

COURT FILE NUMBER 24-3162620
EDMONTON REGISTRY

SUPERINTENDENT ESTATE NO. 24-3162620

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
KMC MINING CORPORATION**

**FIRST REPORT TO COURT OF
FTI CONSULTING CANADA INC., IN ITS
CAPACITY AS PROPOSAL TRUSTEE OF
KMC MINING CORPORATION**

FIRST REPORT OF THE PROPOSAL TRUSTEE

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INTRODUCTION

1. On December 5, 2024 (the “**Filing Date**”), KMC Mining Corporation (“**KMC**” or the “**Company**”), a private corporation formed under the laws of Alberta filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”). Attached as **Appendix “A”** hereto is the Certificate of Filing of a Notice of Intention to Make a Proposal issued by the Office of the Superintendent of Bankruptcy.
2. FTI Consulting Canada Inc. (“**FTI**”) consented to act as proposal trustee (the “**Proposal Trustee**”) in the NOI proceedings (the “**Proceedings**”) of KMC.
3. This first report of the Proposal Trustee (the “**First Report**”) is being delivered in connection with the Company’s application currently scheduled to be heard on December 9, 2024 (the “**December 9 Application**”), seeking an Order from the Court of King’s Bench of Alberta (the “**Court**”), to:
 - (a) Extend the 30-day time period for KMC to file a proposal, ending on January 4, 2025 (the “**Stay Period**”), by an additional 45-day period ending February 18, 2025 (the “**Stay Extension**”);
 - (b) Authorize and approve the Company to sell specific surplus and redundant assets, without the approval of this Court, and with approval of the Proposal Trustee, provided such sales do not exceed \$1.0 million;
 - (c) Authorizing and approving an interim financing charge in the amount of \$6.0 million; and
 - (d) Authorizing and approving the administration charge in the amount of \$0.5 million.
4. Electronic copies of all materials filed by the Company in connection with the December 9 Application and other statutory materials are available on the Proposal Trustee’s website at: <http://cfcanada.fticonsulting.com/KMCMining/>

PURPOSE

5. FTI, in its capacity as Proposal Trustee, has reviewed the Court materials filed by the Company in support of the December 9 Application. The purpose of this First Report is to provide information to this Honourable Court pertaining to:
- (a) The Company, the circumstances surrounding the commencement of these Proceedings and the main objectives of these Proceedings;
 - (b) The Company's operations, assets and creditors;
 - (c) The status of the Company's restructuring efforts;
 - (d) The Company's cash flow statement (the "**Cash Flow Statement**") for the period ending March 31, 2025;
 - (e) The Company's request to obtain and borrow interim financing pursuant to the terms of the Draft Interim Financing Term Sheet (as defined below) and for the borrowing under this facility to be granted a charge ("**Interim Financing Charge**");
 - (f) The Company's request for the granting of a charge ("**Administrative Charge**") in favour of the Proposal Trustee, its legal counsel and the Company's legal counsel in respect of their fees and disbursements, to a maximum amount of \$0.5 million;
 - (g) The Company's request for an extension to the Stay Period; and
 - (h) The Proposal Trustee's conclusions and recommendations.

TERMS OF REFERENCE

6. In preparing this First report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").

7. Except as described in this First Report:
- (a) The Proposal Trustee 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 Proposal Trustee 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.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

OBJECTIVES

9. The primary objectives of these Proceedings are to:
- (a) Ensure the Company has the necessary stability to maintain ongoing operations while it seeks to restructure its financial affairs; and
 - (b) Provide a forum to effectuate a restructuring transaction (“**Restructuring Transaction**”) for the benefit of the Company’s creditors and preserve KMC’s going concern business.
10. The Company intends to move through the Proceedings expeditiously, with the goal of completing the Restructuring Transaction as soon as practicable.

BACKGROUND

11. Detailed information with respect to the Company's business, operations and causes of financial difficulty are outlined in the Affidavit of Daniel Klemke sworn on December 6, 2024 (the "**Klemke Affidavit**"). The information contained in this First Report provides a summary of the Company's business and affairs.
12. The Company is a large mining development company headquartered in Edmonton, Alberta, with its core operations currently focused in Fort McMurray, Alberta.
13. As of November 25, 2024, KMC employed 61 full-time employees, of which 17 are located at its head office in Edmonton, Alberta. 42 are field employees working in the Fort McMurray area. Additionally, KMC employs six (6) full-time contractors and two (2) maintenance shop employees who are based either at Fort McMurray or at the Edmonton location.
14. KMC employs a mixture of unionized and non-unionized employees. There are presently 30 unionized employees who are actively working for KMC. These employees are represented by the International Union of Operating Engineers Local 955.

Historical Financial and Operating Results

15. The Proposal Trustee has reviewed the Company's unaudited financial statements for the ten months ended October 31, 2024. In the ten months ended October 31, 2024, the Company generated operating income of approximately \$33.9 million. While this appears to be a strong operating profit, due to a material change in the Company's scope of work with their key customer, the profits generated are not expected to continue (as discussed in further detail below).
16. The table below presents a summary of the Company's balance sheet as at October 31, 2024.

KMC Mining Corporation
Balance Sheet as of October 31, 2024 (unaudited)
(000's)

Assets	
Current	
Cash	\$ 4,352
Accounts Receivable	6,512
Inventories	18,112
Prepaid Expenses and Deposits	<u>331</u>
Total Current Assets	29,307
Property & Equipment	259,947
Assets Held for Sale	3,852
Intangible Assets and Deferred Financing Fees	<u>2,326</u>
Total Assets	<u>\$295,432</u>
Liabilities	
Current	
Accounts Payable and Accrued Liabilities	\$ 22,218
Operating Loan	<u>4,800</u>
Total Current Liabilities	27,018
Term Debt	103,289
Lease Liabilities	52,271
Deferred Income Tax	9,485
Subordinated Promissory Notes	<u>49,780</u>
Total Liabilities	241,843
Shareholders' Equity	
Share Capital	2
Preferred Shares	13,000
Retained Earnings	<u>40,587</u>
Total Shareholders' Equity	<u>53,589</u>
Total Liabilities & Shareholders' Equity	<u>\$295,432</u>

17. The Proposal Trustee understands that as at October 31, 2024, the book value of the Company's assets and liabilities were approximately \$295.4 million and \$241.8 million, respectively.
18. Included in the asset balance is Property and Equipment with a net book value of \$259.9 million. The bulk of these assets are specialized, ultra-class mining equipment, which are niche products that the Company expects to require enhanced processes to market and sell. Furthermore, given the size of these assets, the cost to demobilize and move them to other locations is expected to be quite significant. The Company has engaged an independent third-party appraiser to complete a fulsome asset appraisal to further assess the market value of these assets.

Creditors

19. As detailed in the Klemke Affidavit, KMC's primary secured creditor is comprised of a syndicate of lenders led by ATB Financial as the agent ("**ATB**" or the "**Agent**"). The members of the syndicate include the following entities:
- (a) ATB;
 - (b) Canadian Western Bank ("**CWB**");
 - (c) Export Development Canada ("**EDC**"); and
 - (d) Laurentian Bank of Canada ("**Laurentian**")
- (collectively, the "**Secured Lenders**").
20. Pursuant to a credit agreement dated August 13, 2024 between the Company and the Secured Lenders (the "**Credit Agreement**"), several credit facilities have been extended to KMC, including the following:
- (a) Operating Facility;
 - (b) Capital Expenditures Facility; and
 - (c) A Term Facility.
21. The Credit Agreement is secured by a general security agreement ("**GSA**") which grants the Secured Lenders a first ranking security interest in all present and after-acquired personal property held by KMC.
22. As of October 31, 2024, KMC's secured indebtedness to the Secured Lenders was approximately \$108.1 million.

23. KMC's other senior secured creditor is the Klemke Foundation (the "**Klemke Foundation**"), a private charitable foundation. Pursuant to an Amended and Restated Promissory Note dated August 13, 2024 (the "**Promissory Note**"). As at October 31, 2024, KMC is indebted \$49.8 million to the Klemke Foundation.
24. The Klemke Foundation holds a GSA granting it security interest in all present and after-acquired personal property of KMC, subordinated only to the Secured Lender's security.
25. Lastly, KMC is the lessee to a number of significant equipment leases with various equipment lessors (collectively, the "**Equipment Lenders**"). The leases are for heavy equipment and light-duty service vehicles. As at October 31, 2024, the consolidated outstanding amounts owing to the Equipment Lenders is approximately \$52.3 million.
26. Based on the Company's books and records, as at the Filing Date, KMC's unsecured obligations totaled approximately \$22.2 million.

Mining Operations

27. The primary operations of KMC include mine development, contract mining and land reclamation. Founded in 1949 in southern Saskatchewan, KMC expanded operations to include railroads, dams, earthworks and mining operations across Alberta, British Columbia, Saskatchewan, Yukon and the Northwest Territories.
28. As the Company grew, KMC's focus shifted to large-scale oil sands projects where KMC started to contract with large energy suppliers such as Suncor Energy Inc. ("**Suncor**"), Syncrude Canada ("**Syncrude**"), Imperial Oil Ltd. and Canadian Natural Resources Ltd., to work on extensive, multi-year projects across Alberta.

Causes of Financial Difficulty

29. As described in the Klemke Affidavit, the sudden and unexpected cancellation of substantial contracts by Suncor has had an immediate and significant detrimental impact on the operations of KMC.

30. Given the sudden termination by Suncor of the project scope, and significant costs incurred by KMC to ramp up for the Fort Hills PO, KMC is now facing a substantial amount of trade payables owing and a significant fleet of unutilized assets with insufficient revenues being generated to sustain operations. Furthermore, the most significant impacts of the Notice is the Company's distressed liquidity and cash flow position, ultimately hindering their ability to service their debt and lease obligations or pay trade creditors.

RESTRUCTURING EFFORTS

31. The Proposal Trustee understands that the Company has been diligently exploring restructuring options, including marketing and selling its equipment fleet and actively searching for business opportunities to alleviate their creditor obligations. However, given the specialized nature of their heavy equipment assets, the sales process is likely to be timely and require significant liquidity to support.
32. As described in the Klemke Affidavit, the Company has indicated that it would be open, on terms satisfactory to its primary stakeholders, to implementing a court-supervised solicitation process seeking offers for its assets, or a refinancing or recapitalization of the Company if a Restructuring Transaction is not completed by its next court appearance.
33. Furthermore, KMC has been actively pursuing opportunities to dispose of surplus assets and redundant equipment which are readily saleable to interested buyers. Assets include such things as generators, light towers, and other ancillary equipment inventory that is unutilized by operations and can readily be sold to generate immediate cash to assist in funding the ongoing operations.
34. To increase efficiencies and avoid additional costs, the Company is seeking approval from the Court to proceed with such sales with the approval of the Proposal Trustee provided such sales do not exceed, in the aggregate, the amount of \$1.0 million. The Proposal Trustee is supportive of this request.

35. The Company has also commenced staffing layoffs as a way to reduce costs and help mitigate immediate liquidity issues. Since October 16, 2024, approximately 350 employees were laid off, inclusive of both corporate level employees and field staff.

CASH FLOW STATEMENT

36. The Company, in consultation with the Proposal Trustee, has prepared the cash flow statement (the “**Cash Flow Statement**”) to estimate the Company’s liquidity for the period from December 1, 2024, to March 31, 2025 (the “**Forecast Period**”), a summary of which is included below. A detailed copy of the Cash Flow Statement on a weekly basis is attached hereto as Appendix “**B**”.

KMC Mining Corporation	
For the 18-week period-ending March 31, 2025	Total
('000s)	Forecast
Receipts	
Customers	7,564
Asset Sales	500
Misc Receipts	2,000
Total Receipts	10,064
Operating Disbursements	
Staff Labour	(1,322)
Union Labour	(2,203)
Utilities	(211)
Operations	(1,611)
Fuel	(384)
Rent / Property Tax	(152)
CRA Remittance	(350)
Insurance	(1,000)
Professional Fees	(917)
Komatsu Capital lease payments	(2,672)
Other Capital Lease Payments	(306)
Operating Deposits	(400)
Lien Payments	(335)
Contingency	(1,000)
Total Operating Disbursements	(12,863)
Financing	
Interim Financing Interest	(481)
Total Disbursements	(13,344)
Net Cash Flow	(3,280)
Beginning Cash	1,794
Cash Sweep	(695)
Ending Cash, before DIP	(2,182)
Interim Financing	
Draws (Max 6MM)	4,000
Repayments	-
Cumulative DIP	4,000
Ending Cash, after DIP	1,818

37. The Cash Flow Statement projects the Company will have negative net cash flow of approximately \$2.2 over the Forecast Period, including:

- (a) Cash receipts of approximately \$10.1 million, primarily related to the collection of receivables relating to completion of work on existing projects and contracts and proceeds from the recovery of an insurance claim; and

- (b) Cash disbursements of approximately \$13.3 million primarily related to trade payments, payroll and benefits, other operating disbursements and professional fees.
- 38. The Cash Flow Statement does not contemplate the payment of any amounts to Secured Lenders or the Klemke Foundation, including principal and interest. The Proposal Trustee is of the view that this is appropriate:
 - (a) to ensure that cash resources are maintained to facilitate the Company's restructuring efforts; and
 - (b) to minimize any potential prejudice to other post-filing creditors by paying amounts accruing to secured creditors.
- 39. The Cash Flow Statement includes payment to Equipment Lenders for the continued use of leased assets utilized on current and ongoing projects and in day-to-day operations of KMC.
- 40. The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement, including assumptions that goods and services incurred after the Filing Date are paid when incurred and only critical pre-filing payables are paid. Critical pre-filing payables are anticipated to be a nominal amount, as all other payables prior to the Filing Date are assumed to be stayed.
- 41. The Proposal Trustee's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to the Information supplied to it by the Company. Since probable and hypothetical assumptions need not be supported, the Proposal Trustee's procedures were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances.
- 42. Based on the Proposal's Trustee's review, as at the date of this First Report, nothing has come to its attention that causes it to believe that, in all material respects:

- (a) the probable and hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement; and
- (b) the probable and hypothetical assumptions developed by the Company are not supported and consistent with the plan of the Company or do not provide a reasonable basis for the Cash Flow Statement.

INTERIM FINANCING CHARGE

- 43. As reflected in the Cash Flow Statement, without additional funding, the Company is unable to pay current and ongoing expenses associated with normal course operations. The Cash Flow Statement demonstrates an interim financing need of approximately \$4.0 million throughout the Forecast Period.
- 44. The Proposal Trustee understands that the Company, in consultation with their Secured Lenders, have agreed for interim financing to be provided by the Secured Lenders pursuant to a debtor-in-possession (“**DIP**”) credit facility term sheet between KMC, as borrower, and the Secured Lender, as lender (the “**Draft Interim Financing Term Sheet**”). The major terms of the Draft Interim Financing Term Sheet are summarized below (the Draft Interim Financing Term Sheet is attached as Appendix “**C**”). The Proposal Trustee understands that the final term sheet will be of substantially the same form as the Draft Interim Financing Term Sheet, no significant changes to the below terms are expected:
 - (a) Total availability of \$6.0 million, available in multiple advances during the availability period, to be advanced as follows:
 - i. Initial advance in the amount of \$3.0 million (the “**Initial Advance**”); and
 - ii. Additional advances in increments of \$1.0 million.
 - (b) Interest rate of prime plus 5% per annum, accrued daily, and payable monthly in arrears;

- (c) Maturity date is the earliest of:
 - i. Occurrence of any Event of Default under the Draft Interim Financing Term Sheet;
 - ii. Implementation of a Proposal under the Proceedings;
 - iii. Closing of a sale within the Proceedings; and
 - iv. April 9, 2025
 - (d) A closing fee of \$0.3 million and an agency fee of \$0.04 million, cumulatively to be netted from the Initial Advance;
 - (e) An undrawn fee equal to 2.0% per annum payable on the undrawn amounts, to be compounded monthly and paid in full on the Maturity Date;
 - (f) Customary weekly variance reporting as against the Cash Flow Statement; and
 - (g) Subject to the Proposal Trustee's confirmation that there are sufficient cash reserves to satisfy amounts secured by "Permitted Priority Liens", KMC can repay any outstanding DIP amounts at any time prior to the Maturity Date without any fee or penalty.
45. In connection with the Draft Interim Financing Term Sheet, the Company is seeking approval of the Interim Financing Charge in an amount not to exceed the aggregate amount advanced on or after the date of the filing under the Draft Interim Financing Term Sheet. The Interim Financing Charge is proposed to rank, at all times, as a priority security interest, subordinate only to "Permitted Priority Liens". Pursuant to the Draft Interim Financing Term Sheet, "Permitted Priority Liens" means:
- (a) The Priority Charges;
 - (b) Statutory super-priority Security Interest for unpaid employee source deductions;

- (c) Security Interest for unpaid municipal or county property taxes or utilities to the extent that they are given first priority over other Interim Financing Charge by statute; and
 - (d) Such other Security Interests as may be agreed to in writing by the DIP Agent (ATB).
46. The Proposal Trustee has reviewed the Draft Interim Financing Term Sheet and considered KMC's application for approval of the Interim Financing Charge and has the following comments:
- (a) Absent funding available under the Draft Interim Financing Term Sheet, the Company does not have the necessary funds to operate during the Stay Period. Therefore, there is an immediate need for funding to support the Company through the Stay Period and as they develop their proposal;
 - (b) Under the 2023 MUA there is potential for Suncor to award additional scopes of work to KMC. Access to the Interim Financing Charge will give the Company access to liquidity should they need to ramp up operations to take on new purchase orders. Liquidity would be needed to support the working capital need to satisfy potential new purchase orders;
 - (c) The terms of the Draft Interim Financing Term Sheet, including the interest rates and fees, are customary and in line with market comparables;
 - (d) The Proposal Trustee understands that the Secured Lenders and the Klemke Foundation were consulted and are supportive of the proposed Draft Interim Financing Term Sheet and related Interim Financing Charge. Other secured creditors (the Equipment Lenders) are not prejudiced by the Interim Financing Charge;

- (e) The Company is seeking authorization to obtain and borrow up to \$6.0 million. The Proposal Trustee notes that the \$6.0 million maximum amount of availability under the Draft Interim Financing Term Sheet is greater than the amount forecast to be required in the Cash Flow Statement. The excess amount is meant to be conservative and allow for flexibility, if required. The Proposal Trustee supports the conservative interim financing amount given the following:
- i. KMC may be asked by Suncor to provide additional equipment to their sites under the existing contracts. If this occurs additional cash above what is currently forecasted would be required to fund working capital to commence the additional projects. This would be a positive development for the Company and its restructuring efforts and accordingly it is beneficial for the Company to have excess funding availability; and
 - ii. Equipment used in KMC's operations is large and can be costly to repair and mobilize. Additional liquidity allows a level of flexibility to respond to unforeseen circumstances. Given the timing of the filing and the Court break for the holidays, the Company would have limited access to Court if it needed to increase the authorized financing on an emergency basis; and
- (f) The Proposal Trustee is satisfied that the Draft Interim Financing Term Sheet is reasonable.

PROPOSAL TRUSTEE'S CONCLUSIONS AND RECOMMENDATIONS

Interim Financing Charge

47. The Proposal Trustee understands that the Company will be requesting at the December 9 Application that this Honourable Court approve an Interim Financing Charge in the amount of \$6.0 million. It is the Proposal Trustee's view that the financing contemplated by the Draft Interim Financing Term Sheet is necessary to fund the Company's operations and restructuring and will enhance the Company's prospect of achieving a viable restructuring outcome. Accordingly, the Proposal Trustee supports the Company's request for approval of the Draft Interim Financing Term Sheet and the Interim Financing Charge.

Administration Charge

48. The Proposal Trustee understands that the Company will be requesting at the December 9 Application that this Honourable Court approve an Administration Charge in the amount of \$0.5 million pursuant to section 64.2(1) of the BIA in respect of the fees and expenses of the Proposal Trustee, its legal counsel and the Company's legal counsel. The Administration Charge is common in such restructuring proceedings and the Proposal Trustee believes the quantum secured by the Administration Charge is reasonable in the context of these proceedings.

Stay Extension

49. The current Stay Period expires on January 4, 2025. At the December 9 Application, the Company is requesting an extension of the Stay Period to February 18, 2025.

50. The Proposal Trustee is of the view that the requested extension of the Stay Period is appropriate pursuant to section 50.4(9) of the BIA for the following reasons:

- (a) The Company and its management are acting in good faith and with due diligence in taking steps to facilitate a restructuring of the business;
- (b) The extension of the Stay Period should allow sufficient time for the Company to advance a Restructuring Transaction;
- (c) The Cash Flow Statement indicates that the Company, with access to the Interim Financing Charge, will have sufficient liquidity to continue to fund operations and the cost of the Proceedings during the Stay Period and throughout the Stay Extension;
- (d) Based on what the Proposal Trustee has observed to date, the Company would likely be able to advance a viable proposal if the extension to the Stay Period is granted; and
- (e) The Proposal Trustee is not aware of any reason that the extension of the Stay Period would materially prejudice any creditors.

51. Based on the foregoing, the Proposal Trustee supports the relief being sought by the Company and respectfully recommends that the Court grant the relief referenced in paragraph 3 herein.

All of which is respectfully submitted this 6th day of December 2024.

FTI Consulting Canada Inc.
in its capacity as Proposal Trustee of
KMC Mining Corporation,
not in its personal or corporate capacity



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

Appendix “A” – Certificate of Filing a Notice of Intention to Make a Proposal



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 01 - Edmonton
Court No. 24-3162620
Estate No. 24-3162620

In the Matter of the Notice of Intention to make a proposal of:

KMC Mining Corporation

Insolvent Person

FTI CONSULTING CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

December 05, 2024

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: December 05, 2024, 17:31

E-File/Dépôt Electronique

Official Receiver

Canada Place Building, 9700 Jasper Avenue NW, Suite 725, Edmonton, Alberta, Canada, T5J4C3, (877)376-9902

Canada 

First Report of FTI Consulting Canada Inc.,
In its capacity as Proposal Trustee of KMC Mining Corporation

Appendix “B” – Cash Flow Statement for the period ending March 31, 2025

KMC Mining Corporation		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Total	
Week Beginning		Dec-01	Dec-08	Dec-15	Dec-22	Dec-29	Jan-05	Jan-12	Jan-19	Jan-26	Feb-02	Feb-09	Feb-16	Feb-23	Mar-02	Mar-09	Mar-16	Mar-23	Mar-30	Total	
('000s)		Notes	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Receipts																					
Customers	1	450	173	28	445	606	453	578	425	570	425	570	425	570	425	570	425	425	-	7,564	
Asset Sales	2	171	-	-	-	-	-	-	-	-	329	-	-	-	-	-	-	-	-	500	
Misc Receipts	3	-	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-	-	-	-	2,000	
Total Receipts		621	173	28	445	606	453	578	425	570	2,754	570	425	570	425	570	425	425	-	10,064	
Operating Disbursements																					
Staff Labour	4	(84)	(88)	(55)	-	(150)	(38)	(143)	-	(133)	(55)	(88)	(55)	(119)	(55)	(88)	(55)	-	(116)	(1,322)	
Union Labour	5	(289)	(78)	(214)	(78)	(123)	(78)	(185)	(78)	(123)	(78)	(123)	(140)	(143)	(78)	(109)	(140)	(123)	(20)	(2,203)	
Utilities	6	(12)	(5)	(12)	(23)	(9)	(0)	(5)	(24)	(21)	(0)	(5)	(17)	(28)	(0)	(5)	(17)	(28)	-	(211)	
Operations	7	(32)	(45)	(100)	(45)	(225)	(45)	(100)	(45)	(225)	(45)	(100)	(45)	(224)	(25)	(64)	(50)	(25)	(171)	(1,611)	
Fuel	8	(9)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	-	-	(384)	
Rent / Property Tax	9	(8)	-	-	(36)	-	-	-	-	(36)	-	-	-	(36)	-	-	-	-	(36)	(152)	
CRA Remittance	10	-	-	-	-	(100)	-	-	-	(100)	-	-	-	(100)	-	-	-	-	(50)	(350)	
Insurance	11	0	-	(250)	-	(750)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,000)	
Professional Fees	12	(187)	-	-	(250)	-	-	-	(160)	-	-	-	(160)	-	-	-	-	(160)	-	(917)	
Komatsu Capital lease paym	13	-	(217)	-	(451)	-	-	(217)	(451)	-	-	(217)	-	(451)	-	(217)	-	(451)	-	(2,672)	
Other Capital Lease Paymen	14	(72)	-	-	-	(78)	-	-	-	(78)	-	-	-	(78)	-	-	-	-	-	(306)	
Operating Deposits	15	-	(200)	(200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(400)	
Lien Payments	16	(335)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(335)	
Contingency	17	-	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	-	(1,000)	
Total Operating Disbursements		(1,027)	(722)	(918)	(970)	(1,524)	(249)	(738)	(845)	(804)	(266)	(622)	(504)	(1,267)	(246)	(571)	(349)	(849)	(393)	(12,863)	
Financing																					
Interim Financing Interest	18	-	(340)	-	-	-	(30)	-	-	-	(37)	-	-	-	(37)	-	-	-	(37)	(481)	
Total Disbursements		(1,027)	(1,062)	(918)	(970)	(1,524)	(279)	(738)	(845)	(804)	(303)	(622)	(504)	(1,267)	(283)	(571)	(349)	(849)	(430)	(13,344)	
Net Cash Flow		(407)	(889)	(890)	(525)	(917)	174	(160)	(420)	(234)	2,452	(52)	(79)	(697)	142	(1)	76	(424)	(430)	(3,280)	
Beginning Cash		1,794	692	(197)	(1,087)	(1,612)	(2,530)	(2,355)	(2,515)	(2,935)	(3,169)	(717)	(769)	(848)	(1,545)	(1,402)	(1,404)	(1,328)	(1,752)	1,794	
Cash Sweep	19	(695)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(695)	
Ending Cash, before DIP		692	(197)	(1,087)	(1,612)	(2,530)	(2,355)	(2,515)	(2,935)	(3,169)	(717)	(769)	(848)	(1,545)	(1,402)	(1,404)	(1,328)	(1,752)	(2,182)	(2,182)	
Interim Financing																					
Draws (Max 6MM)		-	3,000	-	-	-	-	-	-	1,000	-	-	-	-	-	-	-	-	-	4,000	
Repayments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cumulative DIP		-	3,000	3,000	3,000	3,000	3,000	3,000	3,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	
Ending Cash, after DIP		692	2,803	1,913	1,388	470	645	485	65	831	3,283	3,231	3,152	2,455	2,598	2,596	2,672	2,248	1,818	1,818	



FTI Consulting Canada Inc., Trustee under the
Notice of Intention to Make a Proposal
Per: Dustin Olver, LIT

KMC Mining Corporation

Per: Bryn Jones, Chief Financial Officer


Notes:

Management of KMC Mining Corporation ("KMC") has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of KMC during the period of December 1, 2024 to March 31, 2025. The Projected 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

- 1 Receipts from customers reflect expected collections from Fort Hills project as well as smaller amounts from maintenance and ice lugging contracts with Syncrude.
- 2 Asset Sales reflect the sale of light truck assets.
- 3 Other Receipts includes proceeds from an insurance claim. Estimated recovery amount is approximately \$2.0 million.
- 4 Staff Labour includes all salary and benefit costs relating to non-union employees of KMC. Also included are source deductions. Currently, KMC has 31 full-time, non-union employees.
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- 6 Utilities relate to head office and site utility costs.
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- 8 Fuel costs relate to required fuel expenses in the field to run projects.
- 9 Rent and property tax relate to costs for rental premises on Syncrude Site, as well as the corporate head office and shop.
- 10 CRA Remittance reflects GST remittances payable. GST remittances are current.
- 11 Insurance relates to insurance financing installment due in December. Policy was renewed December 1, 2024 for the upcoming year.
- 12 Professional fees included for the Proposal Trustee, Proposal Trustee's Counsel and the Company's legal counsel. These are an estimate of fees required to facilitate the restructuring process.
- 13 Komatsu Capital Lease payments relate to the three leased 930 trucks that are currently in operation at the Fort Hills site.
- 14 Other Capital Leases relate to light trucks and other smaller assets required for day to day operations.
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- 16 Lien Payments reflect a lien payment due to Gateway required to be paid to continue services.
- 17 Contingency is managements estimate for potential issues that may arise throughout the process.
- 18 Interim Financing Interest calculated based on the Debtor-in-Possession Term Sheet. Closing Fees includes \$300,000 for DIP Closing Fee & \$40,000 Agency Fee.
- 19 Cash Sweep by Secured Lenders on filing of Notice of Intention.

KMC Mining Corporation	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Total	
Week Beginning	Dec-01	Dec-08	Dec-15	Dec-22	Dec-29	Jan-05	Jan-12	Jan-19	Jan-26	Feb-02	Feb-09	Feb-16	Feb-23	Mar-02	Mar-09	Mar-16	Mar-23	Mar-30	Total	
Receipts																				
Customers	1	450	173	28	445	606	453	578	425	570	425	570	425	570	425	570	425	425	-	7,564
Asset Sales	2	171	-	-	-	-	-	-	-	-	329	-	-	-	-	-	-	-	-	500
Misc Receipts	3	-	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-	-	-	-	2,000
Total Receipts		621	173	28	445	606	453	578	425	570	2,784	570	425	570	425	570	425	425	-	10,064
Operating Disbursements																				
Staff Labour	4	(84)	(88)	(55)	-	(150)	(38)	(143)	-	(133)	(55)	(88)	(55)	(119)	(55)	(88)	(55)	-	(116)	(1,322)
Union Labour	5	(289)	(78)	(214)	(78)	(123)	(78)	(185)	(78)	(123)	(78)	(123)	(140)	(143)	(78)	(109)	(140)	(123)	(20)	(2,283)
Utilities	6	(12)	(5)	(12)	(23)	(9)	(0)	(5)	(24)	(21)	(0)	(5)	(17)	(28)	(0)	(5)	(17)	(28)	-	(211)
Operations	7	(32)	(45)	(100)	(45)	(225)	(45)	(100)	(45)	(225)	(45)	(100)	(45)	(224)	(25)	(64)	(50)	(25)	(171)	(1,611)
Fuel	8	(9)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	-	(384)
Rent / Property Tax	9	(8)	-	-	(36)	-	-	-	-	(36)	-	-	-	(36)	-	-	-	-	-	(152)
CRA Remittance	10	-	-	-	(100)	-	-	-	-	(100)	-	-	-	(100)	-	-	-	-	(50)	(350)
Insurance	11	0	-	(250)	-	(750)	-	-	-	-	-	-	-	(100)	-	-	-	-	-	(1,000)
Professional Fees	12	(187)	-	-	(250)	-	-	-	(160)	-	-	-	(160)	-	-	-	-	(160)	-	(917)
Komatsu Capital lease paym	13	-	(217)	-	(451)	-	-	(217)	(451)	-	-	-	(217)	-	(451)	-	(217)	-	(451)	(2,672)
Other Capital Lease Paymen	14	(72)	-	-	(78)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(306)
Operating Deposits	15	-	(200)	(200)	-	-	-	-	-	(78)	-	-	-	-	-	-	-	-	-	(400)
Lien Payments	16	(335)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(335)
Contingency	17	-	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	-	(1,000)
Total Operating Disbursements		(1,027)	(722)	(918)	(970)	(1,524)	(249)	(738)	(845)	(804)	(266)	(622)	(504)	(1,267)	(246)	(571)	(349)	(849)	(393)	(12,863)
Financing																				
Interim Financing Interest	18	-	(340)	-	-	-	(30)	-	-	-	(37)	-	-	-	(37)	-	-	-	(37)	(481)
Total Disbursements		(1,027)	(1,062)	(918)	(970)	(1,524)	(279)	(738)	(845)	(804)	(303)	(622)	(504)	(1,267)	(283)	(571)	(349)	(849)	(430)	(13,344)
Net Cash Flow		(407)	(889)	(890)	(525)	(917)	174	(160)	(420)	(234)	2,452	(52)	(79)	(697)	142	(1)	76	(424)	(430)	(3,280)
Beginning Cash		1,794	692	(197)	(1,087)	(1,612)	(2,530)	(2,355)	(2,515)	(2,935)	(3,169)	(717)	(769)	(848)	(1,545)	(1,402)	(1,404)	(1,328)	(1,752)	1,794
Cash Sweep	19	(695)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(695)
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Interim Financing																				
Draws (Max 6MM)		-	3,000	-	-	-	-	-	-	1,000	-	-	-	-	-	-	-	-	-	4,000
Repayments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative DIP		-	3,000	3,000	3,000	3,000	3,000	3,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
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KMC Mining Corporation
Per: Bryn Jones, Chief Financial Officer


EPC Consulting Canada Inc., Trustee under the
Notice of Intention to Make a Proposal
Per: Dustin Oliver, LIT

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First Report of FTI Consulting Canada Inc.,
In its capacity as Proposal Trustee of KMC Mining Corporation

Appendix “C” – Draft Interim Financing Term Sheet

DRAFT INTERIM FINANCING TERM SHEET
FINAL VERSION EXPECTED TO BE IN SUBSTANTIALLY THE SAME FORM

[DRAFT] DIP CREDIT FACILITY TERM SHEET

Dated December 6, 2024

***WHEREAS** the Borrower (as defined below) has requested that the DIP Agent and the DIP Lenders (each as defined below) provide financing to fund certain of the Borrower's cash requirements during the pendency of the Borrower's proceedings (the "**BIA Proceedings**") under the Bankruptcy and Insolvency Act, RSC 1985, c B-3, as amended (the "**BIA**") to be commenced by filing a Notice of Intention (the "**NOI**") with the official receiver in accordance with the terms and conditions set forth herein, and including any continuation of the BIA proceedings under any other statute, including without limitation the Companies' Creditors Arrangement Act, RSC 1985 c C-36, as amended;*

***NOW THEREFORE**, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby irrevocably acknowledged), agree that the DIP Credit Facility contemplated herein (as defined below) shall occur on and subject to the following binding terms ("**Terms**"):*

<u>Borrower:</u>	KMC Mining Corporation (the " Borrower ").
<u>Guarantor:</u>	KMC Mining (BC) Ltd. (the " Guarantor " and together with the Borrower, the " Loan Parties ").
<u>DIP Agent:</u>	ATB Financial as administrative agent for the DIP Lenders.
<u>DIP Lenders:</u>	The financial institutions from time to time party hereto as DIP Lenders.
<u>Defined Terms:</u>	Unless otherwise defined herein, or in Schedule A attached hereto, capitalized words and phrases used in these Terms have the meanings given thereto in the Credit Agreement.
<u>Purpose:</u>	To provide for the short-term liquidity needs of the Borrower during the course of the BIA Proceedings.
<u>Documentation:</u>	Loan documents providing for the DIP Credit Facility and ancillary matters, including the DIP Credit Agreement, will be based on the Loan Documents, and will be between the applicable Loan Parties and the DIP Agent such loan documents to include covenants, representations and warranties, events of default similar to those in the Loan Documents, modified as described herein, and to reflect the debtor-in-possession financing nature, rank and priority of the DIP Credit Facility, including provisions, covenants and events of default customarily included in debtor-in-possession financings of this type (the foregoing collectively, the " DIP Loan Documents ").
<u>DIP Credit Facility</u>	<p>A super priority (debtor-in-possession) interim, non-revolving credit facility of up to Cdn. \$6,000,000 (the "DIP Credit Facility"), to be available in multiple advances during the Availability Period subject to the conditions herein and in the DIP Loan Documents.</p> <p>Each advance under the DIP Credit Facility (each an "Advance") shall be funded to the Borrower's account in accordance with the Funding Conditions.</p>

	<p>Notwithstanding the foregoing, each Advance shall require unanimous consent of the DIP Lenders.</p> <p>The initial Advance under the DIP Credit Facility by the DIP Agent to the Borrower's account shall be in the amount of Cdn. \$3,000,000 (the "Initial Advance") and shall require the delivery of a Drawdown Request, by the Borrower to the DIP Agent requesting such Initial Advance, prior to 10:00 am MT on the Business Day prior to the date on which such Initial Advance is to be made.</p> <p>Each Advance (other than the Initial Advance) of the DIP Credit Facility (each a "Subsequent Advance") shall be in increments of Cdn. \$1,000,000 and made to the Borrower's account within three Business Days following the receipt of a Drawdown Request requesting such Subsequent Advance, accompanied by an updated DIP Budget reflecting the cash flows of the Borrowers for the 12 week period beginning on the date of the Drawdown Request.</p> <p>Each Drawdown Request shall certify, among other things, that: (i) all representations and warranties of the Loan Parties contained in the DIP Loan Documents remain true and correct in all material respects both before and after giving effect to the use of such proceeds, (ii) all of the covenants of the Borrowers contained herein and in the DIP Loan Documents and all other terms and conditions contained herein and in the DIP Loan Documents, including the continued satisfaction of all conditions precedent to effectiveness of the DIP Credit Agreement and to the making of Advances thereunder (to the extent not previously waived), have been complied with by the Loan Parties, (iii) no Event of Default then exists and is continuing or would result from such Advance, and (iv) the use of proceeds of such Advance will comply with the DIP Loan Documents.</p> <p>The Guarantor shall guarantee the DIP Financing Obligations pursuant to a guarantee in form and substance satisfactory to the DIP Agent.</p>
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Conditions Precedent to Advances:

The DIP Agent's agreement to make any Advance (including for certainty the Initial Advance) available to the Borrower is subject to satisfaction of the following conditions precedent (collectively, the "**Funding Conditions**"), as determined by the DIP Agent:

- (a) The Court shall have issued the Approval Order on or before December 9, 2024 (the "**Outside Date**"), in a form satisfactory to the DIP Agent and: (i) substantially in the form attached hereto as Schedule B, including providing for the Administrative Charge on notice to such parties as are acceptable to the DIP Agent; (ii) approving these Terms and the DIP Credit Facility; (iii) granting the DIP Agent a charge (the "**Interim Financing Charge**") securing all obligations owing by the Loan Parties to the Secured Parties under the DIP Loan Documents, and without limitation, all principal of the Advances, interest thereon and the DIP Fees and Expenses (collectively, the "**DIP Financing Obligations**"), which shall have priority over all Security Interests other than the Permitted Priority Liens; and (iv) the Approval Order shall not have been stayed, vacated or otherwise caused to be ineffective or amended, restated or modified in a way that adversely impacts the rights and interests of the DIP Agent or the DIP Lenders, as determined by the DIP Agent (acting reasonably), without the consent of the DIP Agent.
- (b) The DIP Loan Documents shall be satisfactory to the DIP Agent acting reasonably, and shall have been duly executed by each party thereto.
- (c) The DIP Agent shall, acting reasonably, be satisfied that each Loan Party has complied with and is continuing to comply in all material respects with all Applicable Laws, regulations and policies in relation to their businesses other than as may be permitted under a Restructuring Court Order or as to which any enforcement in respect of noncompliance is stayed by a Restructuring Court Order, provided the issuance of such Restructuring Court Order does not result in the occurrence of an Event of Default.
- (d) The Borrower shall be in compliance with any timetables established from time to time by them and approved by the Court and the DIP Agent, unless expressly waived in writing by the DIP Agent.
- (e) The requested Advance shall not cause the aggregate amount of all outstanding Advances to exceed the maximum principal of the DIP Credit Facility.
- (f) The Borrower shall have provided to the DIP Agent a Drawdown Request in respect of each Advance.
- (g) The representations and warranties under the DIP Loan Documents are true and correct in all respects.
- (h) No Default or Event of Default has occurred or would reasonably be expected to occur as a result of the requested Advance.
- (i) The DIP Agent is satisfied that no Material Adverse Effect shall have occurred after the date of the issuance of the Approval Order.

	<p>(j) There are no Security Interests ranking in priority to the Interim Financing Charge, other than the Permitted Priority Liens.</p> <p>For greater certainty, the DIP Agent and DIP Lenders shall not be obligated to make available funds pursuant to the DIP Loan Documents unless and until all the foregoing conditions have been satisfied and all the foregoing documentation and confirmations have been obtained, each in form and content satisfactory to the DIP Agent in its sole discretion.</p>
<u>Costs and Expenses:</u>	The Borrower shall pay all of the DIP Agent's legal fees (on a solicitor-client, full indemnity basis) and out-of-pocket disbursements and any costs of realization or enforcement, in each case in connection with or otherwise related to the DIP Credit Facility, the Interim Financing Charge, or the BIA Proceedings (collectively, the " DIP Fees and Expenses ").
<u>Collateral; DIP Security:</u>	<p>All DIP Financing Obligations shall be secured by the Interim Financing Charge.</p> <p>The Interim Financing Charge shall be a priority Security Interest, subordinate only to the Permitted Priority Liens. Notwithstanding the foregoing, and subject to the concluding sentence of this paragraph, no proceeds of the DIP Credit Facility may be used to (a) investigate, object to or challenge in any way any claims of the DIP Agent against the Loan Parties in respect of the DIP Credit Facility, or (b) investigate, object to or challenge in any way the validity, perfection or enforceability of the Security Interests created pursuant to the Interim Financing Charge. Nothing in this paragraph shall restrict the Borrower or the Proposal Trustee, including the engagement by the Proposal Trustee of independent legal counsel, from (and receiving their fees, costs and expenses therefor) conducting a claims process in accordance BIA or any Restructuring Court Order.</p> <p>All Collateral will be free and clear of all Security Interests, except for the Permitted Liens.</p>
<u>DIP Budget Variance Report:</u>	<p>On a weekly basis each, the Borrower shall deliver to the DIP Agent, a comparison report (the "Variance Report") setting forth (a) actual receipts and disbursements for the week just ended, and (b) actual receipts and disbursements on a cumulative basis since the beginning of the period covered by the then-current DIP Budget, in each case as against the then-current DIP Budget, and setting forth a variance analysis on an aggregate basis against the then-current DIP Budget; each such Variance Report to be promptly discussed by the Borrower and the DIP Agent and their respective advisors.</p> <p>If any Variance Report shall conclude that a net negative variance, calculated as operating revenues less operating expenses (excluding any variance directly resulting from the payment of the DIP Agent and advisor fees and expenses, in excess of Cdn. \$500,000 on a cumulative basis, tested weekly, (the "Permitted Variance Threshold") exists for the period from the first DIP Budget issued hereunder to the date of such Variance Report, such variance shall be an Event of Default.</p>
<u>Proposal Trustee:</u>	The court-appointed proposal trustee in the BIA Proceedings shall be FTI Consulting Inc. (the " Proposal Trustee "). The Proposal Trustee shall be authorized to have direct discussions with the DIP Agent, and the DIP Agent

	shall be entitled to receive information from the Proposal Trustee as may be requested by the DIP Agent from time to time.
<u>Maturity:</u>	<p>The DIP Credit Facility shall be repayable in full on the earliest of: (a) the occurrence of any Event of Default under the DIP Loan Documents which is continuing and has not been cured following any grace or cure period therefor (b) the implementation of a proposal within the BIA Proceedings (a “Proposal”) which has been approved by the requisite majorities of the Borrower’s creditors and by an order entered by the Court; (iii) the closing of a Bankruptcy Sale within the BIA Proceedings which has been approved by orders entered by the Court; and (iv) April 9, 2025 (the earliest of such dates being the “Maturity Date”).</p> <p>The commitment in respect of the DIP Credit Facility shall expire on the Maturity Date and all amounts outstanding under the DIP Credit Facility shall be repaid in full no later than the Maturity Date, without the DIP Agent being required to make demand upon any Loan Party or to give notice that the DIP Credit Facility has expired and the obligations are due and payable. The order of the Court sanctioning any Proposal shall not discharge or otherwise affect in any way any of the obligations of any Loan Party under the DIP Credit Facility, other than after the permanent and indefeasible payment in cash to the DIP Agent of all obligations under the DIP Credit Facility on or before the date the Proposal is implemented.</p>
<u>Use of Proceeds:</u>	The proceeds of the DIP Credit Facility shall only be used: (a) to finance operating expenses, restructuring costs in the BIA Proceedings, professional fees (including fees of legal counsel to the Borrower, the Proposal Trustee and the Proposal Trustee’s legal counsel), and for general corporate purposes of the Borrower and (b) to pay fees and expenses related to the DIP Credit Facility and the BIA Proceedings provided that no proceeds from the DIP Credit Facility or the Collateral shall be used other than in accordance with the DIP Loan Documents unless otherwise agreed in writing by the DIP Agent in its sole discretion.
<u>Evidence of Indebtedness:</u>	The DIP Agent’s accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the DIP Agent pursuant to the DIP Credit Facility.
<u>Prepayments:</u>	Provided the Proposal Trustee is satisfied that there are sufficient cash reserves in the Borrower’s bank accounts to satisfy amounts secured by the Permitted Priority Liens, the Borrower may prepay any amounts outstanding or any portion of any amounts outstanding under the DIP Credit Facility at any time prior to the Maturity Date, without any prepayment fee or penalty.
<u>Interest Rates:</u>	The Advances shall bear interest at a rate per annum equal to the Prime Rate plus 5% (the “ Interest Rate ”). Such interest shall accrue daily and shall be payable monthly in arrears on each Interest Date for the period from and including the date of the Advance to the Borrower to and including the day any Advances are repaid to the DIP Agent, and shall be calculated on the principal amount of the DIP Credit Facility outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days.
<u>Default Rates:</u>	After the occurrence (or continuation) of any Default or Event of Default, the interest rates otherwise applicable to amounts outstanding under the Loan Documents will increase by an additional 2.0% <i>per annum</i> .

<u>Fees:</u>	<p>A closing fee in the amount of Cdn. \$300,000 earned and payable by the Borrower to the DIP Agent on the Closing Date and, such fee to be deducted from the Initial Advance under the DIP Credit Facility.</p> <p>An agency fee in the amount of Cdn. \$40,000.00 earned and payable by the Borrower to the DIP Agent on the Closing Date and, such fee to be deducted from the Initial Advance under the DIP Credit Facility.</p>
<u>Undrawn Amount Fee:</u>	<p>An undrawn amount fee shall be payable in cash on the aggregate outstanding principal of the DIP Credit Facility from the Closing Date until the date on which the Availability Period ends, at a rate equal to 2.0% <i>per annum</i> on undrawn amounts, such fee to be compounded monthly and paid in full on the Maturity Date.</p>
<u>Certain Reporting:</u>	<p>In addition to the reporting required by the Credit Agreement, the DIP Loan Documents will provide for certain collateral and financial reporting from the Borrower including, but not limited to: (a) the Variance Report delivered on a weekly basis, (b) updates on all material developments with respect to the business and affairs of the Borrower, and (c) other reporting and information reasonably requested by the DIP Agent from time to time as set out in the DIP Loan Documents.</p>
<u>Positive Covenants:</u>	<p>In addition to the covenants under or in connection with the Credit Agreement and the other Loan Documents, each of the Loan Parties jointly and severally covenants and agrees to perform and do each of the following until the DIP Financing Obligations are permanently and indefeasibly repaid in full and the DIP Credit Facility is terminated:</p> <ul style="list-style-type: none"> (a) (i) Allow the DIP Agent or its advisors, on reasonable written notice during regular business hours, and at any time after and during the continuance of an Event of Default, to enter on and inspect each of the Loan Parties' assets and properties; (ii) provide the DIP Agent or its advisors, on reasonable written notice and during normal business hours, full access to the books and records of the Borrowers; and (iii) cause management of the Loan Parties to fully co-operate with the DIP Agent and the Proposal Trustee or their respective agents and advisors, as applicable. (b) Use reasonable efforts to keep the DIP Agent apprised on a timely basis of all material developments with respect to the business and affairs of the Loan Parties, including (without limitation) the development of a Proposal or a Restructuring Option. (c) Use the proceeds of the DIP Credit Facility only for the purposes described herein. (d) Deliver to the DIP Agent periodic reporting packages and other information requested by the DIP Agent from time to time, including (i) annual and quarterly unaudited financial statements for the Loan Parties, each together with officer compliance certificates and management reports, on a look-forward basis; (ii) a reasonable period of time prior to filing with the Court, copies of all pleadings, motions, applications, judicial or financial information and other documents filed by or on behalf of the Borrower with the Court; (iii) notice of material events, including, without limitation, defaults, new litigation or changes in status of ongoing litigation, regulatory and other filings and any other event that could reasonably be expected

	<p>to result in a Material Adverse Effect; (iv) the DIP Budget, at such time specified above; and (v) without limiting the foregoing, the Borrower shall deliver to the DIP Agent copies of any financial reporting provided to the Proposal Trustee in a timely manner and forthwith provide to the DIP Agent any reports or commentary received from the Proposal Trustee regarding the financial position of any Loan Party.</p> <ul style="list-style-type: none"> (e) Implement cost rationalization satisfactory to the DIP Agent by [●]. (f) Comply with the provisions of court orders made in the BIA Proceedings applicable to the Borrower (collectively, the “Restructuring Court Orders” and each a “Restructuring Court Order”); provided that if any such Restructuring Court Order contravenes the DIP Loan Documents so as to materially adversely impact the rights or interests of the DIP Agent or the DIP Lenders, as determined by the DIP Agent acting reasonably, the same shall be an Event of Default hereunder. (g) Provide the DIP Agent with draft copies of all motions, applications, proposed orders or other material or documents that any of them intend to file in the BIA Proceedings as soon as practically possible prior to any such filing. (h) Forthwith notify the DIP Agent and the Proposal Trustee of the occurrence of any Default or Event of Default. (i) Provide to the DIP Agent regular updates regarding the status of the BIA Proceedings including, without limitation, reports on the progress of any Proposal, Restructuring Option, or Bankruptcy Sale and any information which may otherwise be confidential subject to same being maintained as confidential by the DIP Agent. (j) Further positive covenants as may be provided in DIP Loan Documents.
<p><u>Negative Covenants:</u></p>	<p>In addition to the covenants under or in connection with the Credit Agreement and the other Loan Documents, each of the Loan Parties jointly and severally covenants and agrees not to do the following, other than with the prior written consent of the DIP Agent:</p> <ul style="list-style-type: none"> (a) Transfer, lease, or otherwise dispose of all or any part of its property, unless it has obtained the prior written consent of the DIP Agent. (b) Make any payment of principal or interest in respect of existing (pre-filing) debt or obligation, other than as may be permitted by a Restructuring Court Order and that does not result in an Event of Default. (c) Make any payments or expenditures (including capital expenditures) outside the normal course of business. (d) Make any payments or distributions of any kind other than as may be permitted by a Restructuring Court Order and that does not result in an Event of Default and is provided for in the DIP Budget. (e) With respect to the Borrowers, create or permit to exist indebtedness, liabilities or obligations (including guarantees thereof or indemnities or other financial assistance in respect thereof) other than (i) existing (pre-filing) debt and disclosed to the

	<p>DIP Agent in writing, (ii) debt contemplated by these Terms, (iii) post-filing trade payables or other post-filing unsecured obligations incurred in the ordinary course of business Restructuring Court Orders, and (iv) indebtedness, liabilities or obligations expressly provided for, or permitted to be incurred, in Restructuring Court Orders.</p> <ul style="list-style-type: none"> (f) Make or give any additional financial assurances, in the form of bonds, letters of credit, guarantees or otherwise, to any person. (g) Support or not oppose a motion by another person to provide to any third party a Security Interest on the Collateral, other than the Permitted Priority Liens. (h) Change its name, amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity. (i) Cease (or threaten to cease) to carry on their business or activities as currently being conducted or modify or alter in any material manner the nature and type of their operations, business or the manner in which such business is conducted. (j) Enter into any contract or other agreement which involves potential expenditures in excess of Cdn. \$50,000 or the equivalent amount thereof in any other currency without the prior written consent of the DIP Agent, provided that the payment of such amount must be permitted by and will not constitute a default under any Restructuring Court Order. (k) Other than as agreed to by the DIP Agent, make (i) any distribution, dividend, return of capital or other distribution in respect of equity securities (in cash, securities or other property or otherwise); or (ii) a retirement, redemption, purchase or repayment or other acquisition of equity securities or indebtedness (including any payment of principal, interest, fees or any other payments thereon). (l) Enter into, renew, amend, modify or assume any employment, consulting or analogous agreement or arrangement with any director, senior or executive officer or senior management of the Borrowers or any related party, or make any payment to any such person in respect of any bonus, change of control payment or severance package of any kind whatsoever other than (i) as consented to by the Proposal Trustee and approved by a court of competent jurisdiction on prior notice to the DIP Agent or (ii) as consented to by the DIP Agent. (k) Create or permit to exist any Security Interests on any of its properties or assets other than the Permitted Priority Liens. (l) Further negative covenants as may be provided in DIP Loan Documents.
<p><u>Representations and Warranties:</u></p>	<p>In addition to the covenants under or in connection with the Credit Agreement and the other Loan Documents, each of the Loan Parties jointly and severally represents and warrants to the DIP Agent, which representations and warranties shall be deemed to be repeated at each request for an Advance, and upon which the DIP Agent rely on in providing these Terms, that:</p>

	<p>(a) Subject to the granting of the Approval Order, the execution and delivery of, and transactions contemplated by, these Terms and the other DIP Loan Documents:</p> <ul style="list-style-type: none"> (i) are within the powers of each of the Loan Parties; (ii) have been duly authorized by all necessary corporate and, if required, shareholder approval of each of the Loan Parties; (iii) have been duly executed and delivered by or on behalf of each of the Loan Parties; (iv) constitute legal, valid and binding obligations of each of the Loan Parties; and (v) do not require the consent or approval of, registration or filing with, or any other action by, any governmental or regulatory authority. <p>(b) The Collateral is free and clear of all Security Interests other than Permitted Priority Liens and, upon the granting of the Approval Order, the Interim Financing Charge.</p> <p>(c) None of the reports, financial statements, certificates or other written information furnished by or on behalf of the Loan Parties to the DIP Agent or its advisors and counsel in connection with the negotiation of these Terms or delivered with respect thereto (as modified or supplemented by other information so furnished), contains any misstatement of material fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in the light of the circumstances under which it was made, not materially misleading; <i>provided that</i> to the extent any such reports, financial statements, certificates or other written information therein was based upon or constitutes a forecast or projection, the Loan Parties represent only that they have acted in good faith and utilized assumptions believed by them to be reasonable at the time made.</p> <p>(d) Each of the Loan Parties has, in respect of all prior fiscal periods (i) filed all tax returns, except in respect of any prior fiscal period for which the due date for filing the applicable tax return has not yet occurred and (ii) paid all taxes owing for all prior fiscal periods except for any taxes that are not yet due and payable or that are being diligently contested in good faith by such Loan Party and for which sufficient reserves have been set aside.</p> <p>(e) The activities of the Loan Parties have been conducted in material compliance with all applicable laws, subject to the provisions of the BIA and any Restructuring Court Order, unless: (i) otherwise ordered by the court of competent jurisdiction, or (ii) the sanctions for non-compliance are stayed by a Restructuring Court Order.</p> <p>(f) Each of the Loan Parties has maintained its obligations for payroll, source deductions, goods and services tax and harmonized sales tax, and other taxes, as applicable, and is not in arrears in respect of payment of these obligations.</p> <p>(g) All representations and warranties made by the Loan Parties in all other documentation are materially true and correct in all respects.</p>
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	<ul style="list-style-type: none"> (h) No Default or Event of Default has occurred or is continuing. (i) The Loan Parties have made full and complete disclosure in writing to the DIP Agent of all litigation or other proceedings involving the Loan Parties (or any one or more of them) and (ii) all claims and/or threatened claims, litigation or proceedings against the Loan Parties. (j) All material contracts to which any Loan Party is a party are in full force and effect and are valid, binding and enforceable in accordance with their terms. (k) Other than as previously disclosed in writing to the DIP Agent, no Loan Party has any defined benefit pension plans or similar plans. (l) No Loan Party is liable for any indebtedness for borrowed money, except as disclosed in the BIA Proceedings. (m) Each Loan Party, from and after the granting of the Approval Order, will be and shall remain in compliance with the Approval Order.
<p><u>Events of Default:</u></p>	<p>In addition to the covenants under or in connection with the Credit Agreement and the other Loan Documents, the occurrence of any one or more of the following events shall constitute an event of default (each, an “Event of Default”):</p> <ul style="list-style-type: none"> (a) the issuance of an order of the Court (including any Restructuring Court Order) or any other court of competent jurisdiction under the DIP Loan Documents: <ul style="list-style-type: none"> (i) dismissing the BIA Proceedings, or lifting the stay in the BIA Proceedings to permit (A) the enforcement of any Security Interest against the Borrower, or a material portion of their respective property, assets or undertaking, or (B) the making of a bankruptcy order against the Borrower; (ii) granting any court-ordered charge against the Collateral which ranks senior to or pari passu with the Interim Financing Charge, other than the Priority Charges; (iii) staying, reversing, vacating or otherwise modifying the DIP Loan Documents, or any Restructuring Court Order in a manner materially adverse to the interests of the DIP Agent or the DIP Lenders, as determined by the DIP Agent acting reasonably; and (iv) materially adversely impacting the rights and interests of the DIP Agent or the DIP Lenders, as determined by the DIP Agent acting reasonably without the prior written consent of the DIP Agent. (b) The filing of any pleading by any Loan Party seeking any of the matters set forth in paragraph (a) above, or failure of any Loan Party to diligently oppose any person that brings an application or motion for the relief set out in paragraph (a) above. (c) Failure of any of the Loan Party to comply with (i) any of the negative covenants in these Terms or any of the DIP Loan Documents, or (ii) any of the affirmative covenants in these Terms. (d) The occurrence of a Material Adverse Effect.

	<ul style="list-style-type: none"> (e) Any representation or warranty by a Loan Party in any DIP Loan Document shall be incorrect or misleading in any material respect when made. (f) Any Proposal is sanctioned or any Restructuring Option is consummated by the Borrower that is not consistent with or contravenes any provision of any DIP Loan Document in a manner that is materially adverse to the interests of the DIP Agent or the DIP Lenders, as determined by the DIP Agent acting reasonably, or would reasonably be expected to be a Material Adverse Effect unless the DIP Agent consented thereto. (g) Any revised DIP Budget or Variance Report is not delivered to the DIP Agent when due. (h) If any Variance Report concludes that a net negative variance of Cdn. \$500,000 (excluding any variance directly resulting from the payment of the DIP Agent and advisor fees and expenses, on a cumulative basis) exists for the period from the first DIP Budget issued hereunder to the date of such Variance Report. (i) The aggregate amount of the outstanding Advances under the DIP Credit Facility exceeds maximum amount available under the DIP Credit Facility. (j) Any material violation or breach of any Restructuring Court Order. (k) Any proceeding, motion or application is commenced or filed by any of the Loan Parties, or if commenced by another party, supported or otherwise consented to by any Loan Party, (i) seeking the invalidation, subordination or other challenging of or is otherwise inconsistent with the terms of the DIP Credit Facility. (l) Any Loan Party challenging the validity, priority, perfection or enforceability of the Security Interests created pursuant to the Interim Financing Charge. (m) The priority of the Security Interests created pursuant to the Interim Financing Charge is varied without the consent of the DIP Agent. (n) Failure of any Loan Party to pay any interest, fees or other amount when due under this DIP Loan Documents or principal when due under the DIP Credit Facility. (o) Except as otherwise agreed to in writing by the DIP Agent, any Loan Party is required by any Governmental Authority to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any Environmental Liabilities, and such requirement is not stayed by a Restructuring Court Order. (p) Any Loan Party commences an action or takes any other proceeding to obtain any form of relief against the DIP Agent. (q) The Borrower does not receive Court approval of a sale and investor solicitation process, in form and substance satisfactory to the DIP Agent, by January 31, 2025. (r) The expiry without further extension of the stay of proceedings provided for in the Approval Order; (s) Any Loan Party ceases (or threatens to cease) to carry on business in the ordinary course.
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	(t) The denial or repudiation by any Loan Party of the legality, validity, binding nature or enforceability of any portion of this the DIP Loan Documents.
<u>Remedies:</u>	<p>Upon the occurrence of an Event of Default that is continuing, and subject to the Restructuring Court Orders, the DIP Agent may, in its sole and absolute discretion, elect to terminate its commitments to make Advances to the Borrower hereunder and declare all DIP Financing Obligations in respect of the DIP Loan Documents to be immediately due and payable and cease making any further Advances.</p> <p>In addition, upon the occurrence of an Event of Default that is continuing, the DIP Agent may, in its sole discretion, on not less than five days' written notice to the Borrower and the Proposal Trustee, and subject to any Restructuring Court Order:</p> <ul style="list-style-type: none"> (a) set-off or combine any amounts then owing by the DIP Agent to the Loan Parties against the obligations of the Loan Parties to the DIP Agent; (b) apply to the court for an order or orders, on terms satisfactory to the Proposal Trustee and the DIP Agent, providing the Proposal Trustee with the power, in the name of and on behalf of the Loan Parties, to take all necessary steps in the BIA Proceedings; (c) subject to obtaining prior approval from the court, exercise the powers and rights of a secured party under the <i>Personal Property Security Act</i> (Alberta) or any other applicable law relating to the enforcement of Security Interests by the DIP Agent against any types of property and for certainty including the Collateral; and (d) subject to obtaining prior approval from the court, exercise all such other rights and remedies under the, the Restructuring Court Orders and the applicable laws. <p>The rights and remedies of the DIP Agent under this DIP Loan Documents are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise, including under the BIA.</p>
<u>Governing Law and Jurisdiction:</u>	The DIP Loan Documents shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. Without prejudice to the right of the DIP Agent to commence any proceedings with respect to the DIP Loan Documents in any other proper jurisdiction, the parties to the DIP Loan Documents shall attorn and submit to the non-exclusive jurisdiction of the courts of the Province of Alberta.
<u>Incorporation of Provisions</u>	Sections 14.1, 14.3, 14.5, 14.6 and 14.7 of the Credit Agreement are incorporated herein <i>mutatis mutandis</i> .

These Terms may be executed in any number of counterparts, including by facsimile and PDF all of which taken together shall be deemed to constitute one and the same instrument and any of the parties hereto may execute these Terms by signing any such counterpart. The words "execution," "execute," "signed," "signature," and words of like import in or related to any document to be signed in connection with these Terms shall be deemed to include electronic signatures, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper based recordkeeping system, as the case may be, to the extent and as provided for

in any applicable law including, without limitation, as provided in Parts 2 and 3 of the *Personal Information Protection and Electronic Documents Act* (Canada), the *Electronic Commerce Act, 2000* (Ontario), the *Electronic Transaction Acts* (British Columbia), the *Electronic Transactions Act* (Alberta), or any other similar laws based on the Uniform Electronic Commerce Act of the Uniform Law Conference of Canada. The DIP Agent may, in its discretion, require that any such documents and signatures executed electronically or delivered by fax or other electronic transmission be confirmed by a manually-signed original thereof; provided that the failure to request or deliver the same shall not limit the effectiveness of any document or signature executed electronically or delivered by fax or other electronic transmission.

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IN WITNESS HEREOF, the parties hereby execute these Terms as at the date first above mentioned.

ATB Financial, DIP Agent

Per:

Name:

Title:

ATB Financial, as DIP Lender

Per:

Name:

Title:

Canadian Western Bank, as DIP Lender

Per:

Name:

Title:

Export Development Canada, as DIP Lender

Per:

Name:

Title:

Laurentian Bank of Canada, as DIP Lender

Per:

Name:

Title:

KMC Mining Corporation, as Borrower

Per:

Name:

Title:

KMC Mining (BC) Ltd., as Guarantor

Per:

Name:

Title:

Schedule A DEFINED TERMS

“Administration Charge” means a charge on the collateral created under the Approval Order in aggregate amount not to exceed Cdn \$500,000.00 securing the Administration Obligations, as such charge may be amended by any other Order in the BIA Proceedings.

“Administration Obligations” means the indebtedness, liabilities, and Obligations of the Borrower in respect of the unpaid professional fees and disbursements of the Proposal Trustee, the Proposal Trustee’s legal counsel, and the Borrower’s legal counsel, in connection with the BIA Proceedings that were and are incurred both before and after the granting of the Approval Order.

“Approval Order” means the order of the Court dated no later than December 9, 2024 approving, among other things, the Administration Charge, the Interim Financing Charge and the extension of the stay of proceedings created by the NOI.

“Availability Period” means the period commencing on the Closing Date and ending on the Maturity Date.

“Bankruptcy Sale” means the sale of all or substantially all of the assets of the Borrower pursuant to a sale approved by the Court.

“Credit Agreement” means the Credit Agreement, dated as of August 13, 2024 KMC Mining Corporation, as borrower, the financial institutions party thereto, as lenders, and ATB Financial, as administrative agent.

“Closing Date” means the date on which all conditions precedent to effectiveness of the DIP Credit Agreement are satisfied or waived.

“Court” means the Court of King’s Bench of Alberta, Judicial Centre of Calgary.

“Default” means any event or circumstances which, with the passing of time, the giving of notice or other similar condition would constitute an Event of Default.

“DIP Budget” means the weekly financial projections prepared by the Borrower commencing on the week beginning December 1, 2024, which shall be in the form attached to the Proposal Trustee’s report, or as otherwise approved by the DIP Lenders in their sole and absolute discretion, which financial projections shall be updated on a weekly basis and include a detailed analysis on variance, unless otherwise agreed to by the DIP Lenders in their sole and absolute discretion.

“DIP Credit Agreement” means the credit agreement pursuant to which the DIP Credit Facility shall be established.

“Drawdown Request” means a written request to the DIP Agent from the Borrower for an Advance under the DIP Credit Facility, in form and substance satisfactory to the DIP Agent.

“Filing Date” means December 9, 2024.

“Material Adverse Effect” means any event, circumstance, occurrence or change which materially impairs or has a material adverse effect on, or would reasonably be expected to materially impair or have a material adverse effect on:

- (a) the business, financial condition, operations or assets of the Loan Parties on a consolidated basis and taken as a whole (other than a “going concern” qualification resulting from the BIA Proceedings);

- (b) the ability of any Loan Party to perform its obligations under the DIP Loan Documents and Loan Documents to which it is a party and under any applicable Approving Order;
- (c) the validity or enforceability of any DIP Loan Document or Loan Documents; or
- (d) the Collateral, the Interim Financing Charge, the priority thereof or any material right or remedy of the DIP Agent or any DIP Lender under any DIP Loan Document or Loan Document.

“Order” means an order of the Court in the BIA Proceedings.

“Permitted Liens” means (i) the Interim Financing Charge; (ii) any charges created under the Approval Order or other order of the Court in the BIA Proceedings subsequent in priority to the Interim Financing Charge, the limit and priority of each of which shall be acceptable to the DIP Agent in its discretion; (iii) valid and perfected Security Interests existing prior to the date hereof; (iv) inchoate statutory Security Interest arising after the Filing Date in respect of any accounts payable arising after the Filing Date in the ordinary course of business, provided to pay all such amounts are paid as and when due; and (v) the Permitted Priority Liens.

“Permitted Priority Liens” means: (a) the Priority Charges; (b) statutory super-priority Security Interest for unpaid employee source deductions; (c) Security Interests for unpaid municipal or county property taxes or utilities to the extent that they are given first priority over other Interim Financing Charge by statute; and (d) such other Security Interests as may be agreed to in writing by the DIP Agent.

“Priority Charges” means the Administration Charge and any such other charge that the Court may grant and the DIP Lenders may approve.

“Restructuring Option” means any transaction involving the refinancing of the Borrower, the sale of all or substantially all of the assets of the Borrower or any other restructuring of the Borrower’s businesses and operations, including any liquidation, bankruptcy or other insolvency proceeding in respect of the Borrower.

**Schedule B
APPROVAL ORDER**

See attached.