



COURT FILE NUMBER

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COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

EDMONTON

IN THE MATTER OF THE *BANKRUPTCY AND
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

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

AND

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS
AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF KMC MINING
CORPORATION

DOCUMENT

**THIRD REPORT TO COURT OF FTI CONSULTING
CANADA INC., IN ITS CAPACITY AS PROPOSAL
TRUSTEE OF KMC MINING CORPORATION AND
PRE-FILING REPORT TO COURT OF FTI
CONSULTING CANADA INC., IN ITS CAPACITY
AS PROPOSED MONITOR OF KMC MINING
CORPORATION**

January 2, 2025

ADDRESS FOR SERVICE AND
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**THIRD REPORT OF THE PROPOSAL TRUSTEE
AND PRE-FILING REPORT OF THE PROPOSED MONITOR**

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INTRODUCTION

1. This report (this “**Report**”) has been prepared by FTI Consulting Canada Inc. (“**FTI**”), in its capacity as: (i) proposal trustee (“**Proposal Trustee**”) in connection with a Notice of Intention to Make a Proposal (“**NOI**”) filed on December 5, 2024, (the “**NOI Filing Date**”) by KMC Mining Corporation (“**KMC**” or the “**Company**”), pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended (the “**BIA**”) (the “**NOI Proceedings**”); and (ii) proposed monitor (the “**Proposed Monitor**”) in the proposed proceedings of KMC (the “**Applicant**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c C-36, as amended (the “**CCAA**”) (the “**CCAA Proceedings**”) to monitor the assets, business and affairs of the Applicant (if appointed, the “**Monitor**”).
2. A copy of the Certificate of Filing issued by the Office of Superintendent of Bankruptcy (the “**OSB**”) is appended in the First Report of the Proposal Trustee and the Affidavit of Dan Klemke, sworn on December 6, 2024 (the “**Klemke Affidavit**”).
3. The Applicant is bringing an application before the Court of the King’s Bench of Alberta (the “**Court**”) seeking certain relief under the CCAA.
4. On December 9, 2024, the Court granted an Order (the “**December 9 Order**”) which, among other things:
 - (a) Approved an administrative charge, ranking in priority only to the claims of the Secured Lender and the Klemke Foundation on all of the Company’s present and after-acquired assets, property and undertakings, not to exceed \$0.5 million (the “**Administrative Charge**”);

- (b) Authorized KMC to obtain and borrow under a credit facility provided by certain of the Secured Lenders (the “**Interim Lenders**”) to finance the Applicant’s working capital requirements and other such general corporate and capital expenditures, not to exceed \$6.0 million (the “**Interim Financing Charge**”). The Interim Financing Charge currently ranks only in priority to the claims over the Company’s present and after-acquired assets, property and undertakings of the Secured Lender and the Klemke Foundation;
 - (c) Authorized KMC, with approval from the Proposal Trustee, to sell and dispose of redundant or non-material assets not exceeding in aggregate \$1.0 million; and
 - (d) Extended the stay of proceedings and time within which the Company is required to file a proposal to its creditors to February 18, 2025.
5. On December 20, 2024, the Honourable Court granted an Order, which among other things, authorized the Company to execute on a letter of intent for an asset sales transaction with Gibraltar Mines Limited which exceeds the pre-authorized asset sale limit of \$1.0 million.
6. This Report is being delivered in connection with the application currently scheduled to be heard on January 10, 2025 (the “**January 10 Application**”), the Applicant is seeking three Orders from the Court:
- (a) An initial CCAA Order (“**Initial Order**”):
 - i. Declaring that the Applicant is a company to which the CCAA applies;

- ii. Declaring that the NOI Proceedings of the Applicant are taken up and continued under the CCAA, pursuant to section 11.6(a) of the CCAA, including, but not limited to; (i) declaring that Division I of Part III of the BIA has no further application to the Applicant; (ii) terminating the NOI Proceedings; and (iii) deeming the NOI filed by the Applicant to be withdrawn;
- iii. Authorizing the Applicant to carry on business in a manner consistent with the preservation of their business and property;
- iv. Authorizing the Applicant to pay reasonable expenses incurred by the Applicant in carrying out its business in the ordinary course, including certain expenses incurred prior to the date of the Initial Order;
- v. Staying all proceedings, rights, and remedies, against or in respect of the Applicant and its business or property, except as otherwise set forth in the Initial Order, for an initial ten-day period (as may be amended or extended from time to time, the “**Stay Period**”);
- vi. Granting a stay of proceedings against KMC and declaring that the Proposed Monitor shall be authorized and directed to monitor and report to the Court with respect to KMC for the duration of the Stay Period;
- vii. Appointing FTI as the Monitor of the Applicant in these proceedings;
- viii. Authorizing KMC to pay all reasonable fees and disbursements of the Proposed Monitor, the Proposed Monitor’s legal counsel, and the Company’s legal counsel;

- ix. Approving and continuing the Administrative Charge granted under the NOI Proceedings in favour of the Monitor, its legal counsel, and the Applicant's legal counsel in respect of their fees and disbursements, to a maximum amount of \$500,000 under section 11.52 of the CCAA;
- x. Approving and continuing the Interim Financing Charge granted under the NOI Proceedings to fund the Company's operations and restructuring and enhance the Company's prospect of achieving a viable restructuring outcome, in the amount of \$6.0 million and pursuant to the Interim Financing Term Sheet as agreed to between the Company and the Interim Lenders;
- xi. Granting the following charge against KMC's current and future assets, undertakings, and properties, of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), for the purposes of securing the payment and performance of:
- The Applicant's obligations to indemnify the Applicants' directors and officers for liabilities that may occur after the commencement of these proceedings (the "**Directors' Charge**"), to be secured against all of KMC's Property, in the maximum amount of \$500,000; and
 - Declaring that the Administration Charge, the Interim Financing Charge (collectively, the "**NOI Charges**"), and the Directors' Charge (collectively with the NOI Charges, the "**Initial Order Charges**") rank in priority to all existing liens, security interests, encumbrances, or claims, with respect to concerning, or as and against, all of the Property;

- xii. Declaring that the Initial Order Charges rank in priority to all existing liens, security interests, encumbrances, or claims, with respect to concerning, or as and against, all of the Property, and providing for the respective priority of the Initial Order Charges, as between them, as follows:
- **First** - Administration Charge;
 - **Second** - Interim Financing Charge; and
 - **Third** – Directors’ Charge;
- xiii. Providing for a comeback hearing in respect of certain additional relief, including among other relief, an extension of the Stay Period, on a date to be fixed by this Honourable Court (the “**Comeback Hearing**”); and
- xiv. Such further and other relief as may be sought by the Applicant and granted by this Honourable Court;
- (b) A sales and investment solicitation process order (“**SISP Order**”):
- i. Approving the Applicant’s sales and investment solicitation process (the “**SISP**”), and authorizing, empowering, and directing the Applicant and the Sales Agent (as defined below), to carry out the SISP, in accordance with its terms, and to perform their respective obligations thereunder;
 - ii. Approving the engagement letter, dated December 23, 2024 (the “**Sales Agent Agreement**”), between KMC and Ernst & Young Orenda Corporate Finance Inc. (“**EY**”), as sales agent under the SISP (in such capacity, the “**Sales Agent**”), and payment of all corresponding fees and expenses; and

- iii. Authorizing the Company, with the approval of the Proposed Monitor, Interim Lender, Secured Lenders, the Klemke Foundation, and any other applicable secured creditor whose rights may be directly impacted by the sale (as determined by the Proposed Monitor), to remove any Property or Business from the SISP and proceed to sell the same to a third party if the Applicant receives an unconditional offer to purchase (“**Pre-Emptive Sale**”) as defined within the SISP Order; and
 - (c) A sealing order (“**Sealing Order**”):
 - i. Sealing the confidential supplementary affidavit of Bryn Jones sworn December 31, 2024 (the “**Confidential Affidavit**”).
7. In the event that the Initial Order is granted, the Applicant intends to seek, at the Comeback Hearing, various amendments to the Initial Order (as so amended, the “**Amended and Restated Initial Order**”), including, among other things:
- (a) Extending the Stay Period, in respect of the Applicant, up to a date to be determined;
 - (b) Approving a key employee retention plan (the “**KERP**”), in an amount to be advised and on terms to be finalized, and authorizing, empowering, and directing KMC to perform its obligations thereunder;
 - (c) Granting the following charge against all of KMC’s Property, to secure KMC’s obligations arising under the KERP (the “**KERP Charge**”), up to a maximum amount to be advised; and
 - (d) Such further and other relief as may be sought by the Applicant in connection with the Comeback Hearing.

8. In the event that the Initial Order is granted, it is anticipated that a supplemental affidavit will be filed in support of the Comeback Hearing which will provide further details regarding, among other things, the KERP. If appointed, FTI as Monitor will file a further report in advance of the Comeback Hearing commenting on the additional relief.
9. This Report should be read in conjunction with the Klemke Affidavit which provides further background information concerning the NOI Proceedings and the affidavit as filed and sworn on December 31, 2024 by Bryn Jones, the Chief Financial Officer, in conjunction with the January 10 Application (the “**Jones Affidavit**”).
10. Electronic copies of all materials filed by KMC in connection with the January 10 Application and other statutory materials are available on the Proposal Trustee’s website at: <http://cfcanada.fticonsulting.com/KMCMining> (the “**Website**”).

PURPOSE

11. FTI has reviewed the Court materials filed by the Applicant in support of the January 10 Application. The purpose of this Report is to provide information to this Honourable Court pertaining to:
 - (a) The Applicant;
 - (b) The retention of the Sales Agent in respect of the SISP;
 - (c) The components and timelines of the proposed SISP;
 - (d) The Company’s request to sell specific assets, individually or in aggregate, in excess of the limitations set forth in the NOI Order;
 - (e) The cash flow variance results for the period ended December 28, 2024;

- (f) The rationale for the conversion of the NOI Proceedings under the CCAA and Proposed Monitor’s position thereon;
- (g) The qualifications of FTI to act as Monitor in the CCAA Proceedings;
- (h) An overview of KMC’s revised cash flow statements (the “**CCAA Cash Flow Statement**”) for the 14-week period ending March 31, 2025 (the “**Forecast Period**”) as well as the key assumptions on which the CCAA Cash Flow Statement are based on;
- (i) The amount and priority of the Initial Order Charges; and
- (j) The Proposed Monitor’s conclusions and recommendations with respect to the application for the Initial Order, the SISP Order and the Sealing Order.

TERMS OF REFERENCE

- 12. In preparing this Report, the Proposed Monitor has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, KMC’s books and records and discussions with various parties (collectively, the “**Information**”).
- 13. Except as described in this Report:
 - (a) The Proposed 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 Proposed Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*; and
 - (c) Future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
14. The Proposed Monitor has prepared this Report in connection with the January 10 Application. This Report should not be relied on for other purposes.
 15. Information and advice described in this Report that has been provided to the Proposed Monitor by its legal counsel, MLT Aikins LLP (the “**Proposed Monitor’s Counsel**”) and was provided to assist the Proposed Monitor in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
 16. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms used but not defined herein are given the meaning ascribed to them in the Klemke Affidavit or the Jones Affidavit.

BACKGROUND

17. Detailed information with respect to KMC’s business, operations and causes of financial difficulty are described in the Klemke Affidavit and Jones Affidavit. The information contained in this Report provides a summary of KMC’s business and affairs.
18. KMC is a large mining development company headquartered in Edmonton, Alberta, with its core operations currently focused in Fort McMurray, Alberta.

19. 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 Fort McMurray area. Additionally, KMC employs six full-time contractors and two maintenance shop employees who are based either at Fort McMurray or at the Edmonton location.
20. KMC employs a mixture of unionized and non-unionized employees. As of the date of the NOI Filing, there were 30 unionized employees actively working for KMC. These employees are represented by the International Union of Operating Engineers Local 955.

ACTIVITIES OF THE PROPOSAL TRUSTEE

21. Since the date of the First Report of the Proposal Trustee, the Proposal Trustee has, among other things:
 - (a) Reviewed KMC's receipts and disbursements and monitored the Company's performance relative to its cash flow forecast;
 - (b) Responded to inquiries from stakeholders, supplier and creditors who contacted the Proposal Trustee;
 - (c) Assisted the Company in developing the CCAA Cash Flow Statement;
 - (d) Consulted with the Company and the Secured Lenders with respect to specific asset sales in excess of the limitation set forth in the NOI Order and approved the Company to seek emergency relief from this Honourable Court to authorize and approve the sale of two assets; and
 - (e) Worked with the Company and the Secured Lenders to engage the Sales Agent and design the SISF as further described below.

ENGAGEMENT OF SALES AGENT

22. KMC engaged the Sales Agent on December 23, 2024, to undertake a process to solicit bids in connection with a transaction or series of transactions that may include a sale or sales of KMC's property, assets and undertaking, a financing or refinancing which may include an accompanying restructuring of KMC financial and contractual obligations, or a combination of any of the foregoing.
23. The Sales Agent was previously retained by the Company in the summer of 2024, to provide financial advisory and related services and to assist with refinancing efforts. As such the Sales Agent is familiar with KMC's operations, which offers time and cost efficiencies, and is anticipated to assist the parties in meeting the SISP timelines.
24. The Sales Agent's engagement team includes senior professionals who have extensive experience in restructuring proceedings of a similar nature and scale.
25. The redacted Sales Agent Engagement Letter is attached as Exhibit "M" to the Jones Affidavit. The unredacted Sales Agent Engagement Letter is included as an attachment to the Confidential Affidavit sworn concurrently with the Jones Affidavit. The professional fees contemplated in the engagement letter are outlined below:
 - (a) A blended hourly rate and implied fee; and
 - (b) Reimbursement for all reasonable out-of-pocket expenses, payable regardless of whether a transaction is completed.
26. The Proposed Monitor has reviewed the terms of the Sales Agent Agreement and is of the view that the blended hourly rate and proposed implied fees are reasonable and appropriate in the circumstances, based on the Sales Agent's knowledge of KMC and their experience with restructuring proceedings of a similar nature and scale.

SALE AND INVESTMENT SOLICITATION PROCESS AND SISP PROCEDURES

27. One of the primary objections of the restructuring proceedings is to undertake the SISP to identify sales of, or investments in, the KMC assets. Accordingly, the Applicant is seeking approval of the SISP to authorize the Applicant, under the supervision of the Proposed Monitor, to carry out the SISP procedures described therein.
28. The Company, in consultation with the Sales Agent, and Proposal Trustee, and with approval from the Interim Lenders, Secured Lenders and the Klemke Foundation, developed a SISP as set out in the SISP Procedures to market the Property of the Company.
29. Appendix “A” to this Report contains the detailed SISP Procedures that set out the timelines and parameters pursuant to which the Sales Agent will market and solicit interest and/or offers to purchase the Property of the Company. The SISP was developed by the Sales Agent, in consultation with the Company, the Company’s legal counsel, the Proposal Trustee, the Secured Lenders and the Klemke Foundation and was designed to set broad parameters allowing interested parties to advance any sort of purchase proposal for consideration by the Sales Agent with the goal of maximizing the value to the Company’s stakeholders.
30. Generally, the SISP contemplates a two phase process:
 - (a) Phase 1 - a six-week period from the formal launch date of January 15, 2025 to the date required for submitting phase I bids; and
 - (b) Phase 2 - an additional four weeks to obtain a definitive agreement to purchase, for an overall ten-week process.
31. The following summarizes the timeline for the major steps contemplated in the SISP:

- (a) January 15, 2025 – formally launch sales process through distribution of teaser to potential parties, advertising teaser, and posting on the Sales Agent, Company and Proposed Monitor’s website;
 - (b) January 17, 2025 – open virtual data room (“**Data Room**”);
 - (c) January 16, 2025 to February 27, 2025 – Sales Agent will work with interested parties towards submitting phase I bids, complete management presentations, and field questions from interested parties;
 - (d) February 28, 2025 (12:00 p.m. MST) – Phase I Bid deadline (refer to SISP Procedures at Appendix “A” for details defining requirements to be deemed a “**Qualified Phase I Bid**”);
 - (e) March 1, 2025 to March 27, 2025 – Sales Agent to negotiate formal binding purchase and sale agreement with; and
 - (f) March 28, 2025 (12:00 p.m. MST) – Phase II Bid deadline (refer to SISP Procedures at Appendix “A” for details defining requirements to be deemed a “**Qualified Phase II Bid**”).
32. KMC, in consultation with the Sale Agent and the Proposed Monitor, will assess any bids received to determine the highest and best bid(s) and seek Court approval of one or more transactions following such determination.
33. The Proposed Monitor’s comments on the SISP are as follows:
- (a) Management of KMC has consulted with key stakeholders including their Secured Lender and the Klemke Foundation;

- (b) The SISP is structured to solicit *en bloc* asset sales or going concern offers or offers for specific assets. It is the view of the Proposed Monitor, that the contemplated SISP allows for maximizing value as it provides optionality for interested parties to participate in various sale or restructuring transactions;
 - (c) The timeframe outlined to solicit purchasers or investors in the business is reasonable and appropriate in the circumstances. It is the view of the Proposed Monitor, that KMC's limited liquidity requires the SISP to be administered within the timeline contemplated. Further, the timeframe is adequate for interested parties that may wish to submit a bid to perform appropriate due diligence; and
 - (d) The SISP is a fair and transparent marketing process designed to identify the highest and best offers for KMC's assets and to maximize recoveries.
34. Overall, it is the Proposed Monitor's view that the SISP terms and timelines are reasonable in the circumstances and afford KMC an opportunity to achieve a successful sale or restructuring transaction.

PRE-EMPTIVE SALES

35. Pursuant to the December 9 Order, the Company, with approval from the Proposal Trustee, is authorized to sell and dispose of redundant or non-material assets (the "**Ancillary Sales**") not exceeding \$1.0 million in aggregate.
36. As part of their ongoing restructuring efforts, the Company has been marketing and soliciting offers for Property, some of which have urgent timelines and require the Company to be able to respond quickly and without delay.
37. As such, and to further increase efficiencies and avoid additional costs to the Company, in addition to the SISP, the Company is seeking authorization, without further approval from this Honourable Court, to:

- (a) Increase the aggregate threshold limit of Ancillary Sales transactions (as discussed above) from \$1.0 million to \$6.0 million; and
 - (b) At any point prior to the commencement of the SISP or while it is ongoing, remove any Property or Business of KMC from the SISP and proceed to sell the same to a third party.
38. In order to consider a Pre-Emptive Sale, KMC must have the following:
- (a) Receipt of an unconditional offer to purchase the Property or Business; and
 - (b) Pre-approval of the transaction from the Monitor, the Interim Lenders, the Secured Lenders and any other applicable secured creditor, as identified by the Monitor, whose rights maybe directly affected.
39. While designing the SISP, KMC expressed the importance of being able to accept pre-emptive sales. Given the nature of the assets KMC's view was that the ability to accept pre-emptive sales would allow them to capitalize on premium pricing when available. The Proposed Monitor, in consultation with the Secured Lender and the Klemke Foundation are supportive of this request and believe it will allow the Company and the Sales Agent to be nimble and responsive to potential offers that otherwise could be lost due to the longer timeline of the SISP. In the Proposed Monitor's view, given the nature of KMC's assets, the pre-emptive sales mechanism of the SISP will allow KMC the ability to take advantage of time sensitive sales that may enhance overall recoveries to the creditors and the estate.

CASH FLOW VARIANCE ANALYSIS

40. KMC, in consultation with the Proposal Trustee, prepared the cash flow statements for the NOI Proceedings (the "**NOI Cash Flow Statement**") which was filed with the OSB and appended to the First Report of the Proposal Trustee.

41. KMC's actual cash flows as compared to those contained in the NOI Cash Flow Statement for the period of December 1, 2024 to December 28, 2024, are summarized below:

Cash Flow Variance Analysis			
Four Week Period Ended December 28, 2024			
('000s)	Actual	Forecast	Variance
Receipts			
Customers	\$ 1,981	\$ 1,097	\$ 885
Asset Sales	535	171	365
Misc Receipts	1	-	1
Total Receipts	2,518	1,267	1,251
Operating Disbursements			
Staff Labour	(395)	(227)	(169)
Union Labour	(617)	(660)	42
Utilities	(22)	(52)	30
Operations	(262)	(222)	(39)
Fuel	(22)	(84)	62
Rent / Property Tax	(10)	(44)	34
Insurance	0	(250)	250
Professional Fees	(187)	(437)	250
Komatsu Capital lease payments	(668)	(668)	-
Other Capital Lease Payments	(151)	(72)	(79)
Operating Deposits	(358)	(400)	42
Lien Payments	(335)	(335)	-
Contingency	-	(188)	188
Total Operating Disbursements	(3,026)	(3,638)	612
Financing			
Syndicate Payments	-	-	-
DIP Fees	(190)	-	(190)
Interim Financing Interest	-	(340)	340
Total Disbursements	(3,216)	(3,978)	762
Net Cash Flow	(699)	(2,711)	2,012
Beginning Cash	1,794	1,794	-
Cash Sweep	(695)	(695)	-
Ending Cash, before DIP	400	(1,612)	2,012
Interim Financing			
Draws (Max 6MM)	3,000	3,000	-
Repayments	-	-	-
Cumulative DIP	3,000	3,000	-
Ending Cash, after DIP	3,400	1,388	2,012

- (a) Receipts are approximately \$1.3 million higher than forecast mainly due to:
 - i. Timing differences from Customer receipts, approximately \$885,000, as the forecast assumed a delay in collection of receivables due to the NOI Filing, however collections were not disrupted and have continued to be collected in normal course; and
 - ii. Timing difference of approximately \$365,000 received for asset sales relating to the sale of light duty trucks originally forecasted to be executed in later weeks;
- (b) Operating Disbursements are approximately \$612,000 better than forecast which is primarily the result of timing differences which are expected to reverse in future periods; and
- (c) Interim Financing Interest and DIP Fees are approximately \$150,000 higher than forecast due to timing as the closing fee and agent fee associated with the DIP Term Sheet have not yet been paid. The closing fee was split from a lump sum payment of \$300,000 due on closing to two separate payments, 50% due on closing and 50% due on April 6, 2025.

42. As at December 28, 2024, KMC had approximately \$3,400,000 of cash on hand, after drawing on the Interim Financing Charge.

CONTINUATION OF THE NOI PROCEEDINGS UNDER THE CCAA

43. The Applicants are seeking an order, among other things, to continue the NOI Proceedings under the CCAA and declaring that Division I of Part III of the BIA has no further application to the Applicant.

44. In FTI's view, the continuation of the NOI Proceedings under the CCAA, and terminating the NOI Proceedings and deeming the NOI filed by KMC withdrawn is appropriate for the following reasons:
- (a) The Applicant and their management have acted and continue to act in good faith and with due diligence in taking steps to facilitate a restructuring of the business;
 - (b) The continuation will allow time for KMC and the Sales Agent to administer the SISP as described and proposed within this Report; and
 - (c) No creditor will be materially prejudiced by the requested continuation of the NOI Proceedings under the CCAA.
45. As outlined in the cash flow section, the Applicant, with access to the Interim Financing Charge, has sufficient liquidity to continue their restructuring over the Forecast Period under the CCAA.
46. No proposal within the meaning of the BIA has been filed by the Applicant under Division I of Part III of the BIA, therefore the taking up and conversion of the NOI Proceedings under the CCAA in respect of the Applicant is not precluded under section 11.6 of the CCAA.
47. The Applicant is a business to which the CCAA applies, they are insolvent and are subject to creditor claims against them in excess of \$5.0 million.

FTI'S QUALIFICATIONS TO ACT AS MONITOR

48. FTI is a trustee within the meaning of section 2(1) of the BIA, as amended, and with respect to the Applicant, is not subject to any of the restrictions on who may be appointed as monitor as set out in section 11.7(2) of the CCAA. FTI has provided its consent to act as Monitor in the CCAA Proceedings, a copy of which is attached hereto as Appendix “B”.
49. Since being engaged as the Proposal Trustee, FTI has acquired knowledge of the business and operations of KMC, including its key personnel, stakeholders, and key issues in the proposed CCAA Proceedings. As a result, FTI is in a position to immediately act as Proposed Monitor in the CCAA Proceedings, if so appointed by this Court.
50. The senior FTI personnel with carriage of the matter are *Chartered Insolvency and Restructuring Professionals* and *Licensed Insolvency Trustees* who have acted in numerous restructurings and CCAA matters of this nature and scale.
51. Neither FTI, nor any of its representatives, have been, at any time in the two proceeding years:
- (a) A director, officer, or employee of KMC;
 - (b) Related to KMC or to any director or officer of KMC; or
 - (c) The auditor, accountant, or legal counsel, or partner or employee of the auditor, accountant or legal counsel, of KMC.
52. FTI was initially appointed as Proposal Trustee on December 5, 2024, to assist in restructuring under the *BIA*. FTI's activities since being appointed Proposal Trustee are summarized in paragraph 21 above.

CCAA CASH FLOW STATEMENT

53. KMC, in consultation with the Proposed Monitor, have prepared the CCAA Cash Flow Statement to set out the liquidity for the Forecast Period and for the initial 10 day stay period ending January 20, 2025, a summary of which is presented in the table below and a detailed version is attached as **Appendix “C”**.

('000s)	End of Initial Forecast	
	Stay Period	Period
Receipts		
Customers	1,680	6,085
Total Receipts	1,680	6,085
Operating Disbursements		
Staff Labour	(375)	(1,127)
Union Labour	(556)	(1,635)
Utilities	(29)	(150)
Operations	(415)	(1,389)
Fuel	(95)	(295)
Rent / Property Tax	(35)	(143)
CRA Remittance	-	(250)
Insurance	(1,000)	(1,000)
Professional Fees	(410)	(730)
Komatsu Capital Lease Payment	(668)	(2,004)
Other Capital Lease Payments	(83)	(227)
Operating Deposits	(400)	(400)
Contingency	(438)	(1,000)
Total Operating Disbursement	(4,505)	(10,349)
Financing		
Interim Financing Interest	(11)	(122)
Total Disbursements	(4,516)	(10,471)
Net Cash Flow	(2,835)	(4,386)
Beginning Cash	400	400
Ending Cash, before DIP	(2,435)	(3,986)
Interim Financing		
Draws	1,000	2,000
Repayments	-	-
Cumulative DIP Drawn	4,000	5,000
Ending Cash, after DIP	1,565	1,014

54. The CCAA Cash Flow Statement is based on the following key assumptions:
- (a) Cash receipts of approximately \$6.1 million primarily related to the collection of sales related to current, ongoing projects for Suncor. Since the NOI Proceedings, KMC has entered into new purchase orders with Suncor for additional work which the Proposed Monitor understands could result in up to \$1.2 million of additional monthly revenues. Final logistics are being confirmed, accordingly to be conservative the additional potential revenues are not reflected in the CCAA Cash Flow Statement;
 - (b) Cash disbursements of approximately \$10.3 million primarily related to ordinary course trade payments, insurance premiums, payroll and benefits, a lien payment, other operating disbursements;
 - (c) Professional fees are forecast to be approximately \$730,000 during the Forecast Period and include the Applicant's legal counsel, the Monitor, the Monitor's Counsel and the Sales Agent;
 - (d) Interest on the Interim Financing Charge of \$122,000; and
 - (e) A cumulative advance on the Interim Financing Charge of \$5.0 million.
55. Absent the advance on the Interim Financing Charge, KMC is forecasting to incur a liquidity shortfall of approximately \$4.0 million during the Forecast Period. Accordingly, the Interim Financing Charge granted under the NOI Proceedings is necessary to support the CCAA Proceedings.
56. Ending cash, after drawing \$4.0 million on the Interim Financing Charge, at the end of the initial 10 day stay period is forecast to be approximately \$1.6 million.

57. Ending cash, after drawing \$5.0 million on the Interim Financing Charge, at the end of the Forecast Period is forecast to be approximately \$1.0 million.

Proposed Monitor's Comments on the CCAA Cash Flow Statement

58. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports as follows:

- (a) The CCAA Cash Flow Statement has been prepared by management of KMC, for the purpose described in the notes to the CCAA Cash Flow Statement, using probable and hypothetical assumptions set out therein;
- (b) The Proposed Monitor's review of the CCAA Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to the Information supplied to it by KMC. Since hypothetical assumptions need not be supported, the Proposed Monitor's procedures were limited to evaluating whether they were consistent with the purpose of the CCAA Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances. The Proposed Monitor has also reviewed the support provided by management for the probable assumptions, and the preparation and presentation of the CCAA Cash Flow Statement;
- (c) Based on the Proposed Monitor's review, as at the date of this Report, nothing has come to its attention that causes it to believe that, in all material respects:
 - i. The hypothetical assumptions are not consistent with the purpose of the CCAA Cash Flow Statement;

- ii. The probable assumptions developed by KMC are not supported and consistent with the plan of KMC or do not provide a reasonable basis for the CCAA Cash Flow Statement, given the hypothetical assumptions; or
 - iii. The CCAA Cash Flow Statement does not reflect the probable and hypothetical assumptions;
- (d) Since the CCAA Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the CCAA Cash Flow Statement will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Proposed Monitor in preparing this Report; and
- (e) The CCAA Cash Flow Statement has been prepared solely for the purpose described in the notes to the CCAA Cash Flow Statement and readers are cautioned that it may not be appropriate for other purposes.

AMOUNT AND PRIORITY OF THE INITIAL ORDER CHARGES

59. The proposed Initial Order provides for three Court-ordered charges that rank in priority to all other charges and security interests against KMC. The proposed Initial Order Charges include the following:

Administration Charge

60. The proposed Initial Order provides for the approval of the Administration Charge as granted under the NOI Proceedings in an amount of \$500,000, charging the assets of KMC to secure the fees and disbursements incurred in connection with services rendered to the Applicant before and after the commencement of the CCAA Proceedings by the Applicants' legal counsel, the Proposed Monitor, and the Proposed Monitor's Counsel.
61. The Proposed Monitor will comment on any proposed amendment to increase the amount of the Administration Charge at the Comeback Hearing as part of a further report to this Court.
62. The Proposed Monitor has reviewed (i) the underlying assumptions upon which the Applicant has based the quantum of the Administration Charge; (ii) the anticipated complexity of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge; and (iii) is of the view that the quantum of the Administration Charge is reasonable and appropriate in the circumstances.
63. The Proposed Monitor believes it is appropriate for the beneficiaries to be granted the benefit of the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.

Interim Financing Charge

64. The proposed Initial Order provides for the approval of the Interim Financing Charge as granted under the NOI Proceedings, providing the Company with access to interim financing of up to \$6.0 million.

65. As reflected in both the NOI Cash Flow Statement and the CCAA Cash Flow Statement, without additional funding, the Company is unable to pay current and ongoing expenses associated with normal course operations. The CCAA Cash Flow Statement demonstrates an interim financing need of approximately \$5.0 million throughout the Forecast Period.
66. The Proposed Monitor notes that the \$6.0 million maximum amount of availability approved under the Interim Financing Charge is greater than the amount forecast to be required in the CCAA Cash Flow Statement. The excess amount is meant to be conservative and allow for flexibility, if required.
67. The Proposed Monitor is satisfied that the Interim Financing Charge is appropriate and reasonable.

Directors' Charge

68. The proposed Initial Order provides for the Directors' Charge over the Property of KMC in favour of the director and officers of the Applicant as security for the indemnity contained in the Initial Order in respect of specified obligations and liabilities that the directors and officers may incur after the commencement of the CCAA Proceedings. The Directors' Charge will not exceed an aggregate amount of \$500,000.
69. As described in the Jones Affidavit, the Applicant maintains primary directors and officers insurance policies. The Proposed Monitor notes that the Directors' Charge would only apply to the extent that the director and officers do not have coverage under any existing insurance policy, or to the extent that such coverage is insufficient to pay amounts for which the directors and officers are entitled to be indemnified pursuant to the provisions of the proposed Initial Order.
70. The Proposed Monitor has reviewed the amount of the requested Director's Charge and determine that it is reasonable given the level of employees that remain employed by the Company and the ongoing operations.

Summary of the Initial Order Charges

71. The Proposed Monitor believes that the Initial Order Charges, including their proposed quantum and ranking, are required and reasonable in the circumstances of these CCAA Proceedings in order to preserve the going concern operations of KMC and, as a result, supports the approval of the Initial Order Charges as proposed by the Applicant.

SEALING ORDER

72. The Applicant is requesting the Sealing Order sealing the Confidential Affidavit. The Proposed Monitor supports the Applicant's request for the Sealing Order as the Confidential Affidavit contains economically sensitive valuation information with respect to the Company's Property that could harm the proposed SISP process if disclosed.

CONCLUSIONS AND RECOMMENDATIONS

73. KMC and their management are acting in good faith and with due diligence in taking steps to facilitate a restructuring of the business.
74. The Proposed Monitor is of the view that the relief sought by KMC pursuant to the proposed Initial Order, the SISP Order and the Sealing Order is necessary, reasonable, appropriate and justified in the circumstances.
75. KMC has available liquidity to operate through the Forecast Period (including the initial Stay Period).
76. Based on the foregoing, the Proposed Monitor supports the relief being sought by the Applicant and respectfully recommends that the Applicants' request for the proposed Initial Order, SISP Order and Sealing Order be granted.

All of which is respectfully submitted this 2nd day of January 2025.

FTI Consulting Canada Inc.
Licensed Insolvency Trustee
in its capacity as Proposal Trustee of
KMC Mining Corporation and in its capacity as
Proposed Monitor of the Applicant, and not in its
personal or corporate capacity



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

Third Report of FTI Consulting Canada Inc., in its capacity as Proposal Trustee, and Pre-Filing Report of FTI Consulting Canada Inc., in its capacity as Proposed Monitor of KMC Mining Corporation

Appendix “A” – SISP Procedures

SALES AND INVESTMENT SOLICITATION PROCESS

Introduction

- 1) On December 5, 2024, KMC Mining Corporation (“**KMC**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. 27 (as amended) (“**BIA**”) which proceedings were subsequently taken up and continued under the provisions of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (“**CCA**”) pursuant to an Order of the Alberta Court of King’s Bench (the “**Court**”) as amended and restated from time to time (the “**Initial Order**”) on January 10, 2025 (the “**CCA Proceedings**”). Further documents with respect to the CCA Proceedings are available on the Monitor’s website at <http://cfcanada.fticonsulting.com/kmcmining/>.
- 2) The Initial Order, among other things:
 - a) stayed all proceedings against KMC and their assets; and
 - b) appointed FTI Consulting Canada Inc. as the Monitor of KMC (in such capacity the “**Monitor**”).
- 3) Further to KMC’s restructuring efforts, KMC will, under the supervision of the Monitor and with the assistance of Ernst & Young Orenda Corporate Finance Inc. (the “**Sales Agent**”), and to the extent described herein, conduct a Sales and Investment Solicitation Process described herein (the “**SISP**”) as approved by the Court pursuant to an Order obtained on January 10, 2025 (the “**SISP Order**”). KMC intends to provide all qualified interested parties with an opportunity to participate in the SISP.
- 4) Set forth below are the procedures (the “**SISP Procedures**”) to be followed with respect to the SISP to be undertaken to seek a Successful Bid(s) (as defined below), and if there are Successful Bid(s), to complete the transaction(s) contemplated by the Successful Bid(s). The SISP Procedures will be posted to the Monitor’s website and the Data Room.

Defined Terms

- 5) All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Initial Order. In addition, capitalized terms used but not otherwise defined in the SISP Procedures shall have the following meanings:

“**Business**” means the business carried on by KMC;

“**Business Day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the City of Edmonton, Alberta, Canada;

“**Property**” means the undertaking, property and assets of KMC or any portion thereof.

Solicitation Process and Timeline

- 6) The SISP is intended to solicit interest in, and opportunities for: (i) a sale, or partial sale, of all, substantially all, or certain amounts, of the Property or Business, whether through an asset purchase, share purchase or combination thereof; or (ii) for a restructuring, recapitalization, reorganization or refinancing of the KMC or its Business, or a combination thereof (the “**Opportunity**”).
- 7) The SISP Procedures set forth herein describe the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning KMC, its Business and its Property, the manner in which any bid becomes a Qualified Phase I Bid or a Qualified Phase II Bid (each as defined below), the receipt and negotiation of bids received, the ultimate selection of a Successful Bid, if any, and the approval thereof by the Court.
- 8) The Sales Agent shall implement these SISP Procedures. If there is disagreement as to the interpretation of these SISP Procedures, the Court will have jurisdiction to hear and resolve any such dispute.
- 9) The following table sets out the key milestones under this SISP, subject to extension by the Sales Agent with approval of the Monitor pursuant to and in accordance with these SISP Procedures:

Milestone	Deadline
Marketing Material Completed	January 13, 2025
Marketing Period Launched	January 15, 2025
Virtual Data Room Open	January 17, 2025
Qualified Phase I Bid Deadline	February 28, 2025
Final Form of APA to be provided to Qualified Phase I Bidders	March 3, 2025
Proposal Evaluation/Due Diligence/Negotiation Period	March 1 to 24, 2025
Deadline to Submit Phase II Bid	March 28, 2025
Court Approval	April 2025

Solicitation of Interest: Notice of the Sale Process

- 10) As soon as reasonably practicable, but, in any event, by no later than two (2) days from the SISP Order:
 - a) the Sales Agent, in consultation with the Monitor and KMC, will prepare a list of Potential Bidders, including (i) parties that have approached KMC, the Monitor, or the Sales Agent indicating an interest in the Opportunity; and (ii) strategic and financial parties who the Sales Agent, in consultation with the Monitor, believe may be interested in purchasing all

or part of the Business or Assets pursuant to the Sale Process (collectively, the “**Known Potential Bidders**”); and

- b) the Sales Agent, with KMC and in consultation with the Monitor, will prepare: (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the procedures under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Sales Agent, Monitor and KMC and their respective counsel which shall inure to the benefit of any purchaser of the Business or any of the Property (an “**NDA**”).
- 11) The Sales Agent will cause the Teaser Letter and the NDA to be sent to each Known Potential Bidder by no later than two (2) business days from the SISP Order and to any other party who requests a copy of the Teaser Letter and NDA and who is identified to the Sales Agent as a Potential Bidder as soon as reasonably practicable after such request or identification, as applicable.
 - 12) The Monitor will post information respecting the Opportunity on its website maintained for the CCAA Proceedings. The Sales Agent will also issue a press release setting out relevant information from such notice with Canada Newswire designating dissemination in Canada and major financial centers in the United States. The Sales Agent will also undertake such further and other advertising in industry relevant publications as it sees fit.
 - 13) In order to participate in the SISP, each person (a “**Potential Bidder**”) must deliver to the Sales Agent at the addresses specified in **Exhibit “A”** (including by email) hereto an executed NDA, following which the Potential Bidder shall receive access to the electronic data room containing confidential information concerning the Business and Property (the “**Data Room**”) with respect to the Business or Property which the Potential Bidder is interested in. For greater certainty, no Potential Bidder shall receive Data Room access or any confidential information relating to the Business or the Property unless and until an executed NDA is delivered to the Sales Agent.

Phase I

- 14) All Potential Bidders that are parties to an NDA with KMC and the Sales Agent in accordance with these SISP Procedures shall be deemed to be a qualified Phase I bidder (a “**Qualified Phase I Bidder**”) and will be promptly notified of such classification by the Sales Agent.
- 15) As noted, each Qualified Phase I Bidder shall be provided with access to the Data Room and, if requested by the Qualified Phase I Bidder and deemed appropriate by the Sales Agent, a management presentation, together with such further information as the Sales Agent may deem appropriate. Neither the Sales Agent, the Monitor or KMC make any representations or warranties as to the accuracy or completeness of any information furnished pursuant to these SISP Procedures including, without limitation, the information contained in the Teaser or in the Data Room.
- 16) A Phase I Bid will be deemed to be a “**Qualified Phase I Bid**” only if the Phase I Bid complies with all of the following:
 - a) it includes a term sheet describing the terms and conditions of the proposed transaction, including identification of: (i) the Business or Property proposed to be acquired; (ii) the

liabilities of KMC proposed to be assumed; (iii) the purchase price for the Business or Property proposed to be acquired expressed in Canadian or United States dollars (the "**Purchase Price**"); (iv) the effective date of the proposed transaction; and (v) the structure and financing of the proposed transaction;

- b) it is not subject to a financing condition and it includes written evidence of the financial ability to consummate the proposed transaction that will allow the Sales Agent to make a reasonable determination as to the Qualified Phase I Bidder's financial and other capabilities to consummate the transaction contemplated by its Phase I Bid;
 - c) it contains a description of the conditions precedent and approvals required for a final and binding offer, including, without limitation, any anticipated corporate, security holder, internal or regulatory approvals required to close the transaction, an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - d) it contains an outline of any additional due diligence required to be conducted by the Qualified Phase I Bidder in order to submit a final and binding offer;
 - e) it fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid and the complete terms of any such participation;
 - f) it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;
 - g) it contains such other information as may reasonably be requested by the Sales Agent; and
 - h) it is received by the Phase I Bid Deadline.
- 17) The Sales Agent, in consultation with KMC and the Monitor, will assess the Phase I Bids received by the Phase I Bid Deadline and determine which bids constitute Qualified Phase I Bids. The Sales Agent in consultation with the Monitor may, in its sole discretion, waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Phase I Bids.
- 18) The Sales Agent may, in consultation with KMC and the Monitor, reject any Phase I Bid if it determines that such bid does not constitute a Qualified Phase I Bid, is otherwise inadequate or insufficient, or is otherwise contrary to the best interests of the estates of KMC, or any of its creditors or other stakeholders.
- 19) To the extent that a Phase I Bid is so determined by the Sales Agent to be a Qualified Phase I Bid, the corresponding Qualified Phase I Bidder (any such bidder, a "**Phase II Bidder**") shall be permitted to proceed to Phase II of the SISP. The Sales Agent shall notify each Qualified Phase I Bidder as to whether or not such person has been determined to be a Phase II Bidder.

Phase II

- 20) The Sales Agent shall allow each Phase II Bidder such further access to confirmatory due diligence materials as the Sales Agent deems appropriate in its reasonable business judgment including scheduling set dates and times to facilitate inspections of the Property where the property may be situated but subject to competitive and other business considerations.
- 21) Phase II of the SISP will be limited to those persons that were identified by the Sales Agent as a Phase II Bidder. Subject to the discretion of the Monitor, and in consultation with KMC and the Sales Agent, all acting reasonably, no person shall be permitted to participate in Phase II of the SISP without having participated in Phase I of the SISP and who were designated as a Phase II Bidder in accordance herewith.
- 22) A Phase II Bidder that wishes to make a formal offer to purchase the Business or Property shall submit a binding offer (a "**Phase II Bid**") and a copy of the purchase and sale agreement that they are prepared to sign ("**Definitive Agreement**") to the Sales Agent and KMC at the addresses specified in **Exhibit "A"** hereto so as to be received by each of them no later than 12:00 p.m. (Mountain Time) on March 28, 2025 or such other date or time as may be agreed to by the Sales Agent, acting in its sole discretion (the "**Phase II Bid Deadline**"). Such Phase II Bid shall be a "**Qualified Phase II Bid**" and such Phase II Bidder shall be a "**Qualified Phase II Bidder**" only if its Phase II Bid complies with all of the following:
- a) it complies with all of the requirements in respect of Qualified Phase I Bids, other than the requirements set out in Paragraphs 16(c), 16(d), and 16(h);
 - b) it clearly identifies the form of consideration being proposed to satisfy the Purchase Price and estimated value of the consideration in Canadian or United States dollars. The Sales Agent's preference is for cash consideration, provided that the Sales Agent will consider securities or other forms of consideration;
 - c) it includes a letter stating that its Phase II Bid is irrevocable until the earlier of: (i) the approval of a Successful Bid (as defined herein) by the Court in accordance with these SISP Procedures; and (ii) thirty (30) calendar days following the Phase II Bid Deadline, provided that if such Qualified Phase II Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
 - d) it includes written evidence of a firm irrevocable commitment for all required financing, or other evidence of the financial ability of such Qualified Phase II Bidder (including, for greater certainty, such Qualified Phase II Bidder's designated purchaser(s), if any) to consummate the proposed transaction, that will allow the Sales Agent to make a reasonable determination as to the Qualified Phase II Bidder's financial and other capabilities to consummate the transaction contemplated by its bid;
 - e) it is not conditioned on: (i) the outcome of unperformed due diligence; and/or (ii) obtaining financing;
 - f) it includes an acknowledgement and representation that the Qualified Phase II Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any

documents, information and/or the Business or Property to be acquired and liabilities to be assumed in making its bid; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Business or Property to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly provided in a Definitive Agreement; and (iii) the transaction will be completed on an “as is, where is” basis;

- g) it includes evidence, in form and substance reasonably satisfactory to the Sales Agent, of authorization and approval from the Qualified Phase II Bidder’s board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Phase II Bid, and identifies any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - h) it is accompanied by a refundable deposit (a “**Deposit**”) in the form of a wire transfer (to a bank account specified by the Sales Agent), or such other form acceptable to the Sales Agent, payable to the order of the Sales Agent, in trust, in an amount equal to ten percent (10%) of that total consideration set out in its Phase II Bid;
 - i) the Phase II Bid includes an executed Definitive Agreement, including all exhibits and schedules contemplated thereby (other than exhibits and schedules that by their nature must be prepared by the Sales Agent), together with a blackline against the draft form of Definitive Agreement which will be prepared by the Sales Agent and posted in the Data Room;
 - j) it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment; and
 - k) it contains such other information as may reasonably be requested by the Sales Agent.
- 23) The Sales Agent, in consultation with KMC and the Monitor, will assess the Phase II Bids received by the Phase II Bid Deadline and determine which of the bids constitute Qualified Phase II Bids. The Sales Agent in consultation with the Monitor, may, in its sole discretion, waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Phase II Bids. The Sales Agent may, where it is considered appropriate in its discretion, continue negotiations with one or more Qualified Phase II Bidders to agree on terms of Successful Bids.
- 24) The Sales Agent may, in consultation with KMC and the Monitor, reject any Phase II Bid if it determines that such bid does not constitute a Qualified Phase II Bid, is otherwise inadequate or insufficient, or is otherwise contrary to the best interests of the estates of the Company, or any of its creditors or other stakeholders.
- 25) The Sales Agent, in consultation with KMC and the Monitor, shall select the winning bid or bids (collectively, the “**Successful Bids**”, and the corresponding bidder(s), collectively, the “**Successful Bidders**”).
- 26) The Sales Agent will notify Qualified Phase II Bidders if not selected as among the Successful Bidders.

Court Approval

- 27) KMC shall apply to the Court (the “**Approval Application**”) for an order approving the Successful Bids and authorizing KMC to enter into any and all necessary agreements with respect to the Successful Bids, as well as an order vesting title to the Business or Property in the name of the Successful Bidders.
- 28) The Approval Application will be held on a date to be scheduled by the Court upon application by KMC. The Approval Application may be adjourned or rescheduled by KMC, in its sole discretion, without further notice.
- 29) All Qualified Phase II Bids (other than Successful Bids) shall be deemed rejected on and as of the date of approval of the Successful Bids by the Court.

Deposits

- 30) All Deposits shall be retained by the Sales Agent (or as otherwise directed by the Monitor in consultation with KMC and the Sales Agent) and deposited in a trust account. The Deposits paid by the Successful Bidders whose bids are approved at the Approval Application shall be applied to the Purchase Price to be paid or investment amount to be made by the Successful Bidders upon closing of the approved transaction. All Deposits will be non-refundable unless Court approval of any bid is declined. The Deposits of Phase II Bidders not selected as Successful Bidders shall be returned to such bidders within five (5) Business Days of the date upon which the Successful Bids are approved by the Court. If there are no Successful Bids, then all Deposits shall be returned to the Phase II bidders within five (5) Business Days of the date upon which the SISP is terminated in accordance with these SISP Procedures.

No Amendment

- 31) There shall be no amendments to the SISP Procedures, including for greater certainty, the process and procedures set out herein, without the written consent of the Sales Agent in consultation with the Monitor and KMC.

“As Is, Where Is”

- 32) Any sale of the Business or Property will be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature, or description by the Sales Agent, KMC or the Monitor or any of their respective affiliates, advisors, agents or representatives, except to the extent otherwise provided under a Definitive Agreement with a Successful Bidder executed and delivered by KMC. Neither the Sales Agent, the Monitor or KMC, nor any of their respective affiliates, advisors, agents or representatives make any representation or warranty as to the accuracy or completeness of any information furnished pursuant to these SISP Procedures, including, without limitation, information contained in the Teaser or in the Data Room, except to the extent otherwise provided under a Definitive Agreement with a Successful Bidder executed and delivered by KMC.

Free of Any and All Claims and Interests

33) In the event of a sale of the Business or the Property, to the extent permitted by law and the Court, all of the rights, title and interests of the Company in and to the Business or the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests on or against the Property (collectively, the “**Claims and Interests**”). Such Claims and Interests shall attach only to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in a Definitive Agreement with a Successful Bidder and as permitted by applicable law.

No Obligation to Conclude a Transaction

34) KMC has no obligation to agree to conclude a sale or investment arising out of this SISP, and it reserves the right and unfettered discretion to reject any offer or other proposal made in connection with this SISP. In addition, at any time during this SISP, the Sales Agent, in consultation with the Monitor and KMC, may determine to amend, modify or terminate these SISP Procedures in whole or in part in respect of all or a part of the Property or Business, and shall provide notice of such a decision to all Qualified Phase I Bidders or Qualified Phase II Bidders, as applicable.

Pre-Emptive Sales

35) Nothing within this SISP limits KMC’s ability to enter into a Pre-Emptive Sale as defined within the SISP Order.

Further Orders

36) At any time during this SISP, KMC or the Monitor may apply to the Court for advice and directions with respect to the discharge of the Sales Agent’s powers and duties hereunder.

Exhibit "A"

Sales Agent Contact Information

Ernst & Young Orenda Corporate Finance Inc.
2200, 215 2nd Street SW
Calgary, AB T2P 1M4

Attn: Barry Munro / Alix Paris / Rhys Jones
barry.g.munro@ca.ey.com / alixandra.e.paris@ca.ey.com / rhys.jones@ca.ey.com
(403) 206-5017 / (403) 206-5228 / (416) 932-4298

Third Report of FTI Consulting Canada Inc., in its capacity as Proposal Trustee, and Pre-Filing Report of FTI Consulting Canada Inc., in its capacity as Proposed Monitor of KMC Mining Corporation

Appendix “B” – Consent to Act

COURT FILE NUMBER

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

EDMONTON

APPLICANTS

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF THE PLAN OF COMPROMISE OR
ARRANGEMENT OF KMC MINING CORPORATION

DOCUMENT

CONSENT TO ACT AS MONITOR

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

MLT Aikins LLP
Suite 2100, Livingston Place
Calgary, AB T2P 0B4
Attention: Ryan Zahara
Tel: 403-693-5420
Email: rzahara@mltaikins.com

CONSENT TO ACT AS MONITOR

TAKE NOTICE THAT FTI Consulting Canada Inc. hereby consents to act as the court-appointed monitor of KMC Mining Corporation if so appointed by this Honourable Court.

DATED at Calgary, Alberta this 31st day of December, 2024.

FTI CONSULTING CANADA INC.

Per:



Name: Dustin Olver, CPA, CA, CIRP, LIT
Title: Senior Managing Director

Third Report of FTI Consulting Canada Inc., in its capacity as Proposal Trustee, and Pre-Filing Report of FTI Consulting Canada Inc., in its capacity as Proposed Monitor of KMC Mining Corporation

Appendix “C” – CCAA Cash Flow Statement for the period- ending March 31, 2025

December 31, 2024

FTI Consulting Canada Inc.
Suite 1610, 520 Fifth Avenue S.W.
Calgary, AB
T2P 3R7

Attention: Dustin Olver, CPA, CA, CIRP, LIT

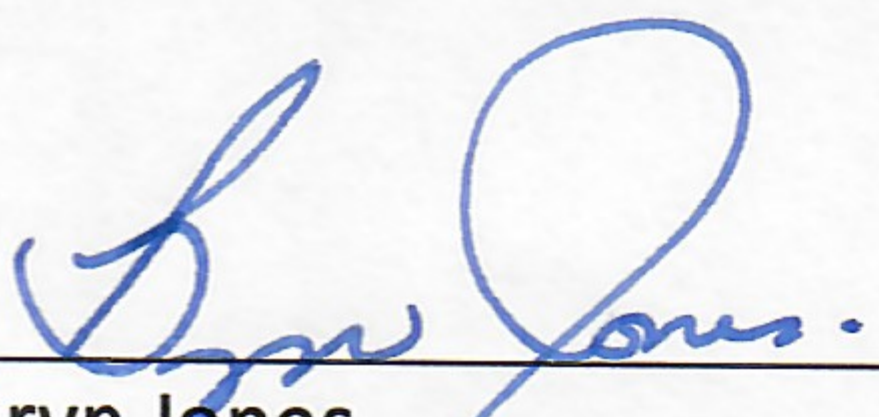
Dear Sir:

**Re: Proceedings under the Companies' Creditors Arrangement Act ("CCAA")
Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections**

In connection with the application by KMC Mining Corporation (the "**Applicant**" or "**KMC**"), for the commencement of proceedings under the CCAA in respect of the Applicant, the management of KMC ("**Management**") has prepared the attached Cash Flow Statement and the assumptions on which the Cash Flow Statement are based.

Management confirms that:

1. The Cash Flow Statement and the underlying assumptions are the responsibility of the Applicant;
2. All material information relevant to the Cash Flow Statement and to the underlying assumptions has been made available to FTI Consulting Canada Inc. in its capacity as proposed Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. That the individual assumptions underlying the Cash Flow Statement are appropriate in the circumstances; and
 - b. That the individual assumptions underlying the Cash Flow Statement, taken as a whole, are appropriate in the circumstances.

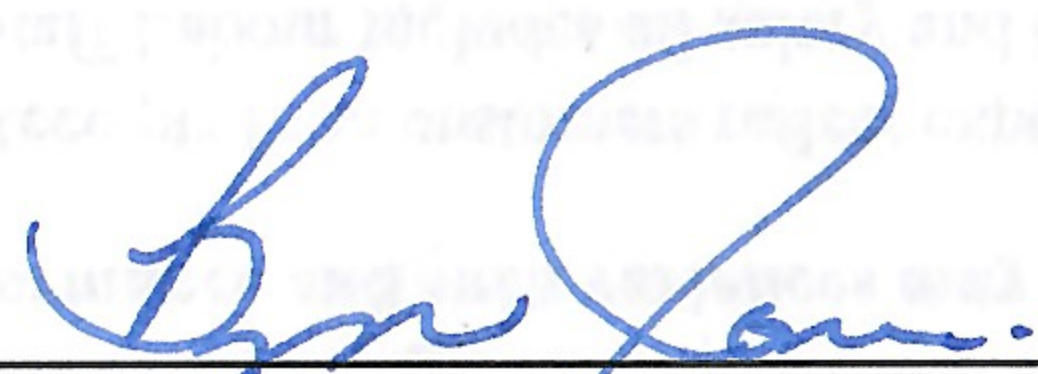


Bryn Jones
Chief Financial Officer

KMC Mining Corporation
CCAA Cash Flow Statement
For the 14-week period ending March 31, 2025

Initial Stay Period Ends:

('000s)	Week Beginning	Notes	Initial Stay Period Ends:														Forecast Period
			Week 1 Dec-29	Week 2 Jan-05	Week 3 Jan-12	Week 4 Jan-19	Week 5 Jan-26	Week 6 Feb-02	Week 7 Feb-09	Week 8 Feb-16	Week 9 Feb-23	Week 10 Mar-02	Week 11 Mar-09	Week 12 Mar-16	Week 13 Mar-23	Week 14 Mar-30	
Receipts																	
Customers	1		472	205	578	425	570	425	570	425	570	425	570	425	425	-	6,085
Total Receipts			472	205	578	425	570	425	570	425	570	425	570	425	425	-	6,085
Operating Disbursements																	
Staff Labour	2		(195)	(38)	(143)	-	(124)	(55)	(88)	(55)	(117)	(55)	(88)	(55)	-	(114)	(1,127)
Union Labour	3		(204)	(78)	(195)	(78)	(123)	(78)	(123)	(140)	(143)	(78)	(109)	(140)	(123)	(20)	(1,635)
Utilities	4		(0)	(0)	(5)	(24)	(21)	(0)	(5)	(17)	(28)	(0)	(5)	(17)	(28)	-	(150)
Operations	5		(225)	(45)	(100)	(45)	(225)	(45)	(100)	(45)	(224)	(25)	(64)	(50)	(25)	(171)	(1,389)
Fuel	6		(20)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	-	-	(295)
Rent / Property Tax	7		(35)	-	-	-	(36)	-	-	-	(36)	-	-	-	-	(36)	(143)
CRA Remittance	8		-	-	-	-	(100)	-	-	-	(100)	-	-	-	-	(50)	(250)
Insurance	9		-	-	-	(1,000)	-	-	-	-	-	-	-	-	-	-	(1,000)
Professional Fees	10		-	-	-	(410)	-	-	-	(160)	-	-	-	-	(160)	-	(730)
Komatsu Capital Lease Payments	11		-	-	(217)	(451)	-	-	(217)	-	(451)	-	(217)	-	(451)	-	(2,004)
Other Capital Lease Payments	12		(78)	-	(5)	-	(67)	-	(5)	-	(67)	-	(5)	-	-	-	(227)
Operating Deposits	13		-	-	-	(400)	-	-	-	-	-	-	-	-	-	-	(400)
Contingency	14		-	-	(63)	(375)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	(63)	-	(1,000)
Total Operating Disbursements			(757)	(186)	(753)	(2,808)	(784)	(266)	(627)	(504)	(1,253)	(246)	(576)	(349)	(849)	(391)	(10,349)
Financing																	
Interim Financing Interest	15		(11)	-	-	-	(37)	-	-	-	(37)	-	-	-	(37)	-	(122)
Total Disbursements			(768)	(186)	(753)	(2,808)	(821)	(266)	(627)	(504)	(1,290)	(246)	(576)	(349)	(886)	(391)	(10,471)
Net Cash Flow			(296)	19	(175)	(2,383)	(251)	159	(57)	(79)	(720)	179	(6)	76	(461)	(391)	(4,386)
Beginning Cash			400	104	123	(52)	(2,435)	(2,686)	(2,527)	(2,584)	(2,663)	(3,383)	(3,204)	(3,210)	(3,134)	(3,595)	400
Ending Cash, before DIP			104	123	(52)	(2,435)	(2,686)	(2,527)	(2,584)	(2,663)	(3,383)	(3,204)	(3,210)	(3,134)	(3,595)	(3,986)	(3,986)
Interim Financing																	
Draws	16		-	-	-	1,000	-	-	-	-	-	-	-	-	-	1,000	2,000
Repayments			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative DIP Drawn			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	5,000	5,000
Ending Cash, after DIP			3,104	3,123	2,948	1,565	1,314	1,473	1,416	1,337	617	796	790	866	405	1,014	1,014



KMC Mining Corporation
Per: Bryn Jones, Chief Financial Officer

Notes:

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

- 1 Receipts from customers reflect expected collections from current Fort Hills project (six trucks operating) as well as smaller amounts from maintenance and ice lugging contracts with Syncrude.
- 2 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.
- 3 Union Labour includes all wages and benefit costs relating to union employees of KMC. Also included are source deductions for these employees. KMC has 30 unionized employees.
- 4 Utilities relate to head office and site utility costs.
- 5 Operations includes costs for direct service providers, management services, and operating vendors.
- 6 Fuel costs relate to required fuel expenses in the field to run projects.
- 7 Rent and property tax relate to costs for rental premises on Syncrude Site, as well as the corporate head office and shop.
- 8 CRA Remittance reflects GST remittances payable. GST remittances are current.
- 9 Insurance relates to insurance financing installment due in December. Policy was renewed December 1, 2024 for the upcoming year.
- 10 Professional fees includes the Applicants' legal counsel, the Monitor, the Monitor's Counsel and the Sales Agent.
- 11 Komatsu Capital Lease payments relate to the three leased 930 trucks that are currently in operation at the Fort Hills site.
- 12 Other Capital Leases relate to light trucks and other smaller assets required for day to day operations.
- 13 Operating Deposits is an estimated amount payable for pre-payment deposits to operators or vendors.
- 14 Contingency is managements estimate for potential issues that may arise throughout the process.
- 15 Interim Financing Interest calculated based on the Debtor-in-Possession Term Sheet.
- 16 Draws reflects the Company's forecasted draws on the Interim Financing Charge. The Initial Advance, per the DIP Term Sheet, must be in the amount of \$3.0 million. The Initial Advance occurred on December 24, 2024.