
Partner  
HLJ/lm

Enclosures  
c. Client, via Email



## Tumbler Ridge to ring in new year with return of mining jobs

Second coal mine restarting prompts hiring of 220 more people

By Andrew Kurjata, [CBC News](#) Posted: Dec 29, 2016 1:37 PM PT Last Updated: Dec 29, 2016 1:37 PM PT

Ami Strang was working as a lab technician at the Wolverine coal mine in Tumbler Ridge when it was shut down [in April 2014](#).

"I moved back in with my parents, I put all my stuff back in storage," she said.

She later found work in Fort McMurray, but it involved being away from home for long stretches of time.

We went to work one day and found out we weren't working. It was pretty rough."- *Ami Strang*

"Luckily for me I'm single and don't have any kids," she said.

"I know a lot of families here whose dads are gone to camp and aren't home very often. So it was very hard on the community."

Strang was one of more than 700 Tumbler Ridge residents to lose their jobs in 2014 and 2015 as dropping demand for coal led to a series of mine closures in the community of just under 3,000 people.

"We went to work one day and found out we weren't working," Strang recalled. "It was pretty rough."

### 'Things were feeling a little bit hopeless'

That sentiment is shared by Tumbler Ridge Chamber of Commerce executive director Jerrilyn Schembri.

"Things were feeling a little bit hopeless," she said. "Houses were going back to the banks, people didn't have a lot of extra money and people were really just holding on in the hopes that something would happen."

Something did happen earlier this year when Conuma Coal, a newly formed Canadian affiliate of West Virginia's ERP Compliant Fuels, [purchased three Tumbler Ridge coal mines](#), including Wolverine.

- [Tumbler Ridge coal mines sold to U.S. company brings hope to struggling town](#)

"That really was a shot in the arm to Tumbler Ridge," Schembri said. "All of a sudden the whole mood seemed to change ... the feeling around town brightened."

### Coal to be used for steel production

ERP Compliant Fuels CEO Ken McCoy told CBC that his company believes coal can still be profitable, if the right approach is taken.

"Our philosophy is to try to capitalize on this market where coal is out of favour by acquiring some of the best reserves that we can," he said.

"That's what interested us in Canadian coals."

McCoy said the coal available in the Tumbler Ridge region could be used in steel production, which is a less volatile market.

## Environmental costs criticized

ERP Compliant Fuels bills itself as a fossil-fuel company interested in reducing global carbon emissions.

According to the company's website, ERP uses revenue from coal sales to purchase carbon offsets in an effort to reduce overall CO2 levels worldwide.

Some environmental groups have criticized a business model that uses profits from fossil fuels to offset carbon levels.

"Finding ways to make coal more economical is not really in our long-term interest," said Kyrke Gaudreau, sustainability manager at the University of Northern British Columbia.

"We actually have to make the conscious choice to start transitioning [away from fossil fuels]."

However, McCoy said he thinks the business model can be profitable and benefit the environment by using coal sales to fund reforestation, for example.

According to its website, ERP has purchased thousands of acres of former mined land in the U.S. and plans to plant millions of trees.

"We are a for-profit company that mines coal," said McCoy. "But we are trying to have influence to offset the carbon through reforestation."

## Local workers for local jobs

He also said they want to take a community-based approach, which includes hiring as many locals as possible.

"It is our intention, to the extent that we can, to fill every job by locals."

His company started by reopening the Brule mine, about 1.5 hours away from Tumbler Ridge, and hiring back 170 people — including Strang.

She said the company's community-based approach is evident in the way things are being run.

"Their outlook is to be able to run the mine at low-cost so when [a changing market] does happen again, they won't just lay everybody off ... which is super settling," she said.

"The company that I used to work for, you didn't know anything."

Conuma is now hiring an additional 220 people to restart the Wolverine mine on Jan. 2, with plans to reopen the third by summer 2017.

While Strang is happy to be working at Brule as a truck driver, she hopes to return to her original post at Wolverine because it would make for a shorter commute.

Either way, she's happy to once again be working in the community she calls home.

"It's awesome."

With files from George Baker.

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Site Map

**Appendix E**

Curriculum Vitae of Michael Sileika, CPA, CA, CBV

## Michael Sileika, CPA, CA, CBV

### SERVICE LINE

Valuation and Litigation Support Services

### INDUSTRY FOCUS

Owner managed, natural resources, public company and construction

### OFFICE

Vancouver



### PROFILE

Michael Sileika is the lead Partner for Valuation and Litigation Support services in British Columbia, he is both a Chartered Professional Accountant and a Chartered Business Valuator. Michael has over 20 years of experience in providing valuation services for purposes ranging from mergers and acquisitions, litigation support, economic loss quantification, damage quantification, fairness opinions, arbitration and financial reporting. He has direct experience in a wide array of industries including retail, manufacturing, mining, construction, power generation and transmission, and First Nations.

Michael has been directly involved in numerous valuation clauses in shareholders' agreements, shareholder disputes and related mandates. Most recently, Michael worked closely with legal counsel in resolving a shareholder buy out related to a residential development company. Michael has been sworn in and has provided expert testimony in British Columbia.

### SELECTED ASSIGNMENTS

#### INDUSTRY

#### SERVICE

Residential  
Construction

Shareholder  
Buy-out

Franchise Fast  
Food

Damage  
Quantification

Engineering  
Consulting

Shareholder  
Buy-out

Non-Chartered  
Bank Lending

Transaction  
Support

Real Estate  
Development and  
Operations

CRA  
Compliance

- **Matter settled** – Prepared valuation report in compliance with terms of shareholders' agreement and worked with legal counsel to successfully rebut counter-party valuation.
- **File in progress** – Support legal counsel in litigation between franchisee and franchisor related to revoked franchise agreement.
- **Confidential Company** – Worked with client to bridge shortcomings of valuation clause in shareholders agreement with current fair market value of operations.
- **Confidential Company** – Determined fair market value of a consumer credit operation in connection with the disposition of shares by a majority shareholder.
- **Confidential Company** – Determined fair market value of donated restricted shares for CRA compliance purposes.



Forest Products	Litigation Support	<ul style="list-style-type: none"> <li>• <b>Taiga Building Products Ltd.</b>– Supporting a forestry company in litigation related to a tax structure recommended and implemented by a professional advisor. Mandate involves quantification of various scenarios related to the timing and form of the tax structure.</li> </ul>
Professional Accounting	Damage Quantification	<ul style="list-style-type: none"> <li>• <b>File settled</b> – Work with professional accounting firm to determine alleged financial damages attributed to clients lost to departing partners.</li> </ul>
Health Consulting	Matrimonial Dispute	<ul style="list-style-type: none"> <li>• <b>File settled</b> – Support legal counsel of the defendant in various advisory and valuation matters.</li> </ul>
Wealth Management	Litigation Support	<ul style="list-style-type: none"> <li>• <b>File Settled</b> – Support legal counsel of the defendant related to loss of earnings due to alleged deceptive hiring and wrongful dismissal.</li> </ul>
HVAC Systems	Litigation Support	<ul style="list-style-type: none"> <li>• <b>File in Progress</b> – Support legal counsel of the defendant related to loss of earnings claim due to alleged negligence.</li> </ul>
Real Estate Holding & Development	Matrimonial Dispute	<ul style="list-style-type: none"> <li>• <b>File Settled</b> – Act as joint expert to value a portfolio of business' in connection with a matrimonial dispute.</li> </ul>
Contracting	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Determined fair market value of a series of companies for matrimonial dispute purposes.</li> </ul>
Viniculture	Damage Quantification	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Quantified damages, reviewed counter-party analysis and prepared response document for a vineyard. Damage quantification in relation to losses suffered by a vineyard due to a natural disaster.</li> </ul>
Contracting	Litigation Support	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Determined the fair market value of a constructing contracting company for litigation purposes.</li> </ul>
Construction	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Determined the fair market value, historical dividend paying capacity and industry benchmark ratios for a construction company. Mandate performed for shareholder dispute purposes.</li> </ul>
Tourism	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Prepared a report for counsel detailing and analyzing a chain of transactions and financial events. Involved analysis of shareholders and identification of related parties to the various transactions. Prepared in conjunction with alleged shareholder oppression.</li> </ul>
Natural Resources	Litigation Support	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – In connection with a professional negligence claim, prepared a critique report of valuation services performed for the counter-party. Critique report prepared for trial purposes.</li> </ul>
Retail	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>National Canadian Retail Operation</b> – Prepared a valuation of a significant and well recognized Canadian retail company. Valuation performed for defence purposes connected with allegations of anti-competitive behaviour.</li> </ul>
Restaurant	Damage Quantification	<ul style="list-style-type: none"> <li>• <b>Gore Mutual Insurance Company (“Gore”)</b> – Engaged by Gore to quantify the financial loss suffered by a policy holder in connection with loss suffered due to business damage.</li> </ul>

Retail	Critique Report	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Prepared a Limited Critique Report of a valuation report and guideline income report prepared in connection with a matrimonial dispute.</li> </ul>
Real Estate Construction	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Performed a valuation of a real estate development company for dispute purposes. Included various valuations at different points in time and rebuttal of counter-party's expert report.</li> </ul>
Power Generation and Transmission	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>NovaGold Resources Inc.</b> – Performed a valuation of an acquired company for shareholder oppression remedy purposes. Valuation of development stage hydroelectric projects and transmission lines prepared for court purposes. Included initial valuation report and two critique reports of counter-party's expert witness.</li> </ul>
Health and Wellness	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>British Columbia based addiction treatment centre</b> – Performed valuation for shareholder dispute purposes.</li> </ul>
Pharmacy	Shareholder Agreement Compliance	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Prepared a valuation of a pharmacy for shareholder agreement compliance purposes.</li> </ul>
Medical Facility	Shareholder Agreement Compliance	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Prepared valuation of a medical facility for compliance with shareholder agreement and shareholder planning purposes.</li> </ul>
Veterinary Clinic	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Prepared a valuation of a veterinary clinic for the purpose of dispute settlement between shareholders.</li> </ul>
Road Construction	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>Government of British Columbia</b> – Specific details confidential. Performed valuation services in connection with potential financial damages claimed by a contractor related to redesign of a construction plan.</li> </ul>
Landfill Waste Management	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>Regional Landfill Waste Management Site</b> – Performed valuation of significant landfill site for matrimonial dispute purposes. Included preparation of valuation report as well as a critique report to a valuation report prepared for the counter-party.</li> </ul>
Poultry Farm	Dispute Analysis	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Determined the fair market value of the net proceeds on liquidation of a poultry farm. Report prepared in connection with a shareholder dispute.</li> </ul>
Forestry	Fresh Start Accounting	<ul style="list-style-type: none"> <li>• <b>International Forestry Company</b> – Performed valuation of cutting rights for accounting purposes. Company emerging from bankruptcy protection required valuation for 'day one' financial statements. Cutting rights located across Canada.</li> </ul>
Mining	Fairness Opinion	<ul style="list-style-type: none"> <li>• <b>International Mining Company</b> – Preliminary fairness opinion of target company performed for proposed transaction. Target company a vertically integrated mining company with worldwide mining and processing operations.</li> </ul>
Mining	Purchase Price Allocation	<ul style="list-style-type: none"> <li>• <b>Eldorado Gold Corp</b> – Prepared a purchase price allocation of the acquisition of Sino Gold Mining Ltd., valued at over \$2.0 billion. Acquired assets valued included significant mining rights in China.</li> </ul>
Mining	Formal Valuation	<ul style="list-style-type: none"> <li>• <b>Confidential Company</b> – Prepared a formal valuation of a Canadian based mining company in connection with a proposed</li> </ul>

Technology	Formal Valuation	<ul style="list-style-type: none"> <li>transaction and financing purposes. Included development of life of mine plan.</li> <li>• <b>Confidential Company</b> – Engaged to prepare of Formal Valuation of a private technology company involved in a reverse take-over of a public company.</li> </ul>
Public Sector	Economic Services	<ul style="list-style-type: none"> <li>• <b>Government of Ontario, Beverage Alcohol System Review</b> – Valuation services provided as a component of a comprehensive review of the structure of the Liquor Control Board of Ontario. Specifically, determined the relative value to the Government of Ontario of the LCBO based on various retail and wholesale structures.</li> </ul>
Power Transmission	Transaction Purposes	<ul style="list-style-type: none"> <li>• <b>Enersource Corporation</b> – Valuation of City of Mississauga owned power transmission assets performed for strategic planning purposes.</li> </ul>
Sports and Entertainment	Valuation Services	<ul style="list-style-type: none"> <li>• <b>Northwest Sports and Entertainment</b> – Valuation of Vancouver Canucks hockey club prepared for potential going private transaction by publically traded company. Included a second update report to comply with timing of public document filing requirements.</li> </ul>
Sports and Entertainment	Valuation Services	<ul style="list-style-type: none"> <li>• <b>National Hockey League Franchise</b> – Valuation of NHL franchise prepared for potential lender. Valuation report utilized to determine the security of franchise as collateral in a debt agreement.</li> </ul>
Mining	Purchase Price Allocation	<ul style="list-style-type: none"> <li>• <b>Sumitomo Metal Mining Co., Ltd.</b> – Performed valuation of Pogo Gold Mine located in Alaska for transaction purposes. Sumitomo acquired remaining interest in mine site, required to recognize the assets at fair market value as at the acquisition date. Assets included equipment, reserves and resources.</li> </ul>
Mining	Purchase Price Allocation	<ul style="list-style-type: none"> <li>• <b>Rusoro Mining Ltd.</b> – Valuation of assets acquired from Gold Field's Venezuelan operations. Transaction included operating mine and mineral interests.</li> </ul>
Public Sector	Valuation Advisory	<ul style="list-style-type: none"> <li>• <b>Columbia Basin Trust</b> – Determination of valuation methodologies to apply to investments made by the Columbia Basin Trust. Methodologies determined for public reporting purposes.</li> </ul>
Private Equity	Valuation Services	<ul style="list-style-type: none"> <li>• <b>Public Utility Infrastructure Company</b> – Valuation of utility company for fund investor purposes.</li> </ul>
Public Sector	Economic Services	<ul style="list-style-type: none"> <li>• <b>British Columbia Treaty Commission - An Update to the Financial and Economic Analysis of Treaty Settlements in British Columbia</b> - Incorporating recent key developments in the treaty process, updated the conclusions of previous studies that examined the financial and economic impacts of treaty settlements in British Columbia. The report updated the approach, methods, assumptions, and conclusions of the previous studies. Recent key developments were then assessed in terms of their effect on the financial and economic conclusions of the previous studies</li> </ul>

**EDUCATION**

- CBV – Canadian Institute of Chartered Business Valuators
- CPA, CA – Chartered Professional Accountants of British Columbia
- BA, Economics – University of Western Ontario

**MEMBERSHIPS**

- Canadian Institute of Chartered Business Valuators
- Institute of Chartered Accountants of British Columbia



No. S-1510120  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT*  
*ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, c. 57, AS AMENDED

AND

IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT  
OF NEW WALTER ENERGY CANADA HOLDINGS, INC.,  
NEW WALTER CANADIAN COAL CORP., NEW BRULE COAL CORP.,  
NEW WILLOW CREEK COAL CORP., NEW WOLVERINE COAL CORP. and  
CAMBRIAN ENERGYBUILD HOLDINGS ULC

PETITIONERS

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**AFFIDAVIT #1 of MICHAEL SILEIKA**

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