

COURT FILE NUMBER 2503 00016

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

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

AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF KMC MINING
CORPORATION

DOCUMENT **SUPPLEMENTAL REPORT TO THE THIRD
REPORT OF FTI CONSULTING CANADA INC., IN
ITS CAPACITY AS MONITOR OF KMC MINING
CORPORATION**

May 23, 2025

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**SUPPLEMENTAL REPORT TO THE
THIRD REPORT OF THE MONITOR**

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INTRODUCTION

1. The purpose of this Supplement to the Third Report of the Monitor (the “**Supplemental Report**”) is to provide this Honourable Court with information with respect to:
 - (a) A reduced Garage Keepers’ Lien amount payable as confirmed by Finning International Inc.;
 - (b) The proposed distribution to Cummins with respect to the Cummins Secured Unit; and
 - (c) A revision to the costs included in the cost allocations to the respective Secured Lenders, secured creditors and equipment lessors, and the resulting impact on the Proposed Second Distributions.
2. This Supplemental Report should be read in conjunction with the Third Report and all capitalized terms used, unless defined herein, are as defined in the Third Report.

TERMS OF REFERENCE

3. In preparing this Supplemental Report, the Monitor has relied upon audited and unaudited financial information, other information available to the Monitor and, where appropriate, the Company’s books and records and discussions with various parties (collectively, the “**Information**”).
4. Except as described in this Supplemental Report:
 - (a) The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook;

- (b) The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook; and
 - (c) Future oriented financial information reported or relied on in preparing this Confidential Supplemental Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
- 5. Future oriented financial information reported or relied on in preparing this Supplemental Report is based on assumptions regarding future events. Actual results may vary from forecasts and such variations may be material.
- 6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

GARAGE KEEPERS' LIENS

- 7. Subsequent to service of the Third Report of the Monitor, it was determined that the amount of the Finning International Inc. lien had certain offsetting credits reducing the amount of the lien. Counsel to Finning International Inc. confirmed to the Monitor's Legal Counsel, that the current amount owing in relation to their liened equipment should be \$30,189 after application of the credits, rather than the \$104,735 identified in the Garage Keepers' Liens summary table of the Third Report.
- 8. The Monitor recommends reducing the distribution amount to Finning International Inc. to \$30,189, less allocated costs, as summarized in the revised proposed second distributions (the "**Revised Proposed Second Distributions**"), discussed below.

CUMMINS SECURED UNIT

9. As described in the Third Report, Cummins has security registered against the Cummins Secured Unit. The Monitor, in consultation with the Monitor's Legal Counsel have finalized their review of the security and the debt balance owing by KMC to Cummins and note the following:
 - (a) The security held by Cummins with respect to the Cummins Secured Unit is valid and enforceable; and
 - (b) The debt balance owing by KMC to Cummins is in excess of the \$1.3 million proceeds allocated to the Cummins Secured Unit in the HME APA.
10. The Monitor noted a discrepancy between the \$1.3 million value ascribed to the Cummins Secured Unit in the HME APA and a recent asset appraisal. To investigate the discrepancy, the Monitor reached out to the appraiser.
11. Based on discussions with the appraiser, the asset was incorrectly documented in the appraisal as "parted out" or in pieces. After further review, the appraiser noted the unit to be complete, which explained the discrepancy in the values. KMC management also confirmed that Cummins Secured Unit was a complete unit.
12. The Monitor has been advised that the Secured Lenders are not objecting to the proposed distribution of the HME APA proceeds for the Cummins Secured Unit. Accordingly, the Monitor proposes that the distribution to Cummins, net of the applicable cost allocations, as provided for in the Revised Proposed Second Distributions (discussed below) be approved and authorized by this Court.

REVISED COST ALLOCATIONS & REVISED PROPOSED SECOND DISTRIBUTIONS

13. As described in the Third Report, the proposed costs allocated to the Secured Lenders, secured creditors and equipment lessors included professional fees (including the Company's counsel, the Monitor and the Monitor's Legal Counsel, and Sales Agent fees), specific costs of KMC employees and personnel directly related to the SISP, insurance costs related to the assets and the costs of the KERF. The proposed allocated costs did not account for the fees or interest that was incurred by KMC in respect of the interim financing facility (the "**DIP Facility**") advanced to KMC during the CCAA Proceedings and which fees and interest on the DIP Facility totalled approximately \$441,000 (the "**DIP Costs**").
14. Subsequent to the filing of the Third Report, the Secured Lenders raised concerns with respect to the DIP Costs not being included in the cost allocation. These concerns regarding the DIP Costs resulted in further discussions between the Monitor and Komatsu and the Monitor and the Secured Lenders. The Monitor had been involved in previous discussions with each of these parties that formed the basis for the Monitor's understanding of the previous agreement reached by those parties to the proposed cost allocation outlined in the Third Report. The Monitor continued to consult with the two parties in an attempt to resolve any outstanding issues raised by the parties regarding the proposed cost allocation. The Monitor has been advised that the parties ultimately came to a consensus in respect of the cost allocation to include the DIP Costs into the cost allocation and to reduce the impact of the inclusion of the DIP Costs by adjusting the percentage of the professional fees being included in the cost allocation. The adjustment of the percentage of the professional fees included in the cost allocation was done as a high level estimate meant to reflect that a certain amount of professional fees incurred throughout the NOI Proceedings and CCAA Proceedings was solely for the benefit of the Secured Lenders and not other equipment lessors.

15. The table below summarizes the impact of adding the DIP Costs and adjusting the professional fees, increasing total costs allocated from \$4.1 million to \$4.3 million. For ease of comparison, the original cost allocations and Proposed Second Distributions as presented in the Third Report are included in the bottom table below to compare to the Revised Proposed Second Distributions:

Revised Proposed Second Distributions

Proceeds by Secured Creditor									
(<i>'000s</i>)	Owned Assets	Leased Assets	Total HME APA Proceeds	% of Total Purchase Price	Revised Allocated Costs	Costs Funded by	Revised Cost Allocations	Initial Distribution	Revised Proposed Second Distribution
Secured Lenders	\$ 68,728	\$ -	\$ 68,728	68.1%	\$ (2,914)	\$ 4,276	\$ 1,362	\$ (45,753)	\$ 24,337
Komatsu	-	23,262	23,262	23.1%	(986)	-	(986)	(15,508)	6,768
John Deere	-	3,395	3,395	3.4%	(144)	-	(144)	(2,263)	988
CAT	650	3,435	4,085	4.1%	(173)	-	(173)	(2,290)	1,622
Cummins	1,320	-	1,320	1.3%	(56)	-	(56)	-	1,264
Edmonton Kenworth Ltd.	46	-	46	0.0%	(2)	-	(2)	-	44
Finning International Inc.	30	-	30	0.0%	(1)	-	(1)	-	29
Total	\$ 70,774	\$ 30,092	\$ 100,866	100%	\$ (4,276)	\$ 4,276	\$ 0	\$ (65,815)	\$ 35,052

Proposed Second Distributions per Third Report

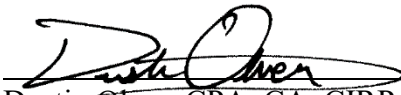
Proceeds by Secured Creditor									
(<i>'000s</i>)	Owned Assets	Leased Assets	Total HME APA Proceeds	% of Total Purchase Price	Allocated Costs	Costs Funded by	Cost Allocations	Initial Distribution	Proposed Second Distribution
Secured Lenders	\$ 68,653	\$ -	\$ 68,653	68.1%	\$ (2,780)	\$ 4,085	\$ 1,305	\$ (45,753)	\$ 24,205
Komatsu	-	23,262	23,262	23.1%	(942)	-	(942)	(15,508)	6,812
John Deere	-	3,395	3,395	3.4%	(138)	-	(138)	(2,263)	994
CAT	650	3,435	4,085	4.1%	(165)	-	(165)	(2,290)	1,630
Cummins	1,320	-	1,320	1.3%	(53)	-	(53)	-	1,267
Edmonton Kenworth Ltd.	46	-	46	0.0%	(2)	-	(2)	-	44
Finning International Inc.	105	-	105	0.1%	(4)	-	(4)	-	100
Total	\$ 70,774	\$ 30,092	\$ 100,866	100%	\$ (4,085)	\$ 4,085	\$ (0)	\$ (65,815)	\$ 35,052

RECOMMENDATION

16. The Monitor recommends this Court approve the allocation of costs and the Revised Proposed Second Distributions as presented above and authorize the Monitor to make such Revised Proposed Second Distributions to the secured parties as outlined above.

All of which is respectfully submitted this 23rd day of May 2025.

FTI Consulting Canada Inc.
Licensed Insolvency Trustee
in its capacity as Monitor of
KMC Mining Corporation and not in its personal
or corporate capacity


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