

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

April 8, 2025

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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SECOND REPORT OF THE MONITOR

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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 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 Lender and the Klemke Foundation on all of 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 Honourable 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 of King’s Bench of Alberta (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 (the “**Stay Period**”);
 - 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 (the “**Sales Agent Agreement**”), 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 (“**Pre-Emptive Sale**”); 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 this Honourable Court:
- (a) The ARIO, approving the following:
 - i. Extending the Stay Period 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. This report (“**Report**” or “**Second Report**”) is being delivered in connection with the application currently scheduled to be heard on April 17, 2025 (the “**Sale Approval Application**”), KMC is seeking 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/a Heavy Metal Equipment and Rentals (“**HME**”) (and the sale herein referred to as the “**HME APA**”);
 - (b) An order modifying the KERP to provide certain adjustments to the entitlements and payments with respect to the KERP without modification to 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 order authorizing an interim distribution (the “**Interim Distribution Order**”) to secured creditors and equipment lessors of up to 50% of the net sale proceeds from the HME APA; and

- (e) A sealing order (the “**Sealing Order**”) sealing the confidential supplementary report of the Monitor.

- 7. This Report should be read in conjunction with 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.

- 8. 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

- 9. The Monitor has reviewed the application materials filed by KMC in support of the Sale Approval Application. The purpose of this Second 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 First Report dated January 17, 2025;
 - (b) The cash flow variance results for the thirteen-week period ended March 29, 2025;
 - (c) An overview of KMC’s’ revised cash flow statement (the “**Third Cash Flow Statement**”) for the twelve-week period ending June 21, 2025 (the “**Forecast Period**”) as well as the key assumptions on which the Third Cash Flow Statement is based on;
 - (d) The results of the SISP;
 - (e) A summary of the HME APA executed on March 26, 2025 between KMC as vendor and HME as purchaser; and

- (f) The Monitor’s conclusions and recommendations with respect to the HME APA and application for the SAVO, the Adjusted KERP Order, the WEPPA Order, the Interim Distribution Order and the Sealing Order.

TERMS OF REFERENCE

- 10. 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**”).
- 11. 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.
- 12. The Monitor has prepared this Report in connection with the Comeback Hearing. This Report should not be relied on for other purposes.

13. 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.
14. 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

15. The Monitor’s activities since the date of the Monitor’s First Report include the following, among other things:
 - (a) Ongoing discussions with Management and KMC’s legal counsel, Duncan Craig LLP, regarding the Applicants’ business and financial affairs;
 - (b) Updating a website (the “**Monitor’s Website**”) at the following URL: <http://cfcanada.fticonsulting.com/KMCMining/default.htm> 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 Third Cash Flow Statement;

- (e) Reviewed and assisted KMC and the Sales Agent with respect to the SISP, review of Phase I and Phase II bids and communications with Lessors and the Secured Lender;
- (f) 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. Mitsubishi HC Capital Canada Leasing Inc. (three assets returned);
 - ii. Daimler Truck Financial (five assets returned);
 - iii. Deutsche Leasing Canada Corp (one asset returned); and
 - iv. Jim Pattison Industries Ltd. (eleven assets returned);
- (g) 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. Contact information of KMC and location of the assets to help facilitate the retrieval of the Returnable Equipment;
- (h) As of the date of this Second Report, KMC is in the process of initiating returns of certain equipment to Meridian OneCap Credit Corp (six assets);

- (i) Assisting Management with termination letters and coordinating communications and notices to former employees with respect to the WEPPA;
- (j) Responding to inquiries from stakeholders, supplier and creditors who contacted the Monitor; and
- (k) Preparing this Report.

CASH FLOW VARIANCE ANALYSIS

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

Cash Flow Variance Analysis			
Thirteen-Week Period Ended March 29, 2025			
('000s)	Actual	Forecast	Variance
Receipts			
Customers	\$11,599	\$8,807	\$2,791
Asset Sales	908	188	720
Misc Receipts	46	21	25
Total Receipts	12,552	9,016	3,536
Operating Disbursements			
Staff Labour	(1,153)	(975)	(178)
Union Labour	(2,595)	(2,325)	(270)
Utilities	(91)	(163)	73
Operations	(2,057)	(1,793)	(263)
Fuel	(24)	(138)	115
Rent / Property Tax	(149)	(109)	(41)
CRA Remittance	(53)	(96)	42
Insurance	(1,548)	(1,217)	(331)
Professional Fees	(712)	(730)	18
Bank Fees	(2)	(1)	(1)
Komatsu Capital lease payments	(217)	(2,004)	1,787
Other Capital Lease Payments	(248)	(216)	(32)
Operating Deposits	(406)	(79)	(327)
Contingency	-	(625)	625
Total Operating Disbursements	(9,255)	(10,471)	1,217
Financing			
Interim Financing Interest	(56)	(102)	46
Total Disbursements	(9,311)	(10,573)	1,263
Net Cash Flow	3,241	(1,557)	4,798
Beginning Cash	400	400	-
Ending Cash, before DIP	\$3,641	(1,157)	\$4,798
Interim Financing			
Opening DIP Draw	\$3,000	\$3,000	-
Draws / (Repayments)	-	-	-
Cumulative DIP	3,000	3,000	-
Ending Cash, after DIP	\$6,641	\$1,843	\$4,798

- (a) Receipts are approximately \$3.5 million higher than forecast mainly due to:
- i. Approximately \$2.8 million permanent variance from additional project work obtained by KMC; and

- ii. \$720,000 positive variance from the sale of light duty fleet vehicles and equipment which not previously forecasted; and
 - (b) Positive variance for operating disbursements of approximately \$1.2 million mainly due to:
 - i. Timing differences of approximately \$1.8 million relating to Komatsu asset lease payments. As reported in the First Report, discussions are ongoing between the Company and its various creditors with respect to the treatment of finance lease payments throughout the CCAA Proceedings. The timing differences for these Komatsu payments relates to this ongoing discussion which is expected to be rectified through cost allocations and distributions once the SAVO is approved;
 - ii. Permanent difference of \$625,000 included in the forecast for potential contingency payments; and
 - iii. These positive variances are offset by negative variances relating to labour and operating costs which were higher than forecast due to increased project work, consistent with higher receipts noted above).
- 18. As at March 29, 2025, KMC had approximately \$3.6 million cash on hand, positive variance of \$4.8 million, before consideration of the cumulative amount drawn on the Interim Financing Charge.
- 19. After consideration of the \$3.0 million cumulative draw on the Interim Financing Charge, KMC has \$6.6 million cash on hand as at March 29, 2025.

CASH FLOW STATEMENT

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

('000s)	Week 1 to Week 13	Forecast Period	Total
Receipts			
Customers	\$ 11,599	\$ 5,553	\$ 17,151
Asset Sales	908	18	926
Misc Receipts	46	5	50
Total Receipts	12,552	5,576	18,128
Operating Disbursements			
Staff Labour	(1,153)	(1,429)	(2,583)
Union Labour	(2,595)	(2,600)	(5,196)
Utilities	(91)	(77)	(168)
Operations	(2,057)	(518)	(2,574)
Fuel	(24)	(12)	(35)
Rent / Property Tax	(149)	(35)	(184)
CRA Remittance	(53)	(456)	(509)
Insurance	(1,548)	(431)	(1,978)
Professional Fees	(712)	(880)	(1,592)
Bank Fees	(2)	(2)	(3)
Komatsu Capital Lease Payments	(217)	-	(217)
Other Capital Lease Payments	(248)	(37)	(285)
Operating Deposits	(406)	(110)	(516)
Total Operating Disbursements	(9,255)	(6,587)	(15,841)
Financing			
DIP Fees	-	(150)	(150)
Interim Financing Interest	(56)	(45)	(101)
Total Disbursements	(9,311)	(6,781)	(16,092)
Net Cash Flow	3,241	(1,205)	2,036
Beginning Cash	400	3,641	400
Ending Cash, before DIP	\$ 3,641	\$ 2,436	2,436
Interim Financing			
Opening DIP Draw	\$ 3,000	\$ 3,000	\$ 3,000
Repayments	-	(3,000)	(3,000)
Cumulative DIP Drawn	3,000	-	-
Ending Cash, after DIP	\$ 6,641	\$ 2,436	\$ 2,436

21. The Third Cash Flow Statement is based on the following key assumptions:
- (a) Cash receipts of approximately \$5.6 million primarily relate to the collection of sales related to current ongoing projects for Suncor and a new “Hudbay Copper Mountain Operator Labour Support” project that KMC started during the CCAA Proceedings, contracting out labour support, and expected to run until the end of May;
 - (b) Operating cash disbursements of approximately \$6.6 million primarily relate to ordinary course trade payments, insurance premiums, payroll and benefits, and other operating disbursements;
 - (c) Professional fees are forecast to be approximately \$880,000 over the Forecast Period and include KMC’s legal counsel, the Monitor, the Monitor’s Counsel and the Sales Agent;
 - (d) Komatsu (nil in the Forecast Period) and Other Capital lease payments include lease payments for capital leased equipment that is currently being used in operations. There is an ongoing review of leases to determine which leases are true operating leases versus financing leases and if determined to be financing leases whether it is appropriate to pay financing lease payments throughout the CCAA Proceedings. Discussions are ongoing between the Company and its various creditors. However, the Monitor understands that the Secured Lender (bank syndicate) have raised concerns regarding financing lease payments being made post-filing for certain pieces of equipment being used by the Company but not for certain equipment being financed by the Secured Lender and also being used by the Company in operations. The Monitor intends to report further to this Court in the event the parties cannot come to a mutual agreement with respect to payment of the capital leases and allocation of costs of the CCAA Proceedings for the equipment that is being currently used by the Company;

- (e) DIP Fees include the second tranche of the closing fee (\$150,000) due April 6, 2025 pursuant to the terms of the Interim Financing Term Sheet; and
 - (f) The repayment of the Interim Financing Charge of \$3.0 million.
22. Ending cash, after repaying the \$3.0 million drawn on the Interim Financing Charge, at the end of the Forecast Period is forecast to be approximately \$2.4 million.

SISP AND HME APA

SISP

23. The Sales Agent and the Applicant, in consultation with the Monitor, conducted the SISP to solicit offers to purchase its right, title and interest in the Property of the Applicants in accordance with the SISP Order.
24. Highlights of the SISP are as follows:
- (a) KMC and the Sales Agent, in consultation with the Monitor, completed a teaser letter describing the opportunity (“**Teaser**”), a non-disclosure agreement (“**NDA**”), and a Known Potential Bidders list on January 13, 2025;
 - (b) On January 15, 2025, the SISP was formally launched whereby the Teaser and NDA were sent via e-mail to potential interested parties (~2,600 individuals at ~1,088 companies), including strategic buyers, financial investors and auction companies;
 - (c) The Teaser, NDA and the SISP were posted to the Receiver’s website on January 15, 2025;

- (d) The Sales Agent issued a press release on January 15, 2025 in Canada Newswire disseminating the opportunity in Canada and major financial centers in the United State. The Sales Agent also engaged Global Mining Review to send a digital e-blast out to their ~6,000 industry wide distribution list. The advertisement was sent out on January 30, 2025;
 - (e) 58 interested parties signed NDAs and were given access to a virtual data room (“**Data Room**”) which included asset listings, asset descriptions, photographs, lease agreements, and financial/operational information;
 - (f) Site visits were coordinated for any parties wishing to physically inspect the assets;
 - (g) The Phase I Bid deadline for non-binding letters of intent was February 28, 2025. non-binding letters of intent were received by the Phase I Bid deadline for different parcels of assets; and
 - (h) The Phase II Bid deadline for binding offers with a deposit was March 28, 2025. A total of nine proposals were received by the Phase II Bid deadline, summarized as follows: two unconditional binding offers, three conditional offers and four auction proposals (collectively, the “**Phase II Bids**”).
25. The Monitor, in consultation with the KMC, the Sales Agent, the Secured Lender, and certain Lessors evaluated the Phase II Bids with consideration to, among other things:
- (a) The proposed purchase price and the offer, or combination of offers, that would result in the highest cumulative proceeds;
 - (b) The scope of assets being purchased;
 - (c) Extent to which the offers complied with the requirements to be a Qualified Phase II Bid as described in paragraph 22 of the SISF;

- (d) Closing risk and price risk, including any remaining due diligence or conditionality;
 - (e) Key dates including closing dates and length of time required at the current storage sites; and
 - (f) The overall expected range of recoveries from the offers.
26. Ultimately, KMC, in consultation with the Monitor and the Secured Lenders, selected the proposal submitted by HME as the superior offer.

HME APA

27. KMC is seeking a SAVO in respect of the HME APA. A redacted copy of the HME APA is attached as Exhibit “C” to the Third Jones Affidavit. An unredacted copy is attached as Appendix “B” to the Monitor’s confidential supplemental report to this Second Report (the “**Confidential Supplemental Report**”). A summary of the key commercial terms of the HME APA are as follows:
- (a) Purchase Price – KMC and the Monitor are of the view that the Purchase Price is commercially sensitive information and that disclosing the purchase price publicly prior to the closing of the HME APA could cause significant financial harm to a future sales process in the event the HME APA does not close. Accordingly, the purchase price is only disclosed in the Confidential Supplemental Report. KMC has requested a Sealing Order to ensure the purchase price remains confidential. The Monitor supports the Applicant’s request for a Sealing Order; and
 - (b) Deposit – KMC’s counsel is currently holding a deposit (“**Deposit**”) in the amount of approximately 10% of the Purchase Price. The deposit is only refundable if Closing does not occur due to a SAVO not being granted or by any other reason other than HME’s breach of its obligations under the HME APA.

28. The HME Transaction contemplates the purchase of the owned and lease assets detailed in Schedule A of the HME APA. The assets listed in Schedule A to the HME APA represent substantially all of KMC's tangible equipment assets summarized as follows;
- (a) Owned heavy equipment;
 - (b) Owned and leased ancillary equipment, including a shop that is used to store ("**Syncrude Shop**") inventory and spare parts located on the Syncrude site;
 - (c) Owned inventory and spare parts; and
 - (d) Leased heavy equipment ("**Leased Equipment**").
29. The Leased Equipment includes assets leased by various lessors (CAT Finance, Komatsu Finance, John Deere Finance, Dynamic Capital, PNC and Deutsche) (collectively "**HME APA Lessors**"). The Sales Agent, the Applicant and the Monitor have been in discussions with the HME APA Lessors to determine if they support their leased assets being sold to HME for the values outline in Schedule A of the HME APA. In the event one or more of the HME APA Lessors objects to the sale of their Lease Equipment and/or the a there will be a downward adjustment to the purchase price being paid by HME in accordance with Section 7.0(iii) of the HME APA. Specifically as it relates to the Komatsu Finance Leased Equipment ("**Komatsu Leased Assets**"), the HME APA stipulates that Komatsu Finance must agree to include all of their Komatsu Assets or they will be all excluded and there will be a corresponding reduction to the purchase price for the removal of those assets.
30. The HME APA does not include the sale of any cash on hand, receivables or causes of action, claims or rights to sue arising from past or present legal disputes. These assets will remain with KMC.
31. The HME APA includes the assumption of four contracts listed at Schedule B of the HME APA, summarized as follows:

- (a) A sublease contract between KMC and Syncrude Canada Ltd. for the lease of the Mildred Lake Lot No. ML-400, expiring January 31, 2027 (the “**Syncrude Lease**”). This lease is for the lease of land that the Syncrude Shop sits on;
- (b) A lease contract between KMC and Government of Alberta – Forestry and Parks expiring April 14, 2049 (the “**Aostralease**”) for the lease of a storage site located in Northern Alberta on Plan Number 142044MS;
- (c) A letter of intent between KMC and Suncor Energy (the “**Suncor LOI**”) expiring December 31, 2026 for the rental of 6 ultra class Komatsu 930E-5 trucks for use at Suncor’s Fort Hills oilsands sites; and
- (d) A purchase order issued pursuant to the Suncor LOI for the rental of six ultra class Komatsu 930E-5 trucks at Suncor’s Fort Hills oilsands site expiring December 31, 2025 (“**Suncor PO**”)

(collectively, the “**Assumed Contracts**”).

- 32. Although not specifically part of the HME APA, HME has advised that they intend to offer the majority of the current KMC operational field staff with offers of employment.
- 33. Closing date – target closing date is 14 days after the SAVO becomes a final order, or such earlier date as may be agreed to by KMC and HME.
- 34. The HME APA is not subject to any material conditions other than approval by this Honourable Court.

Monitor's Analysis of the SISP and HME APA

35. The Monitor has concluded that the HME APA represents the best value that could be reasonably be obtained for KMC's Property in the present circumstances:
- (a) KMC's property has been adequately exposed to the market through the Court approved SISP undertaken by the Sales Agent, KMC with consultation of the Monitor;
 - (b) The sales and marketing efforts were completed in accordance with the SISP;
 - (c) The SISP produced significant interest in the assets and operations of the Company as supported by the number of bids received; and
 - (d) The banking syndicate is the largest secured creditor in the Receivership Proceeding and supports KMC closing the HME APA.

ASSIGNMENT OF CONTRACTS

36. As described above, the HME APA has a provision which includes the assumption of the Assumed Contracts. The Monitor understands as part of the SAVO the Applicant is seeking to assign the Assumed Contracts utilizing the provisions contained in Section 11.3 of the CCAA.
37. In the Monitor's view, the assignment of the Assumed Contracts appears to be appropriate and commercially reasonable in the circumstances when considering the factors referenced in section 11.3 of the CCAA. In particular, the Monitor notes the following factors in the consideration of its approval of the assignment of the Assumed Contracts, which remain subject to this Court's approval:

- (a) The Monitor has reviewed and was consulted in the negotiating the HME APA and understands that the Assumed Contracts relate to the leases for equipment/inventory storage locations which KMC's currently operates out of and the assignment of these leases is important to HME's ability to store and protect the equipment and inventory being purchased going forward. The other two Assumed Contracts relate to rental contracts for 6 of the pieces of equipment included in the HME APA. HME would like to continue to rent these 6 units in accordance with the Suncor LOI and Suncor PO;
- (b) The nature of HME's operations, as the proposed assignee of the Assumed Contracts, is the same as the KMC's and HME intends to continue with the operations in the same manner as KMC has been operating in the past;
- (c) HME has shown the ability and financial wherewithal to enter into the HME APA, which included a substantial cash deposit that has been paid to KMC's counsel. In the Monitor's view HME is in a substantially better financial position than KMC and appear to have the ability to comply with the financial rights and obligations in the Assumed Contracts; and
- (d) The assignment of the Assumed Contracts does not prejudice any of the counterparties as the HME APA contemplates that any cure costs with respect to the Assumed Contracts are to be paid by HME prior to the closing of the transaction.

38. Accordingly, the Monitor does not have any reason to believe that HME will be unable to perform its rights and obligations under the Assumed Contracts and is in support of the assignment of the Assumed Contracts under Section 11.3 of the CCAA, if required.

INTERIM DISTRIBUTIONS

39. The Applicant has included a request to make an interim distribution of funds that will be received from the HME APA, if the Court grants the SAVO and the HME APA closes. The amount of the proposed interim distribution is 50% of the purchase price ultimately received. Allocations of the HME APA Purchase Price and proposed Interim Distributions are included in the Confidential Supplemental Report.
40. The Monitor's Counsel is in the process of completing security reviews in respect of the Secured Lenders and the HME APA Lessors who have security over the property being sold as part of the HME APA. If each of the Secured Lenders and HME APA Lessors, as listed above, are determined to have valid and enforceable security, the Monitor will support the Applicants' request to make the interim distributions as there will be sufficient cash remaining and held back to deal with allocation of costs among the various secured parties and priority claims. The Monitor intends to file a supplemental report to this Court with respect to the results of the security review prior to the April 17, 2025 application.

WEPPA

41. On the date of the Initial Order, KMC employed approximately 61 full time employees and 53 inactive employees. Since the commencement of the CCAA Proceedings, KMC have terminated all 53 inactive employees and 3 full time employees, with additional terminations expected after the approval of the HME APA and wind down of operations.
42. Upon their termination, employees were provided with directions on how to obtain their record of employment from Service Canada and were made aware of the WEPPA.

43. Section 5(1) of the WEPPA provides that an individual is eligible to receive a payment under WEPPA if, among other things, (i) the individual is owed eligible wages by a former employer; (ii) the former employer is subject to proceedings under the CCAA; and (iii) a court determines under subsection 5(5) that criteria prescribed by the WEPP Regulations are met.
44. Section 5(5) of WEPPA provides that, on application by any person, a court under the CCAA may determine that a former employee meets the criteria prescribed by regulation. Section 3.2 of the WEPP Regulations provides that “for purposes of subsection 5(5) of the WEPPA, a court may determine whether the former employer is the former employer of all of whose employees in Canada have been terminated other than any retained to wind down its business operations.”
45. Paragraph 46 of the ARIO contains a declaration pursuant to section 5(5) of WEPPA that KMC and their collective former employees meet the criteria prescribed by the WEPP Regulations and are individuals to whom the WEPPA applies as of the date of the ARIO. Accordingly, the Monitor was authorized to administer WEPP claims for terminated employees that meet the eligibility criteria outlined in WEPPA.
46. The Monitor worked extensively with KMC’s human resource and payroll department to determine which terminated employees met the criteria to be eligible to make claims under WEPPA for unpaid wages, vacation, termination and/or severance pay (together, “**Eligible Wages**”).
47. The Monitor performed additional employment record review for the inactive employees to determine their eligibility to make claims under WEPPA for Eligible Wages.
48. For eligible employees terminated before the date of this Second Report, the Monitor has provided an instruction letter (the “**WEPP Instruction Letter**”) setting out KMC’s calculation of their Eligible Wages owed under the WEPPA and instructions on how to submit their claim with the Monitor and Service Canada.

49. As of the date of this Second Report, the status of WEPP claims administered by the Monitor are as follows:
- (a) The Monitor has sent 56 WEPP Instruction Letters to eligible employees;
 - (b) 52 eligible employees have submitted a proof of claim (“**WEPP Proofs of Claim**”) to the Monitor in accordance with the WEPP Instruction Letter and in accordance with the requirements under the WEPPA; and
 - (c) The Monitor reviewed all 52 WEPP Proofs of Claim received to date and has submitted all 52 WEPP Proofs of Claim to Service Canada for processing. The Monitor continues to review and process claims received from eligible employees.

ADJUSTMENTS TO THE KERF

50. KMC is seeking the approval of the Court to amend the list of employees included in the KERF. Two of the employees entitled to phase one or phase two payments under the KERF resigned from the Company on their own accord, removing their eligibility for a KERF payment. The total amount forfeited by these two employees is \$30,000 (the “**Forfeited KERF Funds**”).
51. Daniel Klemke, the President and CEO of KMC, (“**Klemke**”) is a beneficiary under phase three of the KERF, and as such, would not receive a payment unless and until a Plan of Arrangement is made to creditors.
52. It is the view of KMC, the Sales Agent and the Monitor, that Klemke played an integral role in the SISF. While KMC has not ruled out anything on a go forward basis, and therefore has not ruled out the prospect of a Plan of Arrangement, the potential for one is remote. As such, KMC is proposing the Forfeited KERF Funds be paid to Klemke at the same time and on the same basis as would have been paid to the two resigned employees.

53. As the value of the KERP remains unchanged, the Monitor is supportive of the requested adjustment and the Adjusted KERP Order.

CONCLUSIONS AND RECOMMENDATIONS

54. 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.

55. The Monitor is of the view that the relief sought by KMC pursuant to the proposed SAVO and Sealing Order is necessary, reasonable, appropriate and justified in the circumstances.

56. Based on the foregoing, the Monitor supports the relief being sought by KMC and respectfully recommends that KMC's request for the proposed SAVO, Adjusted KERP Order, WEPPA Order, Interim Distribution Order and Sealing Order be granted.

All of which is respectfully submitted this 8th day of April 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”

Third Cash Flow Statement

('000s)	Week Beginning	Week 1 to Week 13	Week 14 Mar-30	Week 15 Apr-06	Week 16 Apr-13	Week 17 Apr-20	Week 18 Apr-27	Week 19 May-04	Week 20 May-11	Week 21 May-18	Week 22 May-25	Week 23 Jun-01	Week 24 Jun-08	Week 25 Jun-15	Forecast Period	Total
Receipts																
Customers	1	\$ 11,599	\$ 986	\$ 1,338	\$ 909	\$ 797	\$ 277	\$ 311	\$ 174	\$ 311	\$ 156	\$ 244	\$ 50	-	\$ 5,553	\$ 17,151
Asset Sales		908	18	-	-	-	-	-	-	-	-	-	-	-	18	926
Misc Receipts		46	5	-	-	-	-	-	-	-	-	-	-	-	5	50
Total Receipts		12,552	1,008	1,338	909	797	277	311	174	311	156	244	50	-	5,576	18,128
Operating Disbursements																
Staff Labour	2	(1,153)	(253)	(8)	(286)	-	(392)	(69)	(80)	(43)	(163)	(43)	(50)	(43)	(1,429)	(2,583)
Union Labour	3	(2,595)	(190)	(352)	(308)	(275)	(7)	(402)	(225)	(218)	(165)	(214)	(156)	(88)	(2,600)	(5,196)
Utilities	4	(91)	-	(5)	-	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(77)	(168)
Operations	5	(2,057)	(60)	(55)	-	(294)	(54)	-	-	-	(54)	-	-	-	(518)	(2,574)
Fuel	6	(24)	(3)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(12)	(35)
Rent / Property Tax	7	(149)	-	-	-	-	(17)	-	-	-	(17)	-	-	-	(35)	(184)
CRA Remittance	8	(53)	(148)	(83)	-	-	(150)	-	-	-	(75)	-	-	-	(456)	(509)
Insurance	9	(1,548)	-	-	(70)	-	(180)	-	-	-	(180)	-	-	-	(431)	(1,978)
Professional Fees	10	(712)	-	(140)	-	-	(370)	-	-	-	(370)	-	-	-	(880)	(1,592)
Bank Fees		(2)	(1)	-	-	-	(1)	-	-	-	(1)	-	-	-	(2)	(3)
Komatsu Capital Lease Payments	11	(217)	-	-	-	-	-	-	-	-	-	-	-	-	-	(217)
Other Capital Lease Payments	12	(248)	(22)	-	-	-	(7)	-	-	-	(7)	-	-	-	(37)	(285)
Operating Deposits	13	(406)	-	(35)	(15)	-	(15)	-	(15)	-	(15)	-	(15)	-	(110)	(516)
Total Operating Disbursements		(9,255)	(677)	(680)	(681)	(578)	(1,202)	(480)	(329)	(269)	(1,057)	(265)	(229)	(139)	(6,587)	(15,841)
Financing																
DIP Fees		-	(150)	-	-	-	-	-	-	-	-	-	-	-	(150)	(150)
Interim Financing Interest	14	(56)	(45)	-	-	-	-	-	-	-	-	-	-	-	(45)	(101)
Total Disbursements		(9,311)	(872)	(680)	(681)	(578)	(1,202)	(480)	(329)	(269)	(1,057)	(265)	(229)	(139)	(6,781)	(16,092)
Net Cash Flow		3,241	137	658	228	220	(925)	(169)	(155)	42	(901)	(21)	(179)	(139)	(1,205)	2,036
Beginning Cash		400	3,641	3,778	4,435	4,663	4,883	3,958	3,789	3,634	3,676	2,775	2,754	2,574	3,641	400
Ending Cash, before DIP		\$ 3,641	\$ 3,778	\$ 4,435	\$ 4,663	\$ 4,883	\$ 3,958	\$ 3,789	\$ 3,634	\$ 3,676	\$ 2,775	\$ 2,754	\$ 2,574	\$ 2,436	\$ 2,436	2,436
Interim Financing																
Opening DIP Draw		\$ 3,000	\$ 3,000	-	-	-	-	-	-	-	-	-	-	-	\$ 3,000	\$ 3,000
Repayments	15	-	(3,000)	-	-	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)
Cumulative DIP Drawn		3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash, after DIP		\$ 6,641	\$ 3,778	\$ 4,435	\$ 4,663	\$ 4,883	\$ 3,958	\$ 3,789	\$ 3,634	\$ 3,676	\$ 2,775	\$ 2,754	\$ 2,574	\$ 2,436	\$ 2,436	2,436

KMC Mining Corporation

Per: Bryn Jones, Chief Financial Officer

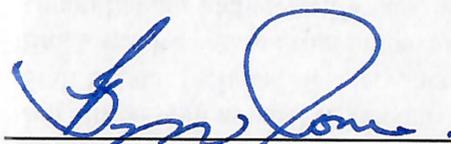
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Notes:

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 collections from two Fort Hills projects (six 930E-5 trucks ending Apr 18, nine 930E3/4 trucks ended Mar 31) and the Hudbay project (operator labour ending Jun 30), as well as smaller amounts from maintenance and ice lugging contracts with Syncrude (both ended in March).
- 2 Staff Labour includes all salary, benefit costs and source deductions relating to non-union employees of KMC. Currently, KMC has 30 full-time, non-union employees. This amount includes the Key Employee Retention Program payment on May 2nd for \$230k and on May 29 for \$75k.
- 3 Union Labour includes all wages, benefit costs and source deductions relating to Operator employees of KMC. KMC has 19 unionized employees and 41 non-unionized operator employees.
- 4 Utilities relate to head office location costs.
- 5 Operations includes costs for direct service providers, management services, and operating vendors.
- 6 Fuel costs relate to required fuel expenses for head office staff.
- 7 Rent and property tax relate to costs for the corporate head office.
- 8 CRA Remittance reflects GST remittances payable. GST remittances are current.
- 9 Insurance relates to insurance financing installments due through June 30. Policy was renewed December 1, 2024 for the upcoming year.
- 10 Professional fees includes the Applicants' legal counsel, the Monitor, the Monitor's Counsel and the Sales Agent.
- 11 Komatsu Capital Lease payments relate to the three leased 930 trucks have ceased.
- 12 Other Capital Leases relate to light trucks and other smaller assets have ceased.
- 13 Operating Deposits is an estimated amount payable to maintain the corporate credit card.
- 14 Interim Financing Interest calculated based on the Debtor-in-Possession Term Sheet.
- 15 The initial advance of the Interim Financing occurred on December 24, 2024. The balance was paid back April 4, 2025.

(\$'000s)	Week Beginning	Week 1 to Week 13	Week 14 Mar-30	Week 15 Apr-06	Week 16 Apr-13	Week 17 Apr-20	Week 18 Apr-27	Week 19 May-04	Week 20 May-11	Week 21 May-18	Week 22 May-25	Week 23 Jun-01	Week 24 Jun-08	Week 25 Jun-15	Forecast Period	Total
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Union Labour	3	(2,595)	(190)	(352)	(308)	(275)	(7)	(402)	(225)	(218)	(165)	(214)	(156)	(88)	(2,600)	(5,196)
Utilities	4	(91)	-	(5)	-	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(77)	(168)
Operations	5	(2,057)	(60)	(55)	-	(294)	(54)	-	-	-	(54)	-	-	-	(518)	(2,574)
Fuel	6	(24)	(3)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(12)	(35)
Rent / Property Tax	7	(149)	-	-	-	-	(17)	-	-	-	(17)	-	-	-	(35)	(184)
CRA Remittance	8	(53)	(148)	(83)	-	-	(150)	-	-	-	(75)	-	-	-	(456)	(509)
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Professional Fees	10	(712)	-	(140)	-	-	(370)	-	-	-	(370)	-	-	-	(880)	(1,592)
Bank Fees		(2)	(1)	-	-	-	(1)	-	-	-	(1)	-	-	-	(2)	(3)
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Financing																
DIP Fees		-	(150)	-	-	-	-	-	-	-	-	-	-	-	(150)	(150)
Interim Financing Interest	14	(56)	(45)	-	-	-	-	-	-	-	-	-	-	-	(45)	(101)
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Interim Financing																
Opening DIP Draw		\$ 3,000	\$ 3,000	-	-	-	-	-	-	-	-	-	-	-	\$ 3,000	\$ 3,000
Repayments	15	-	(3,000)	-	-	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)
Cumulative DIP Drawn		3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash, after DIP		\$ 6,641	\$ 3,778	\$ 4,435	\$ 4,663	\$ 4,883	\$ 3,958	\$ 3,789	\$ 3,634	\$ 3,676	\$ 2,775	\$ 2,754	\$ 2,574	\$ 2,436	\$ 2,436	2,436



KMC Mining Corporation

Per: Bryn Jones, Chief Financial Officer