COURT FILE NUMBER	2301-16114
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, as amended AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF MANTLE MATERIALS GROUP LTD. AND RLF CANADA HOLDINGS LTD.
APPLICANT	MANTLE MATERIALS GROUP, LTD.
DOCUMENT	FIRST REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS MONITOR OF MANTLE MATERIALS GROUP LTD.
	February 16, 2024
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FIRST REPORT OF THE MONITOR

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INTRODUCTION

1. On July 14, 2023 (the "**NOI Filing Date**"), Mantle Materials Group Ltd. ("**Mantle**" or the "**Company**"), a private corporation 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**"). FTI Consulting Canada Inc. ("**FTI**") consented to act as proposal trustee (the "**Proposal Trustee**") in the NOI proceedings of Mantle (the "**Proposal Proceedings**").

2. On August 15, 2023, this Court granted an Order (the "**August 15 Order**") which granted, among other things, the following relief:

    a. an extension of the stay of proceedings (the "**Stay of Proceedings**") until and including September 27, 2023;

    b. approval of the interim financing facility in the maximum amount of $2.2 million (the "**Interim Financing Facility**"); and

    c. approval of priority charges in favour of (i) the Company's counsel, the Proposal Trustee and the Proposal Trustee's counsel in the amount of $425,000, (ii) the Interim Financing Facility in the amount of $4.4 million and (iii) the directors and officers in the amount of $150,000 (collectively, the "**BIA Charges**").

3. The August 15 Order was amended pursuant to an order of Justice Feasby pronounced on August 28, 2023 (as amended, the "**Amended Order**").

4. On September 22, 2023, this Court granted an extension to the Stay of Proceedings until and including November 13, 2023.

5. On November 8, 2023, this Court granted, among other things, the following:

a. an order (the "**Auction Approval Order**") approving the sale by way of public auction of the majority of Mantle's equipment (the "**Equipment**") by Ritchie Bros. Auctioneers ("**Ritchies**") pursuant to an auction services agreement dated October 31, 2023 (the "**Auction Agreement**") between Mantle and Ritchies; and,

b. an order (the "**Stay Extension Order**") providing for the following relief:

   i. an extension of the stay of proceedings for Mantle to December 28, 2023 (the "**Stay Period**"); and

   ii. authorization and direction to Atlas Aggregates Inc. ("**Atlas**") to provide certain information relating to its shareholders (the "**Shareholder Information**") to the Proposal Trustee for purpose of the shareholders being included in the solicitation process of Mantle's shareholdings in Atlas.

6. On January 10, 2024, (the "**Filing Date**"), Mantle (in such capacity, the "**Applicant**"), brought a motion in the Proposal Proceedings before the Court of King's Bench of Alberta (the "**Court**") to have the Proposal Proceedings taken up and continued under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").

7. Pursuant to the Court order made on January 10, 2024 (the "**Initial Order**"), and an amended and restated initial Order (the "**ARIO**") Mantle was granted protection under the CCAA (the "**CCAA Proceedings**"). The ARIO granted, among other things, the following relief:

a. an extension of the Stay of Proceedings until March 1, 2024 (the "**Stay Period**");

b. appointed FTI as monitor (in such capacity, the "**Monitor**") in these CCAA Proceedings;

c. granted certain court priority charges (the "**CCAA Charges**") equal in priority and quantum to the BIA Charges previously granted in the Proposal Proceedings.

8. On February 13, 2024, the Applicant filed a notice of application returnable on February 23, 2024 (the "**February 23 Application**") seeking the following:

a. an order (the "**Arrow West SAVO**") approving the share purchase agreement (the "**Arrow West SPA**") between Mantle, as vendor, and Arrow-West Holdings Ltd. ("**Arrow West**"), as purchaser, for the sale of certain shares of Atlas (the "**Atlas Shares**");

b. an order (the "**St. Paul SAVO**") approving the asset purchase agreement (the "**St. Paul APA**") between Mantle as vendor and the County of St. Paul 19 ("**St. Paul**") as purchaser, for the sale of the Freehold Pit Assets (as defined below);

c. an order (the "**PEA SAVO**") approving the asset purchase agreement (the "**PEA APA**") between Mantle as vendor and PEA Holdings Incorporated ("**PEA**") as purchaser, for the sale of the Public Pit Assets (as defined below);

d. an order (the "**Sealing Order**") sealing the confidential affidavit of Byron Levkulich dated February 13, 2024 (the "**Confidential Levkulich Affidavit**") and the confidential supplement to the First Report of the Monitor (the "**Confidential Supplement**"); and

e. an extension of the Stay Period until and including September 30, 2024 (the "**Stay Extension Order**").

PURPOSE

9. FTI has reviewed the Court materials filed by Mantle in support of the February 23 Application. The purpose of this report (this "**Report**" or the "**First Report**") is to provide

the Court and the Applicant's stakeholders with information and the Monitor's comments with respect to the following:

a. a summary of the activities of the Monitor since the report dated December 11, 2023 (the "**Proposed Monitor's Report**") and an update on the status of various ongoing initiatives being undertaken by Mantle during the CCAA Proceedings;

b. an update on the status of the various environmental reclamation obligations (the "**Environmental Obligations**") on the Company's aggregate/gravel pits, pursuant to environmental protection orders ("**EPOs**") issued by Alberta Environment and Protected Areas (the "**AEPA**");

c. the Applicant's application for the approval of the St. Paul APA, the PEA APA (collectively, the "**Active Pit Sale Agreements**") and the Arrow West SPA (collectively, with the Active Pit Sale Agreements, the "**Transaction Agreements**") and the St. Paul SAVO, PEA SAVO and the Arrow West SAVO (collectively, the "**SAVOs**");

d. a summary of the actual cashflow for the period of December 2, 2023 to February 9, 2024 compared to the cash flow forecast filed in these CCAA Proceedings with the Court on December 11, 2023 (the "**Initial CCAA Cash Flow Statement**");

e. Mantle's second CCAA cash flow statement (the "**Second CCAA Cash Flow Statement**") for the period commencing on February 10, 2024 and ending October 4, 2024; and

f. the Monitor's recommendation in respect of the Mantle's requested relief at the February 23 Application.

TERMS OF REFERENCE

10. In preparing this Report, the Monitor relied upon unaudited financial information, other information available and, where appropriate, Mantle's books and records and discussions with various parties (collectively, the "**Information**").

11. Except as described in this Report:

    a. the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*;

    b. the Monitor has not examined or reviewed financial forecasts and projections referred to in this Report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*; and

    c. future oriented financial information reported or relied on in preparing this Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.

12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

ACTIVITIES OF THE MONITOR

13. Since the date of the Proposed Monitor's Report, the Monitor has, among other things:

    a. reviewed Mantle's receipts and disbursements and monitored Mantle's performance relative to its cash flow forecast;

b. responded to inquiries from stakeholders, suppliers and creditors who contacted the Monitor and in connection with these CCAA Proceedings;

c. assisted Mantle in reviewing the bids submitted in the sales and solicitation process (the "**SSP**") which has been undertaken by Mantle to market and sell certain of its assets including all of its active aggregate pits (the "**Active Pits**") and the Atlas Shares; and

d. assisted Mantle in developing the Second CCAA Cash Flow Forecast.

STATUS OF THE ENVIRONMENTAL OBLIGATIONS

14. Mantle operates and holds interests in aggregate and gravel pits in Central Alberta ("**Aggregate Pits**"). During the NOI Proceedings and these CCAA Proceedings, Mantle's operational focus has been to maximize cash receipts as it works to satisfy the Environmental Obligations.

15. Since the date of the Proposed Monitor's Report, Mantle's operations with regards to the production and sale of inventory from the Active Pits has wound down and all work to satisfy the Environmental Obligations has paused due to the winter freeze. Mantle expects to be able to restart reclamation work in spring of 2024 once the ground has thawed out and earth moving and seeding work can be restarted.

16. Through 2023, Mantle progressed reclamation work on a total of ten pits it determined are inactive and not capable of being sold (the "**Inactive Pits**"). At the end of its operating season in 2023, Mantle had outstanding reclamation work to be completed for eight pits. All eight of these Inactive Pits had EPOs issued against them by AEPA.

17. Subsequent to the NOI Filing Date, AEPA issued seven EPO's (the "**New EPO's**") relating to Active Pits. All of the New EPO's related to pits which were actively being marketed by Mantle in the SSP.

18. In the event the Active Pit Sale Agreements are approved by this Court and subsequently closed, all Environmental Obligations relating to the New EPO's would be transferred to the purchasers and the only remaining Environmental Obligations Mantle would be responsible for would relate to the eight Inactive Pits.

19. Mantle has prepared internal cost estimates and work timelines which estimate that all of the remaining reclamation work to satisfy its Environmental Obligations with respect to these eight Inactive Pits. Mantle estimates the total remaining reclamation work to cost approximately $600,000 and for all work to be completed by the end of 2026.

MARKETING OF MANTLE'S ASSETS

ACTIVE PITS

20. On September 20, 2023, Mantle launched the SSP to market and sell the Active Pits. In total there were originally twelve (12) Active Pits which were being marketed by Mantle. However, AEPA terminated Mantle's lease on one pit due to Mantle not having posted the necessary security deposit. The pit in quested had yet to be opened, and thus had no Environmental Obligations associated with it. As a result Mantle was seeking to sell eleven (11) pits in the SSP to in order to reduce its Environmental Obligations.

21. Mantle ran the SSP itself, with FTI acting as a third party to oversee the process and ensure transparency.

22. The SSP included the following highlights:

   a. a teaser was sent to approximately 92 potentially parties and posted on the FTI's website on September 20, 2023;

   b. Mantle set up a virtual data room for interested parties to view confidential information following the execution of a non-disclosure agreement;

c. eight parties (8) were provided access to the data room, all parties signed a confidential agreement prior to being granted access to the data room, with the exception of one governmental body who was granted access due to their late entry into the process and the determination that there was limited risk due to the nature of the party;

d. Mantle made its management available to interested parties for meetings and to provide site tours; and

e. a bid deadline of October 25, 2023 (the "**Bid Deadline**").

23. At the Bid Deadline, Mantle received two offers (the "**Active Pit Offers**") which in combination were for all of the Active Pits. The Active Pit Offers were as follows:

a. an offer submitted by St. Paul for:

i. Mantle's interest in an aggregate pit (the "**Shankowski Pit**") located on freehold lands subject to a royalty agreement with Jerry Shankowski and his company 945441 Alberta Ltd (the "**Shankowski Agreement**") including associated aggregate reserves; and

ii. Mantle's interest in an aggregate pit (the "**Havener Pit**") located on freehold lands subject to a royalty agreement with Gail Charlene Havener, Lynne Havener, Teri Breen and Karren Richards (the "**Havener Agreement**"), including associated aggregate reserves.

(collectively, the assets includes in the offer submitted by St. Paul are referred to as the "**Freehold Pit Assets**"); and

b. an offer submitted by PEA for:

i. Mantle's interest in aggregate pits located on public sellable land located near Smoky Lake, AB, identified as SML 110025, SML 110026, SML 110045, SML 110046, SML 110047, SML 120005, SML 120006 and SML 120100 (the "**Smoky Lake SML's**"), including associated aggregate reserves; and

ii. Mantle's interest in aggregate pits located on public sellable land located in Thorhild County, near Long Lake, AB, identified as SML 100085 (the "**Long Lake SML**"), including associated aggregate reserves.

(collectively, the assets includes in the offer submitted by PEA are referred to as the "**Public Pit Assets**").

24. The Monitor has presented a summary of the Active Pit Offers in the Confidential Supplement which includes among other things, the total purchase price for each of the Active Pit Offers.

25. Mantle, in consultation with FTI, reviewed the Active Pit Offers and determined that the combination of the Active Pit Offers submitted by the St. Paul and PEA represented the highest and best offers for all of the Active Pits. Subsequently, Mantle entered into negotiations with the County of St. Paul and PEA to finalize what became the Active Pit Sale Agreements.

ATLAS AGGREGATES

26. The Atlas Shares represent a minority shareholding in Atlas, a private Alberta corporation, who owns approximately half of the shares in 13866194 Alberta Ltd. ("**1386**"). 1386 owns a surface mineral lease which Mantle has been advised holds a significant amount of aggregate reserves.

27. Due to a significant dispute between the management and shareholders of Atlas, it was determined that it was unlikely that anyone not already associated with Atlas would be interested in purchasing the Atlas Shares. Further this dispute extended to Atlas' board of directors who refused to provide Mantle with a list of Atlas' shareholders.

28. In order to properly market the Atlas Shares to all of the Atlas shareholders, Mantle applied to this Court and sought relief to require Atlas's board to provide FTI with Atlas' shareholder information. FTI subsequently utilized the shareholder information to market the Atlas Shares.

29. The SSP with respect to the Atlas Shares included the following highlights:

a. a teaser describing the Atlas Shares and the opportunity to purchase Atlas Shares was sent to all Atlas shareholders as well as a couple other individuals who had previously inquired to Mantle about their holdings in Atlas. This teaser was delivered to over 80 parties on December 4, 2023;

b. a virtual data room was set up which could be accessed following the execution of a confidentiality agreement, however no parties ultimately executed a confidentially agreement to gain access to the data room; and

c. a bid deadline was set for January 4, 2024 (the "**Atlas Share Bid Deadline**")

30. At the Atlas Share Bid Deadline, FTI received three (3) offers (the "**Atlas Share Offers**") to purchase the Atlas Shares.

31. The Monitor has presented a summary of the Atlas Share Offers in the Confidential Supplement which includes among other things, the total purchase price for each of the Atlas Share Offers.

32. Mantle, in consultation with FTI, reviewed the Atlas Share Offers and determined that the offer submitted by Arrow West was the highest and best offer for the Atlas Shares. Mantle proceeded to enter into negotiations with Arrow West to formalize its offer into what became the Arrow West SPA.

TRANSACTION AGREEMENTS

33. The Transaction Agreements contain commercially sensitive information that, if disclosed publicly, could negatively impact value to the Applicant's estate in the event the Transaction Agreements do not close. Accordingly the Monitor has provided a summary of financial terms in the Confidential Supplement and is seeking a sealing order to ensure the commercial terms remain confidential until the Transaction Agreements close.

ST. PAUL APA

34. Subsequent to negotiations between Mantle and St. Paul, the St. Paul APA was executed on January 31, 2024.

35. The St. Paul APA contemplates the following:

   a. St. Paul will acquire the Freehold Pit Assets and any associated aggregate reserves;

   b. the transfer of the Freehold Pit Assets will be completed through the transfer of the Shankowski Agreement and the Havener Agreement (collectively, the "**St. Paul Assumed Contracts**");

   c. St. Paul will assume all liabilities associated with the St. Paul Assumed Contracts and the reclamation liabilities associated with the Freehold Pit Assets;

   d. St. Paul will be responsible for posting all deposits required by AEPA with respect to the Freehold Pit Assets. For clarity, the deposits posted by Mantle with respect to the Freehold Pit Assets will not be transferred to St. Paul pursuant to the St. Paul APA;

e. that certain conditions are met prior to the closing of the St. Paul APA. At the date of this First Report, the following material conditions are still outstanding:

   i. agreement for the assignment of the Shankowski Agreement and Havener Agreement which the Monitor understands will require the consent from counter parties to these agreements;

   ii. AEPA shall have terminated the EPOs associated with the Freehold Pit Assets;

   iii. AEPA shall have approved the transfer of the registrations for the Freehold Pit Assets to St. Paul or shall have issued new registrations in favour of St. Paul; and

   iv. approval of the St. Paul APA by this Court and the granting of the St. Paul SAVO.

36. The Monitor has been advised by Mantle, that Mantle is in the process of commencing discussions with AEPA to satisfy the remaining outstanding conditions with respect to the termination of the EPOs related to the Freehold Pit Assets and transfer of the relevant registrations to St. Paul.

37. In the event the St. Paul APA is approved, the St. Paul SAVO is granted and following the satisfaction or waiving of all other conditions with respect to the St. Paul APA including the payment of the purchase price by St. Paul to Mantle, the closing of the St. Paul APA shall occur within five (5) business days of the satisfaction or waiving of the conditions contained in the St. Paul APA. The Monitor will file a Monitor's certificate confirming when and if such closing occurs.

PEA APA

38. Following the submission of PEA's offer in the SSP, Mantle and PEA entered into negotiations and ultimate executed the PEA APA on February 12, 2024.

39. The PEA APA contemplates the following:

a. PEA will acquire the Public Pit Assets and any associated aggregate reserves;

b. the transfer of the Public Pit Assets will be completed through the transfer of the surface material lease agreements (collectively, the "**PEA Assumed Contracts**") with the Crown in right of the Province of Alberta for the pits located in Smoky Lake and Long Lake;

c. PEA will obtain the benefit of any deposits posted by Mantle in respect of the Public Pit Assets (the "**Reclamation Security**"). The Reclamation Security will form a portion of deposits required by AEPA with respect to the Public Assets Pits. Any deposit requirements by AEPA for PEA in excess of the Reclamation Security will be the responsibility of PEA;

d. Mantle shall make reasonable commercial efforts to renew the surface material lease agreements ("**SMLs**") which are not currently in good standing with Alberta Forestry and Parks ("**AFP**"). These SML's include two (2) SMLS which have expired (the "**Expired SML's**") and 4 SMLs which were cancelled (the "**Cancelled SMLs**");

e. that certain conditions are met prior to the closing of the PEA APA. At the date of this First Report, the following material conditions are still outstanding with respect to the PEA APA:

i. Mantle to provide confirmation to AEPA that PEA will receive the benefit of the Reclamation Security;

ii. PEA shall have posted amounts of any deposit required by AEPA in excess of the Reclamation Security and which are acceptable to PEA;

iii. AFP shall have renewed the Expired SMLs and reinstated the Cancelled SMLs and consented to the assignment of the PEA Assumed Contracts to PEA;

iv. AEPA shall have terminated the EPOs associated with the Public Pit Assets;

v. AEPA shall have approved the transfer of the Smoky Lake SMLs and the Long Lake SML to PEA; and

vi. approval of the PEA APA by this Court and the granting of the PEA SAVO.

40. The Monitor has been advised the Mantle in the process of commencing discussions with AEPA to satisfy the remaining outstanding conditions with respect to the termination of the EPOs related to the Public Pit Assets and transfer of the relevant registrations to PEA. Further, Mantle is also in the process of commencing discussions with AFP to satisfy the renewal and reinstatement of the Expired SML and Cancelled SMLs as require by the PEA APA.

41. In the event the PEA APA is approved, the PEA SAVO granted and following the satisfaction or waiving of all other conditions with respect to the PEA APA including the payment of the purchase price by PEA to Mantle, the closing of the PEA APA shall occur within five (5) business days of the satisfaction or waiving of the conditions contained in the PEA APA. The Monitor will file a Monitor's certificate confirming when and if such closing occurs.

ARROW WEST APA

42. Following the Atlas Share Bid Deadline and the determination that the offer submitted by Arrow West was the superior offer with respect to the Atlas Shares, Mantle entered into negotiations with Arrow West to finalize a purchase and sale agreement. Ultimately, the Arrow West APA was executed on January 19, 2024.

43. The Arrow West SPA contemplates the following:

    a. Arrow West will acquire all of the Atlas Shares which is made up of 7,820,077 Class “A” common shares in Atlas to be completed by way of Mantle endorsing the transfer of the share certificates relating to the Atlas Shares to Arrow West;

    b. the purchase price is to be wired to the Monitor to be held in trust until the closing of the Arrow West SPA. The Monitor has received the full amount of the purchase price; and

    c. the only remaining material unsatisfied condition is the Court’s approval of the Arrow West SPA and the granting of the Arrow West SAVO.

44. In the event the Arrow West SPA is approved and the Arrow West SAVO granted, the closing shall occur within two (2) business days of the satisfaction or waiving of the conditions contained in the Arrow West SPA. The Monitor will notify this Court of the closure of the Arrow West SPA through the filing of a Monitor’s certificate.

MONITOR’S ANALYSIS OF THE SSP AND TRANSACTION AGREEMENTS

ACTIVE PIT SALE AGREEMENTS

45. In the Monitor’s view, the SSP adequately and fully exposed the Active Pits to the market and the potentially interested parties who may have been interested in acquiring these assets should have or ought to have been aware of the SSP.

46. The Active Pits are located in rural Alberta and are not overly close to any major city, which limits their attractiveness due to the lower number of parties who would be interested in the produced aggregate and the increased transportation costs that would be associated with delivering the produced aggregate to highly populated areas.

47. Despite the remote location of the Active Pits, Mantle contacted a large number of parties who potentially would in interested in acquiring these assets. These parties included local company's as well as parties within reasonable proximity to the Active Pits.

48. The Monitor has considered the recovery to Mantle and its stakeholders under the Active Pit Sale Agreements and provides the following comments:

a. the Active Pit Sale Agreements, represent the highest, best, and sole offer for all of the Active Pits;

b. based on the timeline of the SSP and the outreach completed by Mantle, Mantle was reasonable to conclude that all potentially interested parties should have or ought to have known about Mantle's marketing of the Active Pits; and

c. through the sales contemplated in the Active Pit Sale Agreements, Mantle will have reduced its total Environmental Obligations through the transfer of these obligations to the respective purchasers.

49. The Monitor is of the view that the total consideration included in the Active Pit Sale Agreements, including both the purchase price and assumption of reclamation liabilities, represent the highest and best offers in the circumstances to maximize the recoveries to Mantle and its stakeholders and satisfy a significant portion of the remaining Environmental Obligations which must be address prior to any distributions being made to creditors.

50. In the Monitor's view the Active Pit Sales Agreements are more beneficial to the creditors of the Applicant than could otherwise be achieved through a disposition in bankruptcy. Accordingly, the Monitor recommends the approval of the Active Pit Sale Agreements and granting of the St. Paul SAVO and the PEA SAVO.

ARROW WEST SPA

51. In the Monitor's view, the SSP undertaken to market the Atlas Shares adequately exposed the Atlas Shares to the parties who were most likely to be interested and able to complete a transaction with respect to these Atlas Shares.

52. Given the nature of the Atlas Shares, being of a private corporation, with current infighting, it was unlikely that an unrelated party would be willing to purchase the Atlas Shares and/or attribute higher value to the Atlas Shares than someone who was already familiar with the business.

53. The Monitor has considered the recovery to Mantle and its stakeholders under the Arrow West SPA and provides the following comments:

   a. the Arrow West SPA represented the highest and best offer of the three Atlas Share Offers received by the Atlas Share Bid Deadline; and

   b. the timeline of the SSP with respect to the Atlas Shares was reasonable and gave sufficient time for an interested party to complete any necessary due diligence, or coordinate any necessary financing.

54. The Monitor is of the view that the Arrow West SPA represents the highest and best offers in the circumstances to maximize recoveries to Mantle and its stakeholders and is more beneficial to the creditors of the Applicant than could otherwise be achieved through a disposition in bankruptcy as the relationships management had with interested parties was

critical if negotiating the proposed sale. Accordingly, the Monitor recommends the Court approve the Arrow West SPA and grant the Arrow West SAVO.

CASH FLOW STATEMENT

VARIANCE ANALYSIS

55. Mantle, in consultation with the Proposal Trustee / Proposed Monitor, prepared the Initial CCAA Cash Flow Statement which was filed as Appendix C to the Proposed Monitor's Report.

56. Mantle's actual cash flows in comparison to those contained in the Initial CCAA Cash Flow Statement forecast for the period of December 2, 2023 to February 9, 2024 are summarized below:

10 Week Period Ending Feb 9, 2024 (CAD$)	Actual	Forecast	Variance
RECEIPTS			
Operating Receipts	$ 997,276	$ 1,515,601	$ (518,325)
DISBURSEMENTS			
Operating Disbursements			
Payroll + Source Deductions	177,157	142,413	34,744
Royalties	425,669	456,471	(30,802)
Trucking and Fuel	7,361	58,637	(51,276)
Repair & Maintenance	12,093	12,093	-
Equipment Lease Payments	57,756	47,746	10,011
Insurance & Benefits	21,493	18,086	3,407
G&A Expense	66,441	40,046	26,395
EPO Reclamation	13,740	(42,600)	56,339
Total Operating Disbursements	781,710	732,892	48,818
Net Operating Cash Flow	**$ 215,566**	**$ 782,709**	**$ (567,143)**
Non-Operating Receipts & Disbursements			
Company Counsel	-	623,734	(623,734)
Proposed Monitor & Counsel	176,074	288,138	(112,064)
Total Non-Operating Receipts & Disbursements	176,074	911,872	(735,798)
NET CASH FLOWS	**$ 39,492**	**$ (129,163)**	**$ 168,655**
CASH			
Beginning Balance	1,766,043	1,766,043	-
Interim Financing (Draw)	-	-	-
Net Cash Inflows / (Outflows)	39,492	(129,163)	168,655
ENDING CASH	**$ 1,805,536**	**$ 1,636,881**	**$ 168,655**
INTERIM FINANCING FACILITY			
Opening	2,200,000	2,200,000	-
Draw/ (Repayment)	-	-	-
ENDING INTERIM FINANCING FACILITY	**$ 2,200,000**	**$ 2,200,000**	**$ -**

57. The material variances in actual receipts and disbursements as compared to the Initial CCAA Cash Flow Statement are primarily due to timing in the collection of receipts and timing of payments relating to professional fees. Below is a more detailed description of these variances:

a. the unfavourable variance in receipts of approximately $520,000 relates to lower than forecasted inventory sales of approximately $[240,000] and timing differences for approximately $280,000 which is expected to be collected in future periods;

b. the favourable variance of approximately $48,000 in disbursements is primarily comprised of:

   i. favourable variance of approximately $82,000 relating to royalties and trucking and fuel due to lower than expected inventory sales;

   ii. unfavourable variance of approximately $35,000 relating to employee expenses which were higher than forecast due to the payout of accrued vacation amounts for terminated employees as well as certain employees being retained longer than previously forecasted;

   iii. unfavourable variance of approximately $26,000 relating to G&A expenses, for property tax amounts paid in relation to the Active Pits to be sold as part of the Active Pit Sale Agreements; and

   iv. unfavourable variance of approximately $56,000 relating to a deposit in the amount of $50,000 which was being held in trust by the Company's counsel. This is a timing variance as the Company still expects to receive this amount; and

c. favourable variance for professional fees of approximately $735,000, of which $635,000 relates to the Company's counsel and $110,000 relates to the Monitor and its counsel. This variance is expected to reverse in future periods as amounts have been accrued but not yet paid by the Applicant.

58. As at February 9, 2024, the Interim Financing Facility has been fully drawn to $2.2 million and Mantle is holding approximately $1.8 million in cash on hand.

SECOND CCAA CASH FLOW STATEMENT

59. Management has prepared the Initial CCAA Cash Flow Statement to set out Mantle's liquidity requirements for the 34-week period ending October 4, 2024 (the "**Forecast Period**"). A copy of the Second CCAA Cash Flow Statement is attached as Appendix A.

60. The Second CCAA Cash Flow Statement is summarized as follows:

Weeks Ending (Friday) *(CAD)*	34-Week Forecast
Forecast Week	**Total**
RECEIPTS	
Operational Receipts	287,165
DISBURSEMENTS	
Operating Disbursements	
Payroll + Source Deductions	162,749
Trucking and Fuel	100
Insurance & Benefits	18,952
G&A Expense	12,775
EPO Reclamation	346,833
Total Operating Disbursements	541,409
Net Operating Cash Flow	**$ (254,244)**
Non-Operating Receipts & Disbursements	
Company Counsel	1,180,713
Proposed Monitor & Counsel	298,108
Total Non-Operating Receipts & Disbursements	1,478,821
NET CASH FLOWS	**$ (1,733,065)**
CASH	
Beginning Balance	$ 1,805,536
Interim Financing (Draw)	-
Net Cash Inflows / (Outflows)	(1,733,065)
ENDING CASH	**$ 72,471**
INTERIM FINANCING FACILITY	
Opening	$ 2,200,000
Draw/ (Repayment)	-
ENDING INTERIM FINANCING FACILITY	**$ 2,200,000**

61. The Second CCAA Cash Flow Statement projects Mantle will have negative net cash flow of approximately $254,000 over the Forecast Period, including:

a. total receipts of approximately $290,000, primarily relating to the collection of receipts generated from the sale of inventory prior to the Forecast Period;

b. employee expenses of approximately $163,000;

c. expenses relating to fuel of approximately $100; and

d. miscellaneous operating disbursements of approximately $32,000, primarily relating to insurance and benefits and G&A expenses;

e. reclamation work relating to Mantle's Environmental Obligations of approximately, $347,000;

f. professional fees for the Company's counsel of approximately $1.2 million and for the Proposed Monitor and its counsel of approximately $300,000; and

g. the interim financing which was previously granted will remain fully drawn at $2.2 million for the Forecast Period.

62. The Initial CCAA Cash Flow projects Mantle will end the Forecast Period with approximately $72,000 in cash on hand.

63. The Initial CCAA Cash Flow Statement contemplates the following:

a. Mantle's collection of accounts receivables from sales of Mantle's inventory which was delivered to customers prior to the Forecast Period;

b. expenses relating to maintenance of Mantle's operations and the coordination of reclamation work by third party vendors, including employee, fuel and miscellaneous G&A expenses;

c. expenses relating to the reclamation work for the 2024 operating season which Mantle expects to restart reclamation work in the spring of 2024;

d. professional fees for the Monitor, Monitor's counsel and Mantle's counsel. Estimated professional fees included unpaid invoices, unbilled WIP and forecast run rate to the end of the Forecast Period. The split between accrued expenses and forecasted expense for Mantle's counsel is approximately $980,000 and $200,000, respectively. The split between accrued expenses and forecasted expense for the Monitor and its counsel is approximately $41,000 and $259,000, respectively; and

e. the CCAA Cash Flow Forecast only includes operating cash does not contemplate any sale proceeds, which are contemplated to be held by the Monitor in trust. The disclosure of these amounts relating to the Transaction Agreements may have a negative impact on the SSP in the event any of the Transaction Agreements do not close.

64. The Second CCAA Cash Flow Statement has been prepared by Mantle using probable and hypothetical assumptions set out in the notes to the Second CCAA Cash Flow Statement.

65. The Monitor's review of the Second CCAA Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to the Information supplied to it by Mantle. Since probable and hypothetical assumptions need not be supported, the Monitor's procedures were limited to evaluating whether they were consistent with the purpose of the Second CCAA Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances.

66. Based on the Monitor'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 Initial CCAA Cash Flow Statement; and

   b. the probable and hypothetical assumptions developed by Mantle are not supported and consistent with the plan of the Mantle or do not provide a reasonable basis for the Second CCAA Cash Flow Statement.

STAY EXTENSION

67. The Monitor has considered Mantle's request to extend the stay of proceedings to September 30, 2024, and has the following comments:

   a. there will be no material prejudice to the Mantle's creditors and stakeholders as a result of the proposed extension of the stay of proceedings;

   b. the extension of the stay of proceedings will allow Mantle to close the Transaction Agreements, if approved by this Court, which will be to the benefit of all stakeholders;

   c. the extension of the stay of proceedings will allow Mantle to continue to complete the reclamation work with respect to the Inactive Pits and will not prejudice any creditor as it will reduce the Environmental Obligations, which have priority over all assets of the estate used in the gravel business;

   d. the Second CCAA Cash Flow Statement indicates that Mantle is forecasted to have sufficient liquidity to continue to fund operations and the cost of these CCAA Proceedings to September 30, 2024; and

e. the Company has acted and is continuing to act in good faith and with due diligence.

RESTRICTED COURT ACCESS ORDER

68. The Confidential Supplement has been prepared in conjunction with this First Report and contains confidential and commercially sensitives information relating to the Offers, the Atlas Shares Offers and the Transaction Agreements. The information contained in the Confidential Supplement could materially harm the realizable value of Mantle's assets and materially affect the recoveries to Mantle's creditors and stakeholders.

69. A Sealing Order is necessary to prevent the confidential and commercially sensitive information contained in the Confidential Supplement from being published and disclosed. The Sealing Order sought is the least restrictive means possible to prevent disclosure of the confidential and commercially sensitive information in the Confidential Supplement.

CONCLUSIONS AND RECOMMENDATIONS

70. The Monitor respectfully recommends that this Court grant the following orders:

   a. the Arrow West SAVO;

   b. the St. Paul SAVO;'

   c. the PEA SAVO;

   d. the Sealing Order; and

   e. the Stay Extension Order.

*****

All of which is respectfully submitted this 16th day of February 2024.

FTI Consulting Canada Inc., in its capacity as
the Monitor of
Mantle Materials Group Ltd.
and not in its personal or corporate capacity

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

Appendix A

Mantle Materials Group Ltd.

Second CCAA Cash Flow Statement

Weeks Ending (Friday) *(CAD)*		16-Feb-24 Forecast	23-Feb-24 Forecast	1-Mar-24 Forecast	8-Mar-24 Forecast	15-Mar-24 Forecast	22-Mar-24 Forecast	29-Mar-24 Forecast	5-Apr-24 Forecast	12-Apr-24 Forecast	19-Apr-24 Forecast	26-Apr-24 Forecast	3-May-24 Forecast	10-May-24 Forecast
Forecast Week		**Wk 1**	**Wk 2**	**Wk 3**	**Wk 4**	**Wk 5**	**Wk 6**	**Wk 7**	**Wk 8**	**Wk 9**	**Wk 10**	**Wk 11**	**Wk 12**	**Wk 13**
RECEIPTS														
Operational Receipts	[1]	-	-	-	-	-	-	287,165	-	-	-	-	-	-
DISBURSEMENTS														
Operating Disbursements														
Payroll + Source Deductions	[2]	9,454	14,743	-	9,237	-	9,237	-	9,237	-	9,237	-	9,237	-
Trucking and Fuel	[3]	100	-	-	-	-	-	-	-	-	-	-	-	-
Insurance & Benefits	[4]	-	408	700	-	-	-	-	2,549	-	-	-	2,549	-
G&A Expense	[5]	983	1,975	-	-	-	-	1,402	-	-	-	1,402	-	-
EPO Reclamation	[6]	-	-	-	-	-	-	-	-	-	-	-	11,111	-
Total Operating Disbursements		10,537	17,125	700	9,237	-	9,237	1,402	11,786	-	9,237	1,402	22,897	-
Net Operating Cash Flow		**$ (10,537)**	**$ (17,125)**	**$ (700)**	**$ (9,237)**	**$ -**	**$ (9,237)**	**$ 285,762**	**$ (11,786)**	**$ -**	**$ (9,237)**	**$ (1,402)**	**$ (22,897)**	**$ -**
Non-Operating Receipts & Disbursements														
Company Counsel	[7]	-	-	860,477	-	-	-	-	231,237	-	-	-	5,000	-
Proposed Monitor & Counsel	[7]	11,108	-	93,500	-	-	-	-	30,500	-	-	-	5,500	-
Total Non-Operating Receipts & Disbursements		11,108	-	953,977	-	-	-	-	261,737	-	-	-	10,500	-
NET CASH FLOWS		**$ (21,645)**	**$ (17,125)**	**$ (954,677)**	**$ (9,237)**	**$ -**	**$ (9,237)**	**$ 285,762**	**$ (273,523)**	**$ -**	**$ (9,237)**	**$ (1,402)**	**$ (33,397)**	**$ -**
CASH														
Beginning Balance		$ 1,805,536	$ 1,783,891	$ 1,766,766	$ 812,089	$ 802,853	$ 802,853	$ 793,616	$ 1,079,378	$ 805,856	$ 805,856	$ 796,619	$ 795,216	$ 761,819
Interim Financing (Draw)	[8]	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Inflows / (Outflows)		(21,645)	(17,125)	(954,677)	(9,237)	-	(9,237)	285,762	(273,523)	-	(9,237)	(1,402)	(33,397)	-
ENDING CASH		**$ 1,783,891**	**$ 1,766,766**	**$ 812,089**	**$ 802,853**	**$ 802,853**	**$ 793,616**	**$ 1,079,378**	**$ 805,856**	**$ 805,856**	**$ 796,619**	**$ 795,216**	**$ 761,819**	**$ 761,819**
INTERIM FINANCING FACILITY														
Opening		$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000
Draw/ (Repayment)		-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING INTERIM FINANCING FACILITY		**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**

Byron Levkulich

Mantle Materials Group Ltd.

Byron Levkulich, Director

Mantle Materials Group Ltd.

Second CCAA Cash Flow Statement

Weeks Ending (Friday) *(CAD)*	17-May-24 Forecast	24-May-24 Forecast	31-May-24 Forecast	7-Jun-24 Forecast	14-Jun-24 Forecast	21-Jun-24 Forecast	28-Jun-24 Forecast	5-Jul-24 Forecast	12-Jul-24 Forecast	19-Jul-24 Forecast	26-Jul-24 Forecast	2-Aug-24 Forecast	9-Aug-24 Forecast
Forecast Week	**Wk 14**	**Wk 15**	**Wk 16**	**Wk 17**	**Wk 18**	**Wk 19**	**Wk 20**	**Wk 21**	**Wk 22**	**Wk 23**	**Wk 24**	**Wk 25**	**Wk 26**
RECEIPTS													
Operational Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
DISBURSEMENTS													
Operating Disbursements													
Payroll + Source Deductions	9,237	-	9,237	-	9,237	-	9,237	-	9,237	-	9,237	-	9,237
Trucking and Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance & Benefits	-	-	-	2,549	-	-	-	2,549	-	-	-	2,549	-
G&A Expense	-	-	1,402	-	-	-	1,402	-	-	-	1,402	-	-
EPO Reclamation	129,000	-	-	11,111	87,000	-	-	11,111	-	7,500	-	-	85,000
Total Operating Disbursements	138,237	-	10,639	13,660	96,237	-	10,639	13,660	9,237	7,500	10,639	2,549	94,237
Net Operating Cash Flow	**$ (138,237)**	**$ -**	**$ (10,639)**	**$ (13,660)**	**$ (96,237)**	**$ -**	**$ (10,639)**	**$ (13,660)**	**$ (9,237)**	**$ (7,500)**	**$ (10,639)**	**$ (2,549)**	**$ (94,237)**
Non-Operating Receipts & Disbursements													
Company Counsel	-	-	-	6,000	-	-	-	45,000	-	-	-	4,000	-
Proposed Monitor & Counsel	-	-	-	5,500	-	-	-	75,500	-	-	-	5,500	-
Total Non-Operating Receipts & Disbursements	-	-	-	11,500	-	-	-	120,500	-	-	-	9,500	-
NET CASH FLOWS	**$ (138,237)**	**$ -**	**$ (10,639)**	**$ (25,160)**	**$ (96,237)**	**$ -**	**$ (10,639)**	**$ (134,160)**	**$ (9,237)**	**$ (7,500)**	**$ (10,639)**	**$ (12,049)**	**$ (94,237)**
CASH													
Beginning Balance	$ 761,819	$ 623,582	$ 623,582	$ 612,943	$ 587,783	$ 491,546	$ 491,546	$ 480,907	$ 346,747	$ 337,510	$ 330,010	$ 319,370	$ 307,321
Interim Financing (Draw)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Inflows / (Outflows)	(138,237)	-	(10,639)	(25,160)	(96,237)	-	(10,639)	(134,160)	(9,237)	(7,500)	(10,639)	(12,049)	(94,237)
ENDING CASH	**$ 623,582**	**$ 623,582**	**$ 612,943**	**$ 587,783**	**$ 491,546**	**$ 491,546**	**$ 480,907**	**$ 346,747**	**$ 337,510**	**$ 330,010**	**$ 319,370**	**$ 307,321**	**$ 213,085**
INTERIM FINANCING FACILITY													
Opening	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000
Draw/ (Repayment)	-	-	-	-	-	-	-	-	-	-	-	-	-
ENDING INTERIM FINANCING FACILITY	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**

Byron Levkulich

Mantle Materials Group Ltd.

Byron Levkulich, Director

Mantle Materials Group Ltd.

Second CCAA Cash Flow Statement

Weeks Ending (Friday) *(CAD)*	16-Aug-24 Forecast	23-Aug-24 Forecast	30-Aug-24 Forecast	6-Sep-24 Forecast	13-Sep-24 Forecast	20-Sep-24 Forecast	27-Sep-24 Forecast	4-Oct-24 Forecast	34-Week Forecast
Forecast Week	**Wk 27**	**Wk 28**	**Wk 29**	**Wk 30**	**Wk 31**	**Wk 32**	**Wk 33**	**Wk 34**	**Total**
RECEIPTS									
Operational Receipts	-	-	-	-	-	-	-	-	287,165
DISBURSEMENTS									
Operating Disbursements									
Payroll + Source Deductions	-	9,237	-	9,237	-	9,237	-	-	162,749
Trucking and Fuel	-	-	-	-	-	-	-	-	100
Insurance & Benefits	-	-	-	2,549	-	-	-	2,549	18,952
G&A Expense	-	-	1,402	-	-	-	1,402	-	12,775
EPO Reclamation	-	-	-	5,000	-	-	-	-	346,833
Total Operating Disbursements	-	9,237	1,402	16,786	-	9,237	1,402	2,549	541,409
Net Operating Cash Flow	**$ -**	**$ (9,237)**	**$ (1,402)**	**$ (16,786)**	**$ -**	**$ (9,237)**	**$ (1,402)**	**$ (2,549)**	**$ (254,244)**
Non-Operating Receipts & Disbursements									
Company Counsel	-	-	-	25,000	-	-	-	4,000	1,180,713
Proposed Monitor & Counsel	-	-	-	5,500	-	-	-	65,500	298,108
Total Non-Operating Receipts & Disbursements	-	-	-	30,500	-	-	-	69,500	1,478,821
NET CASH FLOWS	**$ -**	**$ (9,237)**	**$ (1,402)**	**$ (47,286)**	**$ -**	**$ (9,237)**	**$ (1,402)**	**$ (72,049)**	**$ (1,733,065)**
CASH									
Beginning Balance	$ 213,085	$ 213,085	$ 203,848	$ 202,445	$ 155,159	$ 155,159	$ 145,922	$ 144,520	$ 1,805,536
Interim Financing (Draw)	-	-	-	-	-	-	-	-	-
Net Cash Inflows / (Outflows)	-	(9,237)	(1,402)	(47,286)	-	(9,237)	(1,402)	(72,049)	(1,733,065)
ENDING CASH	**$ 213,085**	**$ 203,848**	**$ 202,445**	**$ 155,159**	**$ 155,159**	**$ 145,922**	**$ 144,520**	**$ 72,471**	**$ 72,471**
INTERIM FINANCING FACILITY									
Opening	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ 2,200,000
Draw/ (Repayment)	-	-	-	-	-	-	-	-	-
ENDING INTERIM FINANCING FACILITY	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**	**$ 2,200,000**

Byron Levkulich

Mantle Materials Group Ltd.

Byron Levkulich, Director

Notes:

Management of Mantle Materials Group Ltd. ("Mantle") has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of Mantle during the period of February 10, 2024 to October 4, 2024.
This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in the notes below. Consequently, actual results will likely vary from actual performance and such variances may be material.

[1] Operational receipts relate to the estimated collections from customers for work completed and invoiced after the NOI Filing Date as well as collection of pre-filing customer accounts receivable.
[2] Payroll and source deductions represent payments to employees for wages and vacation pay.
[3] Trucking expenses to deliver sold material. Fuel related to company vehicles and crushing operations.
[4] Insurance & Benefits represent recurring payments based on current run rates and managements expectations for reductions as operations come to an end.
[5] General and administrative expenses are forecasted based on current run rates and includes occupancy expense, third party accounting expenses, and other miscellaneous costs
[6] Internal budget based on pending and/or approved work plans set forth with AEPA.
[7] Professional fees relate to the Company's legal counsel, the Monitor and Monitor's legal counsel. Ffees include the payment of unpaid invoices and unbilled WIP from prior to the Forecast Period as well as fees forecasted to be incurred in future weeks.
[8] The Interim Financing represents advances for interim funding provided by Interim Financing lender during the NOI proceedings and through the CCAA Proceedings.