

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**

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

SECOND 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. On December 9, 2024, this Honourable Court granted the following relief, among other things:
 - (a) Extension of the Stay Period to February 18, 2025;
 - (b) Authorization, with approval from the Proposal Trustee, to sell and dispose of redundant or non-material assets not exceeding \$1.0 million in the aggregate;
 - (c) The Administration Charge not to exceed \$0.5 million, as security for the professional fees and disbursement for the Proposal Trustee, counsel to the Proposal Trustee and counsel to KMC; and
 - (d) The Interim Financing Charge authorizing and empowering KMC to obtain and borrow under a credit facility from the Secured Lender to finance KMC’s working capital requirement and other general corporate and capital expenditures, such that the facility shall not exceed \$6.0 million.
4. This second report of the Proposal Trustee (the “**Second Report**”) is being delivered in connection with the Company’s emergency application to be heard on December 20, 2024 (the “**December 20 Application**”), seeking an Order from the Court of King’s Bench of Alberta (the “**Court**”), to authorize and approve the Company to sell two assets to Gibraltar Mines Limited (“**Gibraltar**”) (the “**Asset Sale**”).

5. Electronic copies of all materials filed by the Company in connection with the December 20 Application and other statutory materials are available on the Proposal Trustee's website at: <http://cfcanda.fticonsulting.com/KMCMining/>

PURPOSE

6. FTI, in its capacity as Proposal Trustee, has reviewed the Court materials filed by the Company in support of the December 20 Application. The purpose of this Second Report is to provide information to this Honourable Court pertaining to the relief requested for the specific asset sales.

TERMS OF REFERENCE

7. In preparing this Second 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**").
8. Except as described in this Second 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.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

ASSET SALE

- 10. As part of their restructuring efforts, the Company have been marketing and soliciting offers for redundant and unutilized assets. While KMC has authorization to sell assets, they are limited to aggregate proceeds of \$1.0 million. The proposed Asset Sale is in excess of the \$1.0 million limit.
- 11. The table below provides a summary of the proposed assets included in the Asset Sale:

Unit #	Year	Make	Model	Serial Number
Gibraltar - Proposed Asset Sales				
04190	2017	Komatsu	930E-4	A32009
04189	2017	Komatsu	930E-4	A32008

- 12. FTI, in consultation with the Secured Lenders and The Klemke Foundation (“TKF”), have reviewed the Asset Sale and compared the offer values against orderly liquidation values (“OLV”) as provided from a historical asset appraisal. The Proposal Trustee understands the value of the Asset Sale compared to the OLV values are being provided by to the Court as part of the Company’s materials on a confidential basis. The Monitor is supportive of this information being kept confidential as it contains sensitive economic information, if the Asset Sale is not approved it could negatively affect future sales and/or any future sales process initiated by the Company. In all instances, the offer values were in excess of the OLV’s and provide the estate with significant economic benefit.
- 13. Gibraltar has expressed an urgent need to obtain the assets before the end of the calendar year. As such, the Proposal Trustee, is supportive and also understands that the Secured Lenders and TKF are supportive of KMC completing the Asset Sale.
- 14. Due to the urgent request to close on the transactions, the Company is seeking immediate relief from this Honourable Court to authorize and approve the Company to close this Asset Sale. Proceeds from the Asset Sale would be held in trust by the Company until further security review and cost allocations can be determined.

PROPOSAL TRUSTEE’S CONCLUSIONS AND RECOMMENDATIONS

15. Based on the foregoing, the Proposal Trustee supports the relief being sought by the Company and respectfully recommends that the Court grant the relief requested herein.

All of which is respectfully submitted this 20th 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



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FTI Consulting Canada Inc.