



No. S-236214
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN

1392752 B.C. LTD.

PETITIONER

AND

SKEENA SAWMILLS LTD., SKEENA BIOENERGY LTD.
AND ROC HOLDINGS LTD.

RESPONDENTS

SECOND REPORT OF THE RECEIVER

ALVAREZ & MARSAL CANADA INC.

December 13, 2023

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1.0 INTRODUCTION

- 1.1 On September 20, 2023 (the “**Receivership Date**”), upon the application of 1392752 B.C. Ltd. (the “**Petitioner**”) in Supreme Court of British Columbia Action No. S-236214, Vancouver Registry (the “**Receivership Proceedings**”), the court granted an order (the “**Receivership Order**”) appointing Alvarez & Marsal Canada Inc. (“**A&M**”) as receiver (the “**Receiver**”) of all of the assets, undertakings and property, including real property, of Skeena Sawmills Ltd. (“**Sawmills**”), Skeena Bioenergy Ltd. (“**Bioenergy**”), and ROC Holdings Ltd. (“**ROC**”, and together with Sawmills and Bioenergy, the “**Skeena Entities**” or the “**Company**”).
- 1.2 On October 25, 2023, the Receiver filed a Notice of Application and the first report of the Receiver (the “**First Report**”) seeking an order (the “**Payment Authorization Order**”), among other things, authorizing the Receiver to make all monthly payments owed under the premium financing agreement with Imperial PFS Payments Canada, ULC, via its insurance broker, BFL Canada Risk & Ins Services Inc., dated April 4, 2022 and renewed by renewal agreement dated April 20, 2023.
- 1.3 On October 30, 2023, this Honourable Court granted the Payment Authorization Order.
- 1.4 The Receivership Order along with select application materials and other documents filed in the Receivership Proceedings (the “**Filed Materials**”) are posted on the Receiver’s website (the “**Receiver’s Website**”) at www.alvarezandmarsal.com/skeena.
- 1.5 Capitalized terms not defined in this report (the “**Second Report**”) are as defined in the applicable Filed Materials.

2.0 PURPOSE OF THE SECOND REPORT

- 2.1 This Second Report has been prepared to provide this Honourable Court with information regarding the following:
 - a) the Receiver’s activities since the First Report was filed;
 - b) the Receiver’s interim statement of cash receipts and disbursements and a comparison to the first cash flow forecast (the “**First Cash Flow Forecast**”) for the period October 14 to December 8, 2023;
 - c) the second cash flow forecast for the period December 9, 2023 to March 4, 2024 (the “**Second Cash Flow Forecast**”);
 - d) the status of the sales process in respect of Skeena Entities’ assets, which was commenced on October 31, 2023 (the “**Sales Process**”);
 - e) certain information requested by the Petitioner and provided by the Receiver; and

f) the Receiver's planned next steps in these Receivership Proceedings.

3.0 ACTIVITIES OF THE RECEIVER SINCE THE FIRST REPORT

3.1 Since the First Report, and up to and including the date of this Second Report, the Receiver's activities have included the following:

- a) traveling to and attending at the Company's Terrace, B.C. premises;
- b) preparing for and commencing the Sales Process (further discussed below);
- c) working with independent contractors retained by the Receiver (the "**Contractors**") to calculate the claims of terminated employees and their potential claims under the *Wage Earner Protection Program Act* ("**WEPPA**");
- d) dispatching letters to terminated employees of the Skeena Entities in relation to their potential claims under WEPPA;
- e) providing information regarding WEPPA claims to Service Canada;
- f) attending to numerous calls and enquiries from terminated employees regarding their WEPPA claims;
- g) soliciting bids for and selling the finished inventory of Sawmills located at Sawmill's yard in Terrace, B.C. and at the Port of Prince Rupert, resulting in the sale of such finished goods (further discussed below);
- h) preparing the Second Cash Flow Forecast;
- i) updating the Receiver's Website;
- j) working with the Contractors to review invoices, issuing critical payments and maintaining a receipts and disbursements ledger; and
- k) preparing this Second Report.

4.0 RECEIVER'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

4.1 The Receiver's interim statement of cash receipts and disbursements for the period October 14 to December 8, 2023 (the "**Reporting Period**") and a comparison to the First Cash Flow Forecast for the Reporting Period are summarized in the table below:

Skeena Entities
Receiver's Interim Statement of Cash Receipts and Disbursements
Compared to the First Cash Flow Forecast
For the period October 14 to December 8, 2023
\$CAD'000s

	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
Receipts			
Accounts receivable - Sawmills	\$ 91	\$ -	\$ 91
Sale of inventory	35	-	35
GST Refund	18	-	18
Interest on deposits	13	-	13
Other receipts	1	-	1
Total Receipts	\$ 158	\$ -	\$ 158
Disbursements			
People and contractor costs	\$ 223	\$ 229	(6)
Insurance	387	389	(2)
Professional fees - receiver, counsel	119	250	(131)
Utilities	46	74	(28)
Sawmill/Pellet plant maintenance	5	37	(31)
Source deductions	10	-	10
Computer, subscriptions and IT	19	13	6
Appraisal	24	25	(1)
Office supplies, cleaning and other misc.	2	14	(12)
Total disbursements	835	1,030	(195)
Net cash flow	(677)	(1,030)	353
Opening cash balance	1,928	1,928	-
Ending cash balance	\$ 1,251	\$ 898	\$ 353
Represented by:			
Segregated IWA trust funds per Court Order	102		
Operating trust account	1,149		
Ending cash balance	\$ 1,251		

4.2 As presented above, the favourable cash flow variance of \$353,000 over the Reporting Period was mainly driven by the following:

- receipts of \$158,000 from the collection of a Sawmills accounts receivable (\$91,000) and the sale of finished products held in Sawmills' yard (\$33,000 plus applicable taxes) ¹;
- a favourable timing difference of \$131,000 in the payment of professional fees, which is expected to reverse as invoices for October and November 2023 are processed; and

¹ The Receiver notified all parties that asserted an interest in the finished inventory prior to completing the sales of such inventory.

- c) a favourable net disbursement variance (other than professional fees) of \$64,000 primarily driven by lower than forecast utilities and maintenance costs over the Reporting Period.

5.0 SECOND CASH FLOW FORECAST

- 5.1 The Receiver has prepared the Second Cash Flow Forecast for the period from December 9, 2023 to March 8, 2024 (the “**Forecast Period**”). The Second Cash Flow Forecast is summarized in the table below:

Skeena Entities Second Cash Flow Forecast For the period December 9, 2023 to March 8, 2024 <i>\$CAD'000s</i>	
Receipts	
Other receipts - Inventory	\$ 101
Receipts	101
Disbursements	
People and contractor costs	\$ 219
Insurance	241
Professional fees - receiver, counsel	475
Utilities	106
Sawmill/Pellet plant maintenance	52
Computer, subscriptions and IT	28
Office supplies, cleaning and other misc.	21
Total disbursements	1,141
Net cash flow	(1,040)
Opening operating cash balance	1,149
Ending cash balance	\$ 108

- 5.2 The Second Cash Flow Forecast projects a net cash outflow of \$1.0 million during the Forecast Period, which is based on the following assumptions:

- the Receiver expects to receive up to \$101,000 (potentially subject to certain storage/handling charges) in respect of the sale of Sawmills’ finished products held at the Port of Prince Rupert;
- people and Contractor costs of approximately \$219,000 are primarily related to on-site security and maintenance of the Skeena Entities’ assets, and to assist the Receiver with the Sales Process. There are currently eight (8) Contractors on site assisting the Receiver with the Receivership Proceedings, including six (6) Contractors responsible for maintaining continuous security. In addition to the eight Contractors, three (3) Contractors are used on an “as-needed” basis;
- insurance costs of \$241,000 comprising monthly insurance premium instalments of \$41,000 for Bioenergy and \$40,000 for Sawmills;

- d) professional fees of \$475,000 for the Receiver and its counsel;
- e) utilities of \$106,000 includes forecast BC Hydro and gas charges during the Forecast Period;
- f) sawmill/pellet plant maintenance costs of \$52,000 includes general maintenance of the Skeena Entities, and snow removal costs during the Forecast Period;
- g) computer, subscriptions and IT costs of approximately \$28,000 includes IT contractors, monthly software subscriptions and payroll services software for processing 2023 T4s; and
- h) office, supplies, cleaning and other miscellaneous costs of \$21,000 includes weekly cleaning of the Company's office in Terrace and rent for one apartment for a Contractor.

5.3 A copy of the Second Cash Flow Forecast is attached to this Second Report as Appendix "A".

5.4 While not included in the Second Cash Flow Forecast, the Receiver continues to pursue the following potential collections:

- a) the Receiver has issued collection letters in respect of the Skeena Entities' accounts receivable totaling approximately \$563,000. To date, \$91,000 has been collected, and the Receiver continues to investigate and determine the collectability of the remaining amounts; and
- b) the Receiver is still in the process of recovering certain garnished funds paid into court (Terrace Registry) in the amount of approximately \$181,000.

6.0 SALES PROCESS

6.1 The Sales Process commenced on October 31, 2023. The Receiver, with assistance from the Contractors, developed a list of 146 parties who it believed might have an interest in some or all of Skeena Entities' assets and the financial wherewithal to acquire same. On October 31, 2023, the Receiver dispatched an Invitation for Offers to Purchase (the "**Invitation for Offers**") to the list of potential parties by email. A copy of the Invitation for Offers is attached to this Second Report as Appendix "B".

6.2 The Receiver has also posted the Invitation for Offers on the Receiver's Website, and published the Invitation for Offers with the Globe and Mail (national edition) on November 6, 2023 and the Terrace Standard on November 9, 2023.

6.3 The following table summarizes the anticipated timeline of the Sales Process:

Event	Date (prevailing Pacific time if time-specific)
Sales Process launch	October 31, 2023
Deadline for non-binding expressions of interest (“EOIs”)	December 8, 2023 at 1:00pm
Receiver to invite a limited number of qualified parties (the “ Qualified Parties ”) to perform additional due diligence and formulate definitive bids (“ Phase II ”)	Week of December 11, 2023
Qualified Parties to submit definitive bids	January 12, 2024 at 1:00pm
Receiver to identify successful bidder (the “ Successful Bidder ”)	Week of January 15, 2024
Receiver and the Successful Bidder to finalize definitive contract of purchase and sale	February 2, 2024
Court approval of any proposed transaction(s)	On or around February 16, 2024
Projected Closing Date	February 29, 2024 or upon all regulatory approvals being obtained

6.4 The above timeline is subject to change as circumstances require.

6.5 31 parties signed Confidentiality Agreements (“**CAs**”) and were provided access to the dataroom that was set up for the Sales Process. 28 parties accessed the dataroom, and several site visits were conducted at the Skeena Entities’ facilities in Terrace, B.C.

6.6 Eight EOIs were submitted by six interested parties by the offer deadline on December 8, 2023. An additional EOI was received shortly after the offer deadline and was accepted by the Receiver as a qualified EOI.

6.7 Upon review of the nine EOIs, four parties (the “**Qualified Parties**”) were invited to participate in Phase II of the Sales Process, during which additional due diligence may be conducted.

6.8 One additional party has indicated that it may submit an EOI in the coming days. The Receiver will evaluate any such EOI upon receipt to determine whether this party may be a Qualified Party.

6.9 The Receiver will be working with the Qualified Parties to clarify their EOIs and deal points, including but not limited to the allocation of proceeds to the leased equipment and the remaining

inventory on-site (e.g. lumber, log, chips, sawdust, etc.). According to the Sales Process timeline, the Qualified Parties are expected to submit their definitive bids by 1:00 p.m. on January 12, 2024.

- 6.10 The Petitioner submitted an EOI on December 8, 2023 and has been selected as one of the Qualified Parties. While the terms of the Petitioner's EOI cannot be disclosed at this stage, the Receiver notes that the Petitioner's proposal contemplates payment of a portion of the purchase price by way of credit bid (i.e. setoff against the secured claim it has asserted).

7.0 INFORMATION PROVIDED TO THE PETITIONER

- 7.1 As noted in the First Report, the Receiver is aware of concerns raised by certain creditors in relation to the validity of the Petitioner's debt and security.
- 7.2 In anticipation of advancing a credit bid, in November and early December 2023, counsel to the Petitioner requested that the Receiver provide copies of certain of the Skeena Entities' books and records relating to advances made by the shareholders or the Petitioner, particularly those made in 2023.
- 7.3 To date, the Receiver has provided the following documents to the Petitioner:
- a) general ledgers of the shareholder loan and cash account;
 - b) a list of available bank statements, and copies of certain 2023 bank statements; and
 - c) available financial statements of the Skeena Entities.
- 7.4 The Receiver understands that the Petitioner intends to file an application with this Honourable Court to initiate a process by which the Petitioner might prove the validity, enforceability, amount and priority of the Petitioner's secured claim.
- 7.5 Based on the Second Cash Flow Forecast, while there appears to be sufficient liquidity for the Receivership Proceedings to continue into early March 2024, additional borrowings will be required to fund the Estate if the Sales Process is not substantially completed by then. Accordingly, it is the Receiver's view that it is in the best interests of all stakeholders that one or more transactions for the sale of the Skeena Entities' assets be completed within the proposed timeline for the Sales Process. In relation to the foregoing, and for the same reason, the Receiver is of the view that it would be beneficial to gain clarity regarding the Petitioner's secured claim as soon as practicable, and, if possible, by January 12, 2024, being the date by which the Receiver intends to identify one or more successful bidders.

8.0 NEXT STEPS

8.1 The Receiver's next steps will be as follows:


- a) continuing with Phase II of the Sales Process, with the goal to select a Successful Bidder by mid-January 2024;
- a) realizing on the current assets of the Skeena Entities, including accounts receivable and inventory; and
- b) corresponding with various equipment financiers to determine the treatment of the leased/financed assets.

All of which is respectfully submitted to this Honourable Court this 13th day of December, 2023.

Alvarez & Marsal Canada Inc.,
in its capacity as Receiver of Skeena Sawmills Ltd.,
Skeena Bioenergy Ltd. and ROC Holdings Ltd.
and not in its personal capacity



Per: Anthony Tillman
Senior Vice President



Per: Pinky Law
Vice President

Appendix A – The Second Cash Flow Forecast

Skeena Entities

Second Cash Flow Forecast¹

For the period December 9, 2023 to March 8, 2024

\$CAD'000s

Week	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total
Week ending	15-Dec-23	22-Dec-23	29-Dec-23	5-Jan-24	12-Jan-24	19-Jan-24	26-Jan-24	2-Feb-24	9-Feb-24	16-Feb-24	23-Feb-24	1-Mar-24	8-Mar-24	
Receipts														
Other receipts - Inventory	3	\$ -	\$ 101	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	101
Total receipts		-	101	-	-	-	-	-	-	-	-	-	-	101
Disbursements														
People and contractor costs	4	\$ -	\$ 31	\$ -	\$ 38	\$ -	\$ 38	\$ -	\$ 38	\$ -	\$ 38	\$ -	\$ 38	219
Insurance	5	-	-	80	-	-	80	-	-	-	-	80	-	241
Professional fees - receiver, counsel	6	-	-	250	-	-	-	150	-	-	-	-	-	475
Utilities	7	-	3	-	-	25	-	-	38	2	-	-	-	106
Sawmill/Pellet plant maintenance	8	-	10	-	7	3	-	10	-	7	3	7	-	52
Computer, subscriptions and IT	9	-	3	3	-	-	3	-	-	3	3	-	13	28
Office supplies, cleaning and other misc.	10	2	-	4	2	2	-	4	-	-	2	2	2	21
Total disbursements		2	46	336	46	30	49	86	41	49	7	126	127	1,141
Net cash flow		(2)	55	(336)	(46)	(30)	(49)	(86)	(41)	(49)	(7)	(126)	(127)	(1,040)
Opening operating cash balance	2	1,149	1,147	1,202	866	820	790	741	655	458	368	361	235	1,149
Ending operating cash balance		\$ 1,147	\$ 1,202	\$ 866	\$ 820	\$ 790	\$ 741	\$ 655	\$ 458	\$ 417	\$ 361	\$ 235	\$ 108	\$ 108

Skeena Sawmills Ltd. ("Sawmills"), Skeena Bioenergy Ltd. ("Bioenergy"), and ROC Holdings Ltd. (collectively, the "Skeena Entities").

Second Cash Flow Forecast

Notes and Assumptions

1. The cash flow forecast (the "Second Cash Flow Forecast") is presented on a weekly basis from December 9, 2023 to March 8, 2024 (the "Forecast Period") and was prepared by the Receiver based on unaudited financial information, and estimates of projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary, even if the assumptions materialize, and such variations may be material. There are no representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized. The projections are based upon certain estimates and assumptions discussed below and may be amended from time to time.

The Second Cash Flow Forecast is presented in Canadian dollars.

2. The opening operating cash position as presented in the Second Cash Flow Forecast represents funds held in trust by the Receiver and excludes approximately \$102,000 pursuant to the court order pronounced October 30, 2023 in respect of the segregated IWA trust funds.
3. Receipts of approximately \$101,000 represent the forecast proceeds from the sale of Sawmills' finished products held at the Port of Prince Rupert (potentially subject to certain storage/handling charges payable).
4. People and contractor costs of approximately \$219,000 are primarily related to on-site security and maintenance of the Skeena Entities. Contractors are also being retained to assist the Receiver with the sale of the Skeena Entities' assets.
5. Insurance costs of \$241,000 consist of monthly insurance premium instalments of \$41,000 for Skeena Bioenergy Ltd. and \$40,000 for Sawmills.
6. Professional fees for the Receiver and its counsel during the Forecast Period are estimated at \$475,000.
7. Utilities of \$106,000 include forecast BC Hydro and gas charges during the Forecast Period.
8. Sawmill/pellet plant maintenance costs of \$52,000 include general maintenance of the Skeena Entities, and snow removal costs during the Forecast Period.
9. Computer, subscriptions and IT costs of approximately \$28,000 include IT contractors costs, monthly software subscriptions and payroll services software for processing 2023 T4s.
10. Office, supplies, cleaning and other miscellaneous costs of \$21,000 include weekly cleaning of the Company's office in Terrace and rent for one apartment for a contractor.

Appendix B – Invitation for Offers

Skeena Sawmills et al. (in Receivership)

Invitation for Offers to Purchase



On September 20, 2023, pursuant to an order of the Supreme Court of British Columbia (the “**Receivership Order**”), Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Receiver**”) was appointed Receiver without security, of all of the assets, undertakings and property, including real property, of Skeena Sawmills Ltd., Skeena Bioenergy Ltd., and ROC Holdings Ltd. (collectively, the “**Skeena Entities**” or the “**Company**”).

Company Overview

Located in Terrace, BC., the Skeena Entities are leading global producers of sustainable high-quality Pacific coast hemlock lumber and wood products.

Sawmill Operations	Bioenergy Operations
<ul style="list-style-type: none">▪ Approximate annual capacity of 80 million board feet of lumber production;▪ Since the sawmill was acquired from West Fraser Timber Co. Ltd., in 2011, over \$30 million has been invested to improve manufacturing and operations;▪ Assets include:<ul style="list-style-type: none">• a sawmill;• work-in-progress lumber, chips and sawdust, logs;• four (4) pieces of real property in Terrace, BC., and an office building;• tree farm license, forest licenses, and various cutting permits allowing 316,596 m³ of Annual Cut as of September 20, 2023; and• various tools and equipment, including mobile equipment.	<ul style="list-style-type: none">▪ Commissioned in 2019, the state-of-the-art pellet facility transforms sawdust and bark – byproducts into a renewable energy source;▪ The wood pellet plant has an annual capacity of up to 90,000 tonnes;▪ Assets include:<ul style="list-style-type: none">• a Pellet plant;• one (1) piece of real property in Terrace, BC; and• various tools and equipment, including mobile equipment.

Next Steps

Upon executing a confidentiality agreement (“**CA**”) and returning it to the Receiver (contact details below), qualified potential purchasers may be granted access to a virtual data room including due diligence materials and the Receiver’s prescribed form of offer.

A copy of the CA is available on the Receiver’s website at www.alvarezandmarsal.com/skeena

The timeline for the process is as follows:

- December 8, 2023 1:00PM Pacific Time – deadline for submitting an initial non-binding indication of interest
- January 12, 2024 1:00PM Pacific Time – definitive bids in the Form of Offer are due in writing
- February 2, 2024 – finalization of the definitive contract of purchase and sale with the successful bidder
- The Receiver expects court approval for the transaction to be obtained by mid-February, 2024. Closing contemplated to occur by the end of February 2024, or upon all regulatory approvals being obtained.

Contact Details

Taylor Poirier
Senior Associate
tpoirier@alvarezandmarsal.com

Pinky Law
Vice President
pinky.law@alvarezandmarsal.com