

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

APRIL 16, 2025

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**SECOND SUPPLEMENTAL REPORT TO THE
SECOND REPORT OF THE MONITOR**

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INTRODUCTION

1. The purpose of this Supplement to the Second Report of the Monitor (the “**Second Supplemental Report**”) is to provide this Honourable Court with information with respect to:
 - (a) Certain secured equipment lessors who have requested to have their assets removed from the HME APA;
 - (b) The results of the Monitor’s independent security review of the Property proposed to be sold pursuant to the HME APA; and
 - (c) The Monitor’s proposed increase to the Interim Distribution.
2. This Second Supplemental Report should be read in conjunction with the Second Report and all capitalized terms used, unless defined herein, are as defined in the Second Report.

TERMS OF REFERENCE

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

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

REMOVAL OF EQUIPMENT FROM THE HME APA

7. Subsequent to the Applicant's materials being filed for the April 17 Application and the Monitor's Second Report being filed, the Monitor was advised that Dynamic Capital requested to have their four secured leased assets ("**Dynamic Leased Assets**") removed from the HME APA.
8. Paragraph 7.01 (b) (iii) in the HME APA addresses how the removal of assets will be dealt with. It specifies that if an asset is removed the purchase price will be reduced by the specific value allocated to the respective asset in Schedule D of the HME APA. Accordingly, if returned, the removal of the Dynamic Leased Assets would result in a reduction to the purchase price of \$273,028. The Applicant and the Monitor are currently reviewing Dynamic Capital's request for the return of the equipment in accordance with the requirements outlined in the Leased Equipment Return Process Order. The Monitor notes that there may be additional leased assets treated in the same manner.

SECURITY REVIEWS

9. As described in paragraphs 39 and 40 of the Monitor's Second Report, the Applicant is requesting to make an interim distribution of the net proceeds to be received from the HME APA to each of the relevant secured parties whose assets are being sold, subject to the Court approving the HME APA and the HME APA closing. The Monitor's Counsel has completed an independent security review of the validity and enforceability of the following secured creditors:

- (a) Secured Lender (banking syndicate);
- (b) CAT Finance;
- (c) Komatsu Finance;
- (d) John Deere Finance;
- (e) Deutsche;
- (f) Dynamic Capital;
- (g) Meridian; and
- (h) PNC.

(collectively the "**Secured Parties**")

10. The Monitor's Counsel has concluded, subject to standard customary qualifications the Secured Parties have valid and enforceable security registered in respect of the assets being sold as part of the HME APA and are each the first registered secured party with an interest in each of their respective assets. There were a number of assets where there were multiple secured claims to such assets where priority was not clear and additional review of the security interests registered against those assets was required before a recommendation on a distribution of proceeds could be made by the Monitor, including the following assets:
- (a) Assets included on Schedule A of the HME APA under the "List of Owned Heavy Equipment Assets":
 - i. 2011 Caterpillar 24M Grader (SN B9K00459) – Caterpillar Financial has first registered secured interest (allocated purchase price proceeds of \$650,000) (the "**Caterpillar Asset**");
 - ii. 2008 Caterpillar 793D Haul Truck (SN FDB00846) – has a registered garage keepers lien for the amount of \$104,735; and
 - iii. 2000 O&K RH400 Shovel (SN 40004) – Cummins Canada ULC has first registered security interest (allocated purchase price proceeds of \$1.32 million) (the "**Cummins Asset**"); and
 - (b) Assets included on Schedule "A" of the HME APA under the "List of Ancillary Equipment and Syncrude Shop":
 - i. 2007 Kenworth T800 Oil Change Truck (SN 1XKDDBOX87R177291) – has a registered garage keepers lien for the amount of \$17,054;
 - ii. 2010 Kenworth C500 Fuel & Lube Truck (SN 1NKCL4TX4BR944949) – has a registered garage keepers lien for the amount of \$24,993; and

- iii. 2014 Kenworth T800 Mine Service Float Truck (SN 1XKDD40X7EJ965888) – has a registered garage keepers lien for the amount of \$3,622

(collectively, the “**Additional Review Assets**”).

INTERIM DISTRIBUTION

- 11. The Monitor has had further discussions with the Secured Parties and the Applicant and understands the parties wish to increase the interim distribution from the originally proposed 50% up to the amount of 66 2/3% of the net proceeds of the HME APA. The Monitor has reviewed this proposed increase and is supportive as it benefits all of the stakeholders by providing for an additional reduction of amounts outstanding to the Secured Parties (and a corresponding decrease in the amount of interest accruing on such outstanding amounts), benefits the Secured Parties by returning a larger amount of proceeds to them in a shorter time-frame while still holding back an adequate amount of the HME Proceeds to deal with the Additional Review Assets, any potential competing priority claims, allocation issues and costs to complete the CCAA Proceedings.
- 12. The Monitor has revised the calculation of the proposed interim distribution that was presented at paragraph 12 of the Monitor’s Confidential Supplemental Report to reflect the increased proposed distribution from 50% of the HME APA net proceeds to 66 2/3%. Furthermore, the Monitor proposes to holdback the net proceeds allocated to the Additional Review Assets. Specifically, the purchase price allocations for the Caterpillar Asset and Cummins Asset and the sum of the values registered for the four assets with registered garage keepers liens has been combined and removed for purposes of finalizing the proposed distribution calculation (the “**Revised Proposed Interim Distribution**”). The Monitor and the Monitor’s Counsel will review the validity of the garage keepers liens in due course and the allocation of proceeds for the Caterpillar Asset and Cummins Asset will require additional diligence, as such, at this time, the Monitor is proposing to holdback all proceeds for these two Additional Review Assets.

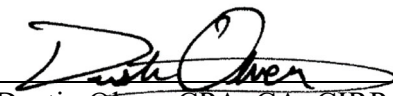
13. The Revised Proposed Interim Distribution is presented in Confidential Appendix “A” to this report. The Monitor is proposing to keep Confidential Appendix “A” sealed as it contains economically sensitive information that if disclosed would harm a future sales process in the event the HME APA does not close.

RECOMMENDATION

14. In the event the HME APA is approved by this Court and closes, the Monitor recommends this Court approve the Revised Proposed Interim Distribution as presented in Confidential Appendix “A” to this Second Supplemental Report and authorize the Monitor to make such Revised Proposed Interim Distribution to the Secured Parties as outlined in Confidential Appendix “A”.

All of which is respectfully submitted this 16th 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


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