

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

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

May 13, 2025

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

MONITOR

FTI Consulting Canada Inc.
Suite 1610, 520 Fifth Avenue S.W.
Calgary, AB T2P 3R7
Dustin Olver / Lindsay Shierman
Telephone: (403) 454-6032 / (403) 454-6036
Fax: (403) 232-6116
E-mail: dustin.olver@fticonsulting.com
lindsay.shierman@fticonsulting.com

COUNSEL

MLT Aikins LLP
Suite 2100, Livingston Place
222 3rd Avenue S.W.
Calgary, AB T2P 0B4
Ryan Zahara
Telephone: (403) 693-5420
E-mail: rzahara@mltaikins.com

THIRD REPORT OF THE MONITOR

TABLE OF CONTENTS

INTRODUCTION	1
PURPOSE	6
TERMS OF REFERENCE.....	7
ACTIVITIES OF THE MONITOR.....	8
CASH FLOW VARIANCE ANALYSIS	10
CASH FLOW STATEMENT.....	12
GARAGE KEEPERS LIENS	14
COST ALLOCATIONS.....	15
PROPOSED SECOND DISTRIBUTIONS	16
STAY EXTENSION.....	21
CONCLUSIONS AND RECOMMENDATIONS.....	22

Appendix “A” – Fourth Cash Flow Statement

INTRODUCTION

1. On December 5, 2024, KMC Mining Corporation (“**KMC**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended (the “**BIA**”). FTI Consulting Canada Inc. (“**FTI**”) consented to act as proposal trustee (the “**Proposal Trustee**”) in the NOI proceedings (the “**NOI Proceedings**”) of KMC.
2. On December 9, 2024, in the NOI Proceedings, the Court of King’s Bench of Alberta (the “**Court**”) granted an Order (the “**December 9 Order**”) which, among other things:
 - (a) Approved an administrative charge, ranking in priority only to the claims of the Secured Lenders (as defined in the First Report of the Trustee as the syndicate entities, ATB, CWB, EDC and Laurentian) and the Klemke Foundation on all the Company’s present and after-acquired assets, property and undertakings, not to exceed \$0.5 million (the “**Administrative Charge**”);
 - (b) Authorized KMC to obtain and borrow under a credit facility provided by certain of the Secured Lenders (the “**Interim Lenders**”) to finance the Applicant’s working capital requirements and other such general corporate and capital expenditures, not to exceed \$6.0 million (the “**Interim Financing Charge**”). The Interim Financing Charge initially ranked only in priority to the claims over the Company’s present and after-acquired assets, property and undertakings of the Secured Lender and the Klemke Foundation;
 - (c) Authorized KMC, with approval from the Proposal Trustee, to sell and dispose of redundant or non-material assets not exceeding in aggregate \$1.0 million; and
 - (d) Extended the stay of proceedings and time within which the Company is required to file a proposal to its creditors to February 18, 2025.

3. On December 20, 2024, the Court granted an Order, which among other things, authorized the Company to execute on a letter of intent for an asset sales transaction with Gibraltar Mines Limited which exceeds the pre-authorized asset sale limit of \$1.0 million.
4. On January 10, 2025, (the “**CCAA Filing Date**”), KMC sought and obtained three Orders from the Court:
 - (a) An initial order (the “**Initial Order**”) granting, among other things, the following relief:
 - i. A continuation of the NOI Proceedings under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c C-36, as amended (the “**CCAA**” and the “**CCAA Proceedings**”);
 - ii. An extension of the stay period until January 20, 2025;
 - iii. The appointment of FTI as monitor (the “**Monitor**”) in these CCAA Proceedings;
 - iv. Approval and continuation of the priority and amount of the charges in favor of (i) the Monitor, the Monitor’s counsel, and KMCs’ legal counsel (the “**Administration Charge**”) in the amount of \$500,000; (ii) borrowings under the Interim Financing Term Sheet required to finance KMC’s working capital requirements and other general corporate purposes and capital expenditures, not to exceed \$6.0 million (the “**Interim Financing Charge**”); and (iii) KMCs’ obligations to indemnify KMC’s directors and officers for liabilities they may incur after the Filing Date (the “**Directors’ Charge**”) in the amount of \$500,000 (together, the “**Initial Order Charges**”); and
 - v. The Interim Financing Charge was also expanded to take priority over all Property of the Applicants;

- (b) A sales and investment solicitation process order (“**SISP Order**”), granting, among other things, the following relief:
 - i. Approval of the sale and investment solicitation process (the “**SISP**”);
 - ii. Approval of the engagement letter, dated December 23, 2024, between KMC and Ernst & Young Orenda Corporate Finance Inc. (the “**Sales Agent**”); and
 - iii. Authorization to increase the aggregate limit of sales for redundant or non-material assets from \$1.0 million to \$6.0 million and authorization for KMC, with the approval of the Monitor, Interim Lenders, Secured Lenders, the Klemke Foundation, and any other applicable secured creditor whose rights may be directly impacted by the sale (as determined by the Monitor), to remove any Property or Business from the SISP and proceed to sell the same to a third party if KMC receives an unconditional offer to purchase; and
 - (c) A sealing order (the “**Sealing Order**”) in respect of the Confidential Affidavit which contains economically sensitive valuation information with respect to KMC’s Property that could harm the SISP process if disclosed.
5. On January 20, 2025, KMC sought and obtained three Orders from the Court:
- (a) The ARIO, approving the following:
 - i. Extending the stay of proceedings up to and including June 16, 2025; and
 - ii. Granting a fourth-ranking charge against KMC’s Property for a key employee retention plan (the “**KERP**”);

- (b) The Lease Equipment Return Process Order, which approved a process for the return of certain equipment leased by KMC which KMC has determined has no available surplus equity;
 - (c) A declaration that pursuant to section 5(5) of the Wage Earner Protection Program Act, S.C. 2005, c. 47, s.1 (“**WEPPA**”) that KMC meet the criteria established by section 3.2 of the Wage Earner Protection Program Regulations, SOR/2008-222 (the “**WEPP Regulations**”) as of the date of the granting of the ARIO; and
 - (d) The Sealing Order sealing the Second Confidential Affidavit of Bryn Jones sworn January 14, 2025.
6. On April 17, 2025, KMC sought and obtained the following Orders from the Court:
- (a) A sale approval and vesting order (the “**SAVO**”) approving the asset purchase agreement for the sale of substantially all the assets of KMC to 2122256 Alberta Ltd. o/s Heavy Metal Equipment and Rentals (“**HME**”) (and the sale herein referred to as the “**HME APA**”);
 - (b) An order modifying the KERP by providing for certain adjustments to the entitlements and payments with respect to the KERP without modifying the total amounts payable thereunder (the “**Adjusted KERP Order**”);
 - (c) An order affirming the continued applicability of WEPPA as authorized in the ARIO (the “**WEPPA Order**”);
 - (d) An interim distribution order (the “**Interim Distribution Order**”) approving the proposed interim distribution to Secured Lenders and equipment lessors of up to 66 2/3% of the net sale proceeds from the HME APA; and

- (e) A sealing order sealing the confidential supplementary report of the Monitor which contained commercially sensitive information in relation to the results of the SISP and the HME APA.
7. This report (“**Report**” or “**Third Report**”) is being delivered in connection with the applications currently scheduled to be heard on May 23, 2025 (the “**Cost Allocation and Distribution Application**”), where the following relief is being sought by:
- (a) The Monitor for an order approving the allocation of costs to the Secured Lenders and equipment lessors as incurred by KMC under the SISP, and the proposed distributions of remaining sales proceeds, net of required holdbacks, from the HME APA (the “**Proposed Second Distribution Order**”); and
 - (b) KMC for an order extending the stay of proceedings (“**Stay Period**”) up to and including July 31, 2025 (the “**Stay Extension Order**”).
8. This Report should be read in conjunction with:
- (a) The Affidavit of Bryn Jones sworn on April 7, 2025 (the “**Third Jones Affidavit**”) which provides further background information concerning the CCAA Proceedings, the SISP and SAVO; and
 - (b) The Affidavit of Daniel Klemke sworn on May 9, 2025 (the “**Second Klemke Affidavit**”) which provides further background information concerning the Stay Period, sale of the KMC Property, KMC employees and current operations and claims of KMC against Suncor.
9. Electronic copies of all materials filed by KMC in connection with the Comeback Hearing and other statutory materials are available on the Monitor’s website at: <http://cfcanada.fticonsulting.com/KMCMining> (the “**Website**”).

PURPOSE

10. The purpose of this Third Report is to provide this Honourable Court and KMC's stakeholders with information and the Monitor's comments with respect to the following:
- (a) The activities of the Monitor since its Second Report dated April 16, 2025;
 - (b) The cash flow variance results for the eighteen-week period ended May 3, 2025;
 - (c) An overview of KMC's revised cash flow statement (the "**Fourth Cash Flow Statement**") for the thirteen-week period ending August 2, 2025 (the "**Forecast Period**") as well as the key assumptions on which the Third Cash Flow Statement is based on;
 - (d) Secured claims of equipment lessors;
 - (e) Review of the garage keepers' liens registered against the Property prior to the Filing Date (the "**Garage Keepers' Liens**") by the Monitor's Counsel;
 - (f) A summary of the costs incurred to undertake the CCAA Proceedings and complete the SISF (collectively "**Process Costs**") and the Monitor's proposed allocation of the Process Costs to the respective Secured Lenders and equipment lessors who benefited from the sale of their secured assets through the SISF;
 - (g) A proposed second distribution, net of holdbacks, of the remaining proceeds collected from the HME APA;
 - (h) The Monitor's review and analysis of a dispute between the Secured Lenders and Komatsu with respect to lease payments for heavy duty equipment that was utilized during the NOI Proceedings and CCAA Proceedings; and

- (i) The Monitor’s conclusions and recommendations with respect to the Proposed Second Distribution Order and Stay Extension Order.

TERMS OF REFERENCE

- 11. In preparing this Report, the Monitor has relied upon unaudited financial information, other information available to the Monitor and, where appropriate, KMC’s books and records and discussions with various parties (collectively, the “**Information**”).
- 12. Except as described in this 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 Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
- 13. The Monitor has prepared this Report in connection with the Cost Allocation and Distribution Application. This Report should not be relied on for other purposes.
- 14. Information and advice described in this Report that has been provided to the Monitor by its legal counsel, MLT Aikins LLP (the “**Monitor’s Counsel**”) and was provided to assist the Monitor in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.

15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms used but not defined herein are given the meaning ascribed to them in the Klemke Affidavit, the Jones Affidavit, the Second Jones Affidavit, or the Third Jones Affidavit.

ACTIVITIES OF THE MONITOR

16. The Monitor's activities since the date of the Monitor's Second Report include, among other things, the following:
- (a) Ongoing discussions with Management and KMC's legal counsel, Duncan Craig LLP, regarding the Applicant's business and financial affairs;
 - (b) Updating the Website where the Monitor has and will continue to post all court materials related to these CCAA Proceedings. The Monitor's website includes contact information where secured creditors, unsecured creditors, employees and other stakeholders can reach the Monitor to ask any questions they may have;
 - (c) Reviewed KMC's receipts and disbursements and monitored the Company's performance relative to its cash flow forecast;
 - (d) Assisting KMC in preparing the Fourth Cash Flow Statement;
 - (e) Assisted KMC with the return of leased equipment pursuant to the Lease Equipment Return Order, including the return of equipment to the following Lessors:
 - i. Jim Pattison Industries Ltd. (an additional 16 assets returned);
 - ii. Brandt and PNC (two assets returned);

- iii. The Driving Force Group of Companies (three assets returned);
 - iv. Meridian OneCap (six assets returned); and
 - v. Dynamic Capital (four assets returned).
- (f) Pursuant to the Lease Equipment Return Order, prior to releasing the Returnable Equipment back to the Lessors, the Monitor's Counsel prepared security reviews of all Returnable Equipment, finding all security to be valid and enforceable. After which, the Monitor provided each affected Lessor with the following:
- i. Cost allocations as a contribution towards the cost of these CCAA Proceedings, payable before the release of the Returnable Equipment; and
 - ii. KMC personnel contact information and location of the assets to help facilitate the retrieval of the Returnable Equipment.
- (g) Assisting Management with termination letters and coordinating communications and notices to former employees with respect to the WEPPA;
- (h) Assisting KMC in reviewing the costs incurred with respect to the SISF and applicable costs from the CCAA Proceedings and allocating the Process Costs to respective Secured Lenders and equipment lessors so that the costs would be appropriately shared between the beneficiaries;
- (i) Assisting the Monitor's Counsel in reviewing the Garage Keepers' Liens as filed against certain pieces of owned equipment included in the HME APA;
- (j) Responding to inquiries from stakeholders, supplier and creditors who contacted the Monitor; and

- (k) Preparing this Report.

CASH FLOW VARIANCE ANALYSIS

17. KMC, in consultation with the Monitor, prepared the Third Cash Flow Statement for the CCAA Proceedings which was appended to the Monitor's Second Report.
18. KMC's actual cash flows as compared to those contained in the Third Cash Flow Statement for the eighteen-week period of December 29, 2024 to May 3, 2025, are summarized below:

Cash Flow Variance Analysis For the Eighteen Week Period Ended May 3, 2025 ('000s)			
	Actual	Forecast	Variance
Receipts			
Customers	\$ 14,852	\$ 15,906	\$ (1,053)
Asset Sales	936	926	11
Misc Receipts	72	50	22
Total Receipts	15,860	16,882	(1,021)
Operating Disbursements			
KERP	-	(230)	230
Staff Labour	(1,775)	(1,862)	87
Union Labour	(3,555)	(3,728)	173
Utilities	(94)	(112)	18
Operations	(2,367)	(2,520)	153
Fuel	(32)	(32)	0
Rent / Property Tax	(167)	(167)	-
CRA Remittance	(414)	(434)	21
Insurance	(1,728)	(1,798)	70
Professional Fees	(1,094)	(1,222)	128
Bank Fees	(3)	(3)	0
Komatsu Capital lease payments	(217)	(217)	-
Other Capital Lease Payments	(278)	(278)	0
Operating Deposits	(441)	(471)	30
Total Operating Disbursements	(12,164)	(13,073)	909
Financing			
DIP Fees	(150)	(150)	-
Interim Financing Interest	(101)	(101)	-
Total Disbursements	(12,414)	(13,324)	909
Net Cash Flow	3,446	3,558	(112)
Beginning Cash	400	400	-
Ending Cash, before DIP	\$ 3,846	\$ 3,958	\$ (112)
Interim Financing			
Opening DIP Draw	3,000	3,000	-
Draws / (Repayments)	(3,000)	(3,000)	-
Cumulative DIP	-	-	-
Ending Cash, after DIP	\$ 3,846	\$ 3,958	\$ (112)
Proceeds Held in Trust			
Proceeds from HME APA	\$ 100,866	-	\$ 100,866
Initial Distribution	(65,815)	-	(65,815)
Remaining Proceeds held in Trust	\$ 35,052	-	\$ 35,052

- (a) Receipts are approximately \$1.0 million lower than forecast mainly from a \$1.0 timing variance in receipts from customers due to a timing lag in payments from Suncor;

- (b) Positive variance for operating disbursements of approximately \$909,000 mainly due to:
 - i. Timing differences of approximately \$230,000 relating to first payment of KERP expected to be paid next week;
 - ii. Permanent differences for staff and union labour of approximately \$260,000 is due to operations winding down faster than anticipated and KMC reducing workforce to align with the wind down; and
 - iii. Timing differences of approximately \$128,000 due to timing lags in professional fee payments.
- 19. As at May 3, 2025, KMC had approximately \$3.8 million cash on hand, reflecting a negative variance of \$112,000.
- 20. Proceeds from the HME APA were received by the Monitor to be held in trust. The Monitor holds approximately \$35.1 million cash after receiving \$100.9 million from the HME APA and making the initial distribution to Secured Lenders and equipment lessors of \$65.8 million (as approved by this Honourable Court).

CASH FLOW STATEMENT

- 21. KMC, in consultation with the Monitor, has prepared the Fourth Cash Flow Statement to estimate the liquidity for the Forecast Period, a summary of which is presented below and attached hereto as Appendix “A”.

	Dec-29 to May-3	May 4 to July 27	
('000s)	Actual	Forecast	Total
Receipts			
Customers	\$ 14,852	\$ 3,493	\$ 18,345
Asset Sales	936	-	936
Misc Receipts	72	162	234
Total Receipts	15,860	3,655	19,515
Operating Disbursements			
KERP	-	(305)	(305)
Staff Labour	(1,775)	(870)	(2,645)
Union Labour	(3,555)	(1,951)	(5,507)
Utilities	(94)	(22)	(116)
Operations	(2,367)	(341)	(2,708)
Fuel	(32)	(6)	(38)
Rent / Property Tax	(167)	(3)	(170)
CRA Remittance	(414)	(263)	(677)
Insurance	(1,728)	-	(1,728)
Professional Fees	(1,094)	(858)	(1,952)
Bank Fees	(3)	(2)	(4)
Komatsu Capital Lease Payments	(217)	(29)	(246)
Other Capital Lease Payments	(278)	(11)	(289)
Operating Deposits	(441)	(139)	(580)
Total Operating Disbursements	(12,164)	(4,799)	(16,963)
Financing			
DIP Fees	(150)	-	(150)
Interim Financing Interest	(101)	-	(101)
Total Disbursements	(12,414)	(4,799)	(17,214)
Net Cash Flow	3,446	(1,144)	2,302
Beginning Cash	400	3,846	400
Ending Cash, before DIP	\$ 3,846	\$ 2,702	\$ 2,702
Interim Financing			
Opening DIP Draw	\$ 3,000	-	\$ 3,000
Repayments	(3,000)	-	(3,000)
Cumulative DIP Drawn	-	-	-
Ending Cash, after DIP	\$ 3,846	\$ 2,702	\$ 2,702
Monitor Trust Fund			
HME APA	100,866	-	\$ 100,866
Distribution	(65,815)	(35,052)	(100,866)
Monitor Trust Fund	\$ 35,052	\$ (35,052)	

22. The Fourth Cash Flow Statement is based on the following key assumptions:

- (a) Cash receipts of approximately \$3.6 million primarily relate to the collection of final sales related to Suncor projects and the completion of the “Hudbay Copper Mountain Operator Labour Support” project expected to run until the end of July;

- (b) Operating cash disbursements of approximately \$4.8 million primarily relate to the wind-down of operation and trade payments, payroll and benefits relating to the Hudbay Copper Mountain Operator Labour Support Project; and
- (c) Professional fees are forecast to be approximately \$858,000 over the Forecast Period and include KMC's legal counsel, the Monitor, the Monitor's Counsel and the Sales Agent.
23. Ending cash at the end of the Forecast Period is forecast to be approximately \$2.7 million. Any funds remaining at the end of the CCAA Proceeding would be distributed to the Secured Lenders as a final distribution.
24. HME APA Proceeds held in trust by the Monitor are proposed to be distributed in full as part of the Proposed Second Distribution Order as further described below.

GARAGE KEEPERS LIENS

25. The Monitor is aware of eight Garage Keepers' Liens registered against KMC totaling \$150,403. The liens are registered against four pieces of equipment, all of which are KMC owned assets and are subject to the HME APA. The table below provides a summary of the Garage Keepers' Liens:

Filed by:	Asset Description	Serial Number	Lien Registration Number	Valid & Enforceable?	Lien Value?
Edmonton Kenworth Ltd.	2007 Kenworth T800 MV	1XKDDDB0X87R177291	24091814094	Yes	\$ 9,760
Edmonton Kenworth Ltd.	2007 Kenworth T800 MV	1XKDDDB0X87R177291	24092017201	Yes	7,294
Edmonton Kenworth Ltd.	2010 Kenworth C500 MV	1NKCL4TX4BR944949	24093009713	Yes	3,518
Edmonton Kenworth Ltd.	2010 Kenworth C500 MV	1NKCL4TX4BR944949	24100311290	Yes	3,376
Edmonton Kenworth Ltd.	2010 Kenworth C500 MV	1NKCL4TX4BR944949	24011812953	Yes	13,807
Edmonton Kenworth Ltd.	2010 Kenworth C500 MV	1NKCL4TX4BR944949	24102815736	Yes	4,291
Edmonton Kenworth Ltd.	2014 Kenworth T800 MV	1XDD40X7EJ965888	24100910418	Yes	3,622
Total Edmonton Kenworth Ltd.					45,668
Finning International Inc.	2008 Caterpillar 793D MV	CAT0793DJFDB00846	24041030542	Yes	104,735
Total Garage Keepers' Liens					\$ 150,403

26. The Monitor's initial review of the Garage Keepers' Liens has determined all eight lien claims to be valid and enforceable and in priority to the secured debt. Accordingly, the Proposed Second Distribution Order seeks a declaration that these Garage Keepers' Liens are deemed to be valid and enforceable in the aggregate amount of \$150,403 and authorizes the Receiver to pay Edmonton Kenworth Ltd. and Finning International Inc. \$45,688 and \$104,735, for their respective lien claims.
27. As all four assets are KMC owned, the aggregate amount would be netted from the HME APA proceeds allocated to the KMC owned assets (or distribution to the Secured Lenders).

COST ALLOCATIONS

28. Pursuant to the SISP Order, KMC, with consultation of the Monitor, are authorized to allocate costs of the CCAA Proceeding and SISP to the respective Secured Lenders, secured creditors and equipment lessors that had assets included in the sales process and to which the Secured Lenders, secured creditors or equipment lessors benefited from participating in the SISP.
29. The types of costs allocated to the Secured Lenders, secured creditors and equipment lessors included professional fees (including the Company's counsel, the Monitor, Monitor's 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 KERP. Total costs of \$4.1 million were allocated to Secured Lenders, secured creditors and equipment lessors included in the SISP.
30. Cost allocations were determined based upon each of the Secured Lenders, secured creditors and equipment lessors pro-rata share of the HME APA proceeds, as illustrated in the table below:

Proceeds by Secured Creditor ('000s)	Owned Assets	Leased Assets	Total HME APA Proceeds	% of Total Purchase Price	Allocated Costs	Costs Funded by	Cost Allocations
Purchased Assets							
Secured Lenders	\$ 68,653	\$ -	\$ 68,653	68.1%	\$ (2,780)	\$ 4,085	\$ 1,305
Komatsu	-	23,262	23,262	23.1%	(942)	-	(942)
John Deere	-	3,395	3,395	3.4%	(138)	-	(138)
CAT	650	3,435	4,085	4.1%	(166)	-	(166)
Cummins	1,320	-	1,320	1.3%	(53)	-	(53)
Edmonton Kenworth Ltd.	46	-	46	0.0%	(2)	-	(2)
Finning International Inc.	105	-	105	0.1%	(4)	-	(4)
Total	\$ 70,774	\$ 30,092	\$ 100,866	100%	\$ (4,085)	\$ 4,085	\$ (0)

PROPOSED SECOND DISTRIBUTIONS

31. The Monitor is requesting to make a second distribution (the “**Proposed Second Distribution**”) to the Secured Lenders, secured creditors and equipment lessors with the remaining HME APA proceeds held in trust by the Monitor, or approximately \$35.1 million.
32. Considering the net impact of the Cost Allocations and the Garage Keepers’ Lien as discussed above, a summary of the Proposed Second Distribution by Secured Lender or equipment lessors is included in the table below:

Proceeds by Secured Creditor ('000s)	Owned Assets	Leased Assets	Total HME APA Proceeds	Cost Allocations	Initial Distribution	Proposed Second Distribution
Purchased Assets						
Secured Lenders	\$ 68,653	\$ -	\$ 68,653	\$ 1,305	\$ (45,753)	\$ 24,205
Komatsu	-	23,262	23,262	(942)	(15,508)	6,812
John Deere	-	3,395	3,395	(138)	(2,263)	994
CAT	650	3,435	4,085	(166)	(2,290)	1,630
Cummins	1,320	-	1,320	(53)	-	1,267
Edmonton Kenworth Ltd.	46	-	46	(2)	-	44
Finning International Inc.	105	-	105	(4)	-	100
Total	\$ 70,774	\$ 30,092	\$ 100,866	\$ (0)	\$ (65,815)	\$ 35,052

33. The Proposed Second Distribution would provide for the full and final distribution of the proceeds received under the HME APA and full balance of proceeds currently held by the Monitor in trust.
34. KMC would still be in possession of approximately \$3.8 million cash on hand to wind-down operations over the coming months, of which, the Fourth Cash Flow Statement forecasts ending cash at the end of the Forecast Period of approximately \$2.7 million. KMC or the Monitor would be seeking a final distribution of ending cash on hand and discharge of the Monitor upon completion of the final projects and wind-down of operations.
35. For further clarity, the Komatsu and Cummins distributions are discussed in further detail below.

Komatsu

36. When KMC commenced the NOI Proceedings on December 5, 2024 they had 6 heavy duty equipment units working. Three of the units were KMC owned units secured by the Secured Lenders and three units were leased from Komatsu (the “**Utilized Komatsu Assets**”). Prior to reviewing the type of leases held by Komatsu, KMC advised that it intended to make payments for leased assets being used in day-to-day operations, however, were not proposing to make payments to the Secured Lenders for use of the KMC owned assets secured by the Secured Lenders.

37. Accordingly, the initial cash flows filed in the NOI Proceedings and the CCAA Proceedings included forecast payments for the full amount of the Utilized Komatsu Assets lease payments. For the period between December 5, 2024 to January 15, 2025 KMC made lease payments to Komatsu totaling approximately \$885,500 in respect of the Utilized Komatsu Assets. Subsequent to the NOI Proceedings being filed, the Secured Lenders raised concerns that the Komatsu leases were financing leases (not true or operating leases) and therefore it was inappropriate for KMC to continue to make lease payments to Komatsu and not the Secured Lenders.
38. In the First Report of the Monitor at paragraph 22(d), dated January 17, 2025, the Monitor highlighted the issue and ongoing review over the nature of the leases with Komatsu, noting that if they were found to be financing in nature, it may not be appropriate to continue making the lease payments throughout the CCAA Proceedings. Furthermore, the Secured Lenders raised concerns around:
- (a) the profitability of the operations (i.e. would the Utilized Komatsu Assets generate sufficient profit to cover the lease payments or would they be cash flow negative to the estate, negatively impacting other creditors recovery); and
 - (b) one creditor being paid in priority to others (i.e. assets under financing leases were being paid for, while no payment was being made to the benefit of the owned assets).
39. After the above issues were raised KMC ceased making any lease payments to Komatsu for the Utilized Komatsu Assets. Approximately \$2.3 million in lease payments were not made from the period of January 15, 2025 through to May 9, 2025.
40. KMC's counsel determined that the Komatsu Assets were financing leases and not true asset leases.

41. As illustrated in the table below, KMC in consultation with the Monitor, prepared a detailed break-down of revenues and direct costs by operating asset for the period of December 1, 2024 to April 30, 2025 to determine the net cash flow that each unit generated during the NOI Proceedings and CCAA Proceedings. Based on the analysis completed by KMC and the Monitor, the gross profits generated by the Komatsu Assets were approximately \$914,000.

Asset Unit	Revenue	Maintenance	Operations	Admin / OH	Total Direct Cost	Gross Margin	% of Total Revenue
Secured Lenders							
4109	\$ 391,817	\$ 151,161	\$ 8,505	\$ 128,286	\$ 287,952	\$ 103,865	3%
4111	187,307	72,262	4,066	61,327	137,655	49,652	1%
4113	195,006	75,232	4,233	63,847	143,313	51,693	2%
4114	505,461	195,004	10,972	165,494	371,470	133,991	4%
4115	417,842	161,201	9,070	136,806	307,078	110,764	3%
4135	641,359	247,433	13,922	209,989	471,344	170,015	5%
4184	167,297	64,542	3,632	54,775	122,949	44,348	1%
4187	245,733	94,802	5,334	80,456	180,592	65,140	2%
4189	503,776	194,354	10,936	164,942	370,232	133,544	4%
4190	712,778	274,986	15,473	233,372	523,830	188,947	6%
4192	129,002	49,768	2,800	42,237	94,805	34,197	1%
4210	1,588,732	722,497	48,007	520,169	1,290,673	298,058	12%
4211	1,498,628	705,035	48,186	490,668	1,243,889	254,739	12%
4212	1,554,347	727,188	49,477	508,911	1,285,576	268,771	12%
Total Secured Lenders	8,739,085	3,735,467	234,613	2,861,279	6,831,359	1,907,725	68%
Komatsu							
4207	1,510,649	664,701	42,898	494,604	1,202,203	308,446	12%
4208	1,328,871	569,488	35,857	435,088	1,040,433	288,438	10%
4209	1,316,579	536,198	32,068	431,063	999,329	317,250	10%
Total Komatsu	4,156,098	1,770,387	110,823	1,360,755	3,241,965	914,133	32%
Grand Total	\$ 12,895,183	\$ 5,505,855	\$ 345,436	\$ 4,222,034	\$ 10,073,325	\$ 2,821,859	100%

42. In the Monitor's view it is fair and reasonable for Komatsu to be paid the gross profits generated by the Utilized Komatsu Assets during the CCAA Proceedings. But it would not be fair to pay Komatsu the full \$3.1 million (the \$885,476 already received, plus \$2.3 million missed leased payments totaling \$3.1 million in lease payments) for assets that generated only \$914,000 of gross profit. This would result in the Company's decision to operate the Utilized Komatsu Assets at a loss being borne by another secured creditor (in this case the Secured Lenders). As identified by the review of the gross margins, the total gross profits generated by the Utilized Komatsu Assets was \$914,000. Komatsu was already paid \$885,476 in lease payments which the Monitor believes should be applied against the profits earned. The Monitor is of the view that the net amount owing to Komatsu for missed lease payments on the Komatsu Assets would be approximately \$29,000, as illustrated in the table below:

Illustrative Recovery to Komatsu	
Gross Margin Earned from Komatsu assets	\$ 914,133
Less: Lease Payments already made during CCAA	(885,476)
Additional Amounts Owing to Komatsu	\$ 28,658

43. The Monitor understands that the Secured Lenders and Komatsu agree to the proposed resolution outlined above in respect of the amounts to be paid by KMC for the use of the Utilized Komatsu Assets. The \$28,658 will be paid to Komatsu by the Company's cash on hand.

Cummins

44. Cummins has security registered against unit #5136, a 2000 O&K RH400 s/n 400004 (“**Cummins Secured Unit**”). The Monitor, in consultation with the Monitor’s Legal Counsel, are in the process of reviewing and confirming the debt balance owing by KMC to Cummins and the security held by Cummins to determine if it is valid and enforceable as against the proceeds from the Cummins Secured Unit. As such, the Monitor is proposing to hold back \$1.3 million which is the full amount of the proceeds allocated to the Cummins Secured Unit in the HME APA. The Monitor is also reviewing the value of the Cummins Secured Unit as the value assigned to it under the HME APA is substantially higher than values observed by the Monitor in a recent asset appraisal. The Monitor, in consultation with KMC, are investigating the discrepancy. The Monitor will make a further application with respect to the Cummins Secured Unit once it completes its analysis.

STAY EXTENSION

45. The Monitor has considered KMCs’ request to extend the Stay Period to July 31, 2025, and has the following comments:
- (a) There will be no material prejudice to KMCs’ creditors and stakeholders as a result of the proposed extension of the Stay Period;
 - (b) The Fourth Cash Flow Statement indicates that KMC will have sufficient liquidity to wind-down operations and fund the cost of these CCAA Proceedings for the duration of the proposed extension of the Stay Period;
 - (c) The length of the extension aligns with the time required to distribute the remaining proceeds from the HME APA, complete the current projects and wind-down the operations of KMC; and

(d) KMC have acted and are continuing to act in good faith and with due diligence.

CONCLUSIONS AND RECOMMENDATIONS

46. KMC and their management have acted and continue to act in good faith and with due diligence in taking steps to facilitate the sale of their Property.
47. The Monitor is of the view that the relief sought pursuant to the Proposed Second Distribution Order, the requested holdback and the Stay Extension Order, is necessary, reasonable, appropriate and justified in the circumstances.
48. Based on the foregoing, the Monitor supports the relief being sought and respectfully recommends that the request for the Proposed Second Distribution Order and Stay Extension Order be granted.

All of which is respectfully submitted this 13th 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



Name: Dustin Olver, CPA, CA, CIRP, LIT
Title: Senior Managing Director,
FTI Consulting Canada Inc.

Appendix “A”

Fourth Cash Flow Statement

	Dec-29 to May-3 (000s) Actual	Week 1 May-04 Forecast	Week 2 May-11 Forecast	Week 3 May-18 Forecast	Week 4 May-25 Forecast	Week 5 Jun-01 Forecast	Week 6 Jun-08 Forecast	Week 7 Jun-15 Forecast	Week 8 Jun-22 Forecast	Week 9 Jun-29 Forecast	Week 10 Jul-06 Forecast	Week 11 Jul-13 Forecast	Week 12 Jul-20 Forecast	Week 13 Jul-27 Forecast	May 4 to July 27 Forecast	Total
Receipts																
Customers	\$ 14,852	\$ 1,117	\$ 985	\$ 311	\$ 156	\$ 250	-	\$ 212	-	\$ 212	-	\$ 125	-	\$ 125	\$ 3,493	\$ 18,345
Asset Sales	936	-	-	-	-	-	-	-	-	-	-	-	-	-	-	936
Misc Receipts	72	22	70	70	-	-	-	-	-	-	-	-	-	-	162	234
Total Receipts	15,860	1,139	1,055	381	156	250	-	212	-	212	-	125	-	125	3,655	19,515
Operating Disbursements																
KERP	-	-	(250)	-	(55)	-	-	-	-	-	-	-	-	-	(305)	(305)
Staff Labour	(1,775)	(89)	(265)	(12)	(199)	(43)	(42)	(37)	-	(70)	-	(48)	-	(66)	(870)	(2,645)
Union Labour	(3,555)	(402)	(70)	(373)	(165)	(183)	(156)	(242)	(10)	(162)	-	(93)	-	(95)	(1,951)	(5,507)
Utilities	(94)	-	(4)	(4)	(4)	(2)	-	(2)	-	(2)	-	(2)	-	(2)	(22)	(116)
Operations	(2,367)	(173)	-	(6)	(54)	(5)	-	(2)	-	(51)	-	(3)	-	(46)	(341)	(2,708)
Fuel	(32)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	-	-	-	-	-	(6)	(38)
Rent / Property Tax	(167)	-	-	-	-	(2)	-	-	-	(2)	-	-	-	-	(3)	(170)
CRA Remittance	(414)	-	-	-	(183)	-	-	-	-	(60)	-	-	-	(20)	(263)	(677)
Insurance	(1,728)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,728)
Professional Fees	(1,094)	(98)	(115)	-	(370)	-	(100)	-	(100)	-	-	(25)	-	(50)	(858)	(1,952)
Bank Fees	(3)	-	-	-	(1)	-	-	-	-	(1)	-	-	-	(1)	(2)	(4)
Komatsu Capital Lease Payments	(217)	(29)	-	-	-	-	-	-	-	-	-	-	-	-	(29)	(246)
Other Capital Lease Payments	(278)	-	-	-	(6)	-	-	-	-	(6)	-	-	-	-	(11)	(289)
Operating Deposits	(441)	(49)	(15)	-	(15)	-	(15)	-	(15)	-	(15)	-	(15)	-	(139)	(580)
Total Operating Disbursements	(12,164)	(842)	(720)	(396)	(1,052)	(235)	(313)	(283)	(126)	(352)	(15)	(171)	(15)	(280)	(4,799)	(16,963)
Financing																
DIP Fees	(150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(150)
Interim Financing Interest	(101)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(101)
Total Disbursements	(12,414)	(842)	(720)	(396)	(1,052)	(235)	(313)	(283)	(126)	(352)	(15)	(171)	(15)	(280)	(4,799)	(17,214)
Net Cash Flow	3,446	297	335	(15)	(897)	16	(313)	(71)	(126)	(141)	(15)	(46)	(15)	(155)	(1,144)	2,302
Beginning Cash	400	3,846	4,143	4,479	4,464	3,567	3,583	3,270	3,199	3,073	2,932	2,917	2,872	2,857	3,846	400
Ending Cash, before DIP	\$ 3,846	\$ 4,143	\$ 4,479	\$ 4,464	\$ 3,567	\$ 3,583	\$ 3,270	\$ 3,199	\$ 3,073	\$ 2,932	\$ 2,917	\$ 2,872	\$ 2,857	\$ 2,702	\$ 2,702	\$ 2,702
Interim Financing																
Opening DIP Draw	\$ 3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 3,000
Repayments	(3,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,000)
Cumulative DIP Drawn	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash, after DIP	\$ 3,846	\$ 4,143	\$ 4,479	\$ 4,464	\$ 3,567	\$ 3,583	\$ 3,270	\$ 3,199	\$ 3,073	\$ 2,932	\$ 2,917	\$ 2,872	\$ 2,857	\$ 2,702	\$ 2,702	\$ 2,702
Monitor Trust Fund																
HME APA	100,866	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 100,866
Distribution	(65,815)	-	-	-	(35,052)	-	-	-	-	-	-	-	-	-	(35,052)	(100,866)
Monitor Trust Fund	\$ 35,052	-	-	-	\$ (35,052)	-	-	-	-	-	-	-	-	-	\$ (35,052)	-

KMC Mining Corporation

Per: Bryn Jones, Chief Financial Officer

Notes:

Management of KMC Mining Corporation ("KMC") has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Company during the CCAA Proceedings. The Cash Flow Statements is based on probable and hypothetical assumptions detailed in the notes below. Consequently, actual results will likely vary due to actual performance and such variances may be material.

- 1** Receipts from customers reflect expected collection of final sales related to Suncor projects and the completion of the "Hudbay Copper Mountain Operator Labour Support" project expected to run until the end of July.
- 2** KERP relate to the Key Employee Retention Program payment on May 15th for \$250k and on May 29 for \$55k.
- 3** Staff Labour includes all salary, benefit costs and source deductions relating to non-union employees of KMC. Currently, KMC has 12 full-time, non-union employees.
- 4** Union Labour includes all wages, benefit costs and source deductions relating to Operator employees of KMC. KMC has 8 mechanics, 30 heavy equipment operators and 1 management contractor.
- 5** Utilities relate to head office location costs and data center management.
- 6** Operations includes costs for direct service providers, management services, and operating vendors.
- 7** Fuel costs relate to required fuel expenses for head office staff.
- 8** Rent and property tax relate to costs for the corporate head office and temporary office space post May 31st.
- 9** CRA Remittance reflects GST remittances payable. GST remittances are current.
- 10** Insurance relates to insurance financing installments, policy was renewed December 1, 2024 for the upcoming year. No further payments expected.
- 11** Professional fees includes the Applicants' legal counsel, the Monitor, the Monitor's Counsel and the Sales Agent.
- 12** Komatsu Capital Lease payments relate to the three leased 930 trucks have ceased.
- 13** Other Capital Leases relate to light trucks and other smaller assets have ceased, only three trucks remaining with Jim Pattison post May 31st required for ongoing work.
- 14** Operating Deposits is an estimated amount payable to maintain the corporate credit card.
- 15** The initial advance of the Interim Financing occurred on December 24, 2024. The balance was paid back April 4, 2025.