

COURT FILE NUMBER B201-965622
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT 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 MANTLE
MATERIALS GROUP LTD.

AND

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 FOURTH REPORT OF FTI CONSULTING CANADA
INC., IN ITS CAPACITY AS PROPOSAL TRUSTEE OF
MANTLE MATERIALS GROUP LTD. AND FIRST
REPORT OF FTI CONSULTING CANADA INC., IN ITS
CAPACITY AS PROPOSED MONITOR OF MANTLE
MATERIALS GROUP LTD.

December 11, 2023

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
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**FIRST REPORT OF THE PROPOSED MONITOR
AND FOURTH REPORT OF THE PROPOSAL TRUSTEE**

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INTRODUCTION

1. This report (“**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 July 14, 2023 (the “**NOI Filing Date**”) by Mantle Materials Group Ltd. (“**Mantle**”) pursuant to Section 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 Mantle under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the “**CCAA**”) (the “**CCAA Proceedings**”) to monitor the assets, business, and affairs of Mantle (if appointed, the “**Monitor**”).
2. A copy of the Certificate of Filing in the NOI Proceedings issued by the Office of the Superintendent of Bankruptcy is attached hereto as Appendix A.
3. Mantle is bringing an application (the “**CCAA Application**”) before the Court of the King’s Bench of Alberta (the “**Court**”) seeking certain relief under the CCAA.
4. Mantle is seeking, among other relief, an Order (“**Initial CCAA Order**”) for the continuation of Mantle’s NOI proceedings under the CCAA, and the termination of the NOI Proceedings, subject to the continuation of certain orders pronounced within the NOI Proceedings which shall continue to have effect within the CCAA Proceedings, as described below.
5. On August 15, 2023, the Court granted an Order (the “**August 15 Order**”) which included, 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**”) provided by RLF Canada Lender Limited (“**RLF Lender**”); and
 - c. approval of priority charges in favour of (i) Mantle’s counsel, the Proposal Trustee and the Proposal Trustee’s counsel in the amount of \$425,000, (ii) the Interim Financing Facility and (iii) the directors and officers in the amount of \$150,000 (collectively, the “**BIA Charges**”).
- 6. The August 15 Order was amended pursuant to an order of Justice Feasby pronounced on August 28, 2023 (as amended, the “**Amended Order**”).
- 7. On September 22, 2023, the Court granted an extension to the Stay of Proceedings until and including November 13, 2023.
- 8. On November 8, 2023 the Court granted:
 - 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;
 - b. an order (the “**Sealing Order**”) sealing the Confidential Affidavit of Byron Levkulich, sworn on November 1, 2023, and the Confidential Supplement to the Third Report of the Proposal Trustee, dated November 3, 2023, on the Court file; and
 - c. 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.
9. Mantle is now applying to the Court seeking the Initial CCAA Order which includes, among other things:
 - a. declaring Mantle is a company to which the CCAA applies;
 - b. declaring the continuation of the NOI Proceedings under the CCAA;
 - c. continuing the Amended Order, the Auction Approval Order, and the Sealing Order within the CCAA Proceedings;
 - d. authorizing Mantle to carry on business in a manner consistent with the preservation of its business and property;
 - e. authorizing Mantle to pay the reasonable expenses incurred by it in carrying out its business in the ordinary course, including certain expenses incurred prior to the Initial CCAA Order but after the commencement of the NOI Proceedings;
 - f. appointing FTI to monitor the business and affairs of the Mantle, pursuant to section 11.7 of the CCAA;
 - g. staying all proceedings, rights and remedies against Mantle or its business or property, or the Monitor, except as otherwise set forth in the Initial CCAA Order;
 - h. staying all proceedings, rights and remedies against or in response of RLF Canada Holdings Limited (“**RLF Canada**”) or RLF Canada’s property;

- i. authorizing and directing the Monitor to hold the Net Sale Proceeds (as defined in the Auction Approval Order) received from the Ritchie’s auction;
 - j. authorizing Mantle to pay the reasonable fees and disbursements of the Proposed Monitor and its counsel, and the Mantle’s professional advisors;
 - k. authorizing Mantle to continue with the interim financing provided by RLF Lender in an amount not to exceed \$2.2 million pursuant to the terms of the Interim Financing Facility;
 - l. approving and continuing the following charges over the assets and property of Mantle in the following priority:
 - i. first – a charge in favour of the Monitor, its legal counsel, and Mantle’s legal counsel in respect of their fees and disbursements, to a maximum amount of \$425,000 under section 11.52 of the CCAA (the “**Administrative Charge**”);
 - ii. second – a charge in favour of the RLF Lender to a maximum amount of \$2.2 million securing the Interim Financing Facility pursuant to section 11.2 of the CCAA (the “**Interim Financing Charge**”); and
 - iii. third – a charge in favour of the directors and officers of Mantle, to a maximum amount of \$150,000 pursuant to section 11.51 of the CCAA (the “**D&O Charge**”),

(collectively, the “**CCAA Charges**”).
10. The CCAA Charges are intended to replace and carry over those granted under the Amended Order and are not in addition to same.

11. Electronic copies of all materials filed by Mantle in connection with Mantle’s December 18, 2023 application (“**December 18 Application**”) and other statutory materials are available on the Proposal Trustee's website at: <http://cfcanada.fticonsulting.com/mantle/>.

PURPOSE

12. FTI has reviewed the Court materials filed by Mantle in support of the December 18 Application. The purpose of this Report is for FTI, in its capacity as Proposal Trustee and Proposed Monitor, to provide information and analysis to the Court pertaining to:
 - a. a summary of the activities of the Proposal Trustee since the Proposal Trustee’s report dated November 3, 2023 (the “**Third Proposal Trustee’s Report**”) and an update on the status of various ongoing initiatives being undertaken by Mantle during the NOI Proceedings;
 - b. Mantle’s rationale supporting the continuation of the NOI Proceedings under the CCAA and the Proposed Monitor’s position thereto;
 - c. qualifications of FTI to act as Monitor;
 - d. a summary of the actual cashflow for the period of October 28 to December 1, 2023 compared to the cash flow forecast filed in the NOI Proceedings with the Court on November 3, 2023 (the “**Fifth Cash Flow Statement**”);
 - e. Mantle's initial CCAA cash flow statement (the "**Initial CCAA Cash Flow Statement**") for the period commencing on December 2, 2023 and ending March 1, 2024; and
 - f. the Proposed Monitor’s recommendation in respect of the Mantle’s request for the Initial CCAA Order.

TERMS OF REFERENCE

13. In preparing the Report, the Proposal Trustee and the Proposed 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**").

14. Except as described in this Report:
 - a. the Proposed Monitor and the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*;

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

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

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

ACTIVITIES OF THE PROPOSAL TRUSTEE

16. Since the date of the Third Proposal Trustee's Report, the Proposal Trustee has, among other things:

- a. reviewed Mantle’s receipts and disbursements and monitored Mantle’s performance relative to its cash flow forecast;
- b. reviewed forecast inventory sales subsequent to the NOI Filing Date, to determine if they were economically viable and likely to be of net benefit to the estate;
- c. responded to inquiries from stakeholders, suppliers and creditors who contacted the Proposal Trustee and in connection with Mantle’s CCAA Application;
- d. assisted Mantle in the developing and monitoring of the sales and solicitation process (the “SSP”) which has been undertaken by Mantle to market and sell certain of its assets including certain active aggregate pits (the “**Active Pits**”) and its shareholdings in Atlas (the “**Atlas Shares**”). Further, FTI has assisted Mantle and reviewing bids submitted in the SSP for the Active Pits; and
- e. assisted Mantle in developing the Initial CCAA Cash Flow Forecast.

STATUS OF THE ESTATE

17. Mantle operates and holds interests in aggregate and gravel pits in Central Alberta (“**Aggregate Pits**”) and through the NOI Proceedings has continued the sale of gravel, sand and other aggregates from its existing inventory located in the Active Pits. During the NOI Proceedings, Mantle has been successful in completing the sale of inventory for contracts that existed prior to the NOI Filing Date as well as entering into additional contracts to generate further inventory sales within the NOI Proceedings. Mantle’s operational focus has been to sell as much of its produced inventory as possible to maximize cash receipts as it works to satisfy the environmental reclamation obligations (“**Environmental Obligations**”) related to the Aggregate Pits.

18. Mantle’s sale and transportation of inventory to customers has continued through the end of November and Mantle expects to complete its final inventory sales out of the Active Pits prior to the end of 2023.

STATUS OF THE ENVIRONMENTAL OBLIGATIONS

19. Mantle has continued with its objective of satisfying the Environmental Obligations. The reclamation process is completed in two stages: (i) initial reclamation work which includes dewatering, earth moving, seeding and various other work to return the pit to its original state (the “**Initial Reclamation**”); and (ii) monitoring work to ensure the site maintains its reclamation state and specifically includes monitoring plant growth and for potential erosion issues (the “**Monitoring**”). The majority of the reclamation costs are incurred in the Initial Reclamation stage.
20. Prior to the NOI Filing Date, Alberta Environment and Protected Areas (the “**AEPA**”) issued ten environmental protection orders (the “**Original EPOs**”) for certain of Mantle’s gravel and aggregate pits which were no longer active (the “**Inactive Pits**”). Of the ten pits subject to the Original EPOs, one EPO was closed on April 23, 2023, the registration for another pit was transferred to a third party following its sale and eight of the Inactive Pits have outstanding Original EPOs.
21. Subsequent to the NOI Filing Date, the AEPA has issued seven new EPOs (the “**New EPOs**”). Two of the New EPOs were issued on September 21, 2023 and five of the New EPOs were issued on October 18, 2023. All of the New EPOs relate to Active Pits which are being actively marketed in the SSP. FTI has been made aware that Mantle has filed appeals for all of the New EPOs.
22. Mantle has stopped its reclamation work for the 2023 season due to the winter freeze. During its work in 2023, Mantle states that it completed the Initial Reclamation for six of the eight Inactive Pits which remain subject to the Original EPOs and are still licensed to Mantle. Mantle expects to complete the Initial Reclamation for last two Inactive Pits in

2024 and thereafter will only have Monitoring work remaining to satisfy all of the Original EPOs.

23. FTI is aware the AEPA has issued reports noting that Mantle is deficient in its obligations under certain of the EPOs and that Mantle disagrees with the AEPA's views on the status of certain reclamation work. Some issues with a portion of the ongoing reclamation work. FTI understand Mantle and AEPA are currently in discussions and working through these discrepancies.
24. Mantle has not commenced any reclamation work relating to the New EPOs as these EPO's were issued in respect of Active Pits which are included in the SSP. Mantle is working on selling these pits and their licenses subject to AEPA approval, which would transfer the Environmental Obligation to the new owner.

MARKETING OF MANTLE'S ASSETS

ACTIVE PITS

25. On September 20, 2023, Mantle launched the SSP to market and sell the Active Pits. Mantle is running the SSP itself, with the Proposal Trustee acting as a third party to oversee the process and ensure transparency.
26. To date, the SSP has included the following:
 - a. a teaser sent to various potentially parties and posted on the Proposal Trustee's website;
 - b. Mantle setting up a virtual data room for interested parties to view confidential information following the execution of a non-disclosure agreement;
 - c. Mantle making its management available to interested parties for meetings and to provide site tours; and

- d. a bid deadline of October 25, 2023 (the “**Bid Deadline**”).
27. At the Bid Deadline, Mantle received various offers (the “**Offers**”) to purchase all of the Active Pits.
28. Mantle, in consultation with the Proposal Trustee, determined the combination of offer(s) which would result in the sale of all of the Active Pits and highest and best benefit to creditors and stakeholders. Mantle has since entered into negotiation with the interested parties to formalize the Offers into unconditional purchase agreements. Once these negotiations are sufficiently progressed, Mantle intends to consult with the AEPA with the goal of entering into binding purchase agreement(s) acceptable to Mantle and the AEPA.
29. Should FTI be appointed Monitor, it intends to provide the Court with a full summary of the SSP in a future report when offers have been formalized and when Mantle seeks the approval of transaction(s) which result from the SSP.

EQUIPMENT AUCTION

30. The Equipment consists of certain of Mantle’s owned equipment, the majority of which relates to crushing operations, and which is no longer necessary for Mantle’s current operational focus of selling produced inventory. The majority of the Equipment was purchased pursuant to a secured loan dated October 8, 2021, as amended October 15, 2022, (the “**Travelers Loan Agreement**”) between Mantle and Travelers Capital Corp (“**Travelers**”). The majority of the Equipment, which was purchased with the funds advanced under the Travelers Loan Agreement, is subject to a security interest in favour of Travelers.
31. Details concerning the process leading to the Auction Agreement and the Auction Approval Order are set out in the Third Report of the Proposal Trustee and the Confidential Supplemental to the Third Report of the Proposal Trustee.

32. Mantle has since executed the Auction Agreement, the Auction Approval Order was granted, and the Equipment is scheduled to be sold by way of public auction from Ritchie's Nisku, AB yard on or around December 13, 2023.

ATLAS AGGREGATES

33. 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.
34. As part of its efforts to realize on its assets, Mantle intends to market the Atlas Shares.
35. Subsequent to the granting of and in accordance with the Stay Extension Order, Atlas has provided the Proposal Trustee with the Shareholder Information. Mantle, in consultation with the Proposal Trustee, is in the process of preparing marketing materials relating to the Atlas Shares.
36. On or around December 4, 2023, FTI sent a teaser to all Atlas shareholders listed in the Shareholder Information as well as any other potentially interested parties to solicit interest in the Atlas Shares.
37. Should FTI be appointed Monitor, as Monitor, it will provide a more fulsome update on the marketing process undertaken by Mantle in respect of the Atlas Shares once completed and when Mantle seeks the Court's approval for the sale of the Atlas Shares.

CONTINUATION OF THE NOI PROCEEDINGS UNDER THE CCAA

38. Mantle is seeking an order to continue the NOI Proceedings under the CCAA, which includes having the BIA Charges recognized and carried over in the CCAA Proceedings.

39. The Proposal Trustee notes the following when considering the proposed conversion of the NOI Proceedings:
- a. in recent insolvency decisions the Court has determined that Environmental Obligations need to be addressed before proceeds can be distributed to creditors. Accordingly, the NOI Proceedings have been heavily focused on addressing Mantle's Environmental Obligations as the main priority. Mantle, with the assistance from the Proposal Trustee, has attempted to address the Environmental Obligations in two ways:
 - i. completing reclamation work on Inactive Pits, including for which the AEPA has issued EPOs. It was determined that the Inactive Pits had no sales value and therefore the only way to satisfy the Environmental Obligation was to complete the required reclamation work; and
 - ii. attempting to market and sell the Active Pits, it was determined that the Active Pits are marketable and accordingly by selling the Active Pits, Mantle could satisfy its Environmental Obligations by transferring the obligations to a new owner (subject to approval from AEPA);
 - b. in the Proposal Trustee's view, Mantle has made positive progress towards addressing the Environmental Obligations:
 - i. approximately \$1.2 million has been spent during the NOI Proceedings on reclamation work for Inactive Pits. The Proposal Trustee understands that the majority of the Initial Reclamation work has been completed on the Inactive Pits, however, the monitoring work will be required and there will be a 2-year assessment period to ensure the reclamation work has been completed to the satisfaction of the AEPA; and

- ii. Mantle worked in consultation with the Proposal Trustee to market the Active Pits. These efforts resulted in Mantle receiving various letters of intent from interested parties expressing interest in purchasing the Active Pits. The parties are currently working to negotiate definitive purchase agreement(s). If successfully completed and approved by the AEPA these sales would result in Mantle satisfying approximately \$1.9 million of its Environmental Obligations by transferring the licenses to new owners able to continue operating the Active Pits and assuming the corresponding Environmental Obligations associated with same.
- c. Mantle requires additional time to complete reclamation work on Inactive Pits and advance ongoing efforts to sell the Active Pits. This work cannot be completed within the time constraints of the NOI Proceedings. By continuing the NOI Proceedings in the CCAA, Mantle will have the additional time necessary to advance these efforts, which if successful, would have a material impact on its ability to satisfy the Environmental Obligations in an efficient manner. If the NOI Proceedings are not converted to the CCAA Proceedings, Mantle will be deemed bankrupt on December 20, 2023 or, subject to any further extensions of the period within which Mantle may file a proposal, January 13, 2023, as this is the maximum allowable date the NOI Proceedings could be extended to. There are currently no prospects of a proposal being filed by that date.
- d. At this time, it is unlikely that a Trustee in Bankruptcy would take possession of the Aggregate Pits and carry on with the reclamation efforts absent specific and further funding and concessions from creditors and the AEPA.
- e. Mantle's efforts to collect accounts receivable from aggregate sales have continued throughout the NOI Proceedings. The ability to continue to sell aggregate throughout the proceedings has assisted to provide the cash flow necessary to carry on with reclamation work and administer the NOI Proceedings. Mantle is best

suiting to collect the remaining accounts receivable in an efficient manner, benefiting the estate and enhancing potential recoveries to creditors.

40. In the Proposal Trustee's view, the continuation of the NOI Proceedings under the CCAA is appropriate for the following reasons:
 - a. Mantle has acted and continues to act in good faith and with due diligence, evidenced by its continued efforts to address the Environmental Obligations, its ability to continue to sell inventory, providing necessary cash flow to fund the CCAA Proceedings,
 - b. the continuation will allow the Court-approved Auction Agreement and the sale of the Atlas Shares to proceed; and
 - c. no creditor will be materially prejudiced by the requested continuation as the Environmental Obligations must be addressed prior to any proceeds being distributed to creditors. Continuing the NOI Proceedings under the CCAA is the most efficient way available to address the Environmental Obligations.
41. As outlined in the cash flow section below, Mantle has sufficient liquidity to continue its restructuring under the CCAA.
42. No proposal within the meaning of the BIA has been filed by Mantle under Division I of Part III of the BIA, therefore the taking up and conversion of the NOI Proceedings under the CCAA is not precluded under section 11.6 of the CCAA.
43. Mantle is a company to which the CCAA applies, is insolvent and has creditor claims against it in excess of \$5 million.
44. Based on current estimated realizable value and current cash flow forecasts, the Proposal Trustee does not expect there to be any proceeds available for distribution to unsecured

creditors or to fund a plan of compromise. In the Proposal Trustee's estimation, if the Active Pits can be successfully sold, the remaining proceeds available for distribution after satisfying the Environmental Obligations associated with the Inactive Pits may be sufficient to repay the Interim Financing Facility with a residual recovery for secured creditors. The Proposal Trustee is of the view that the most efficient manner currently available to discharge the Environmental Obligation and sell the Active Pits is through the continuation of the NOI Proceedings under the CCAA. Therefore, continuing Mantle's restructuring under the CCAA benefits the public's interest and the mandate of the AEPA, first by ensuring Environmental Obligations are satisfied, and secondly, maximizing the value of Mantle's estate for the benefit of certain other stakeholders, including RLF Lender, secured creditors and Mantle's directors.

45. To the extent there are proceeds available for distribution to secured creditors, an administration and cost allocation process may be necessary; particularly if distributions are sought to be made prior to the completion of the Monitoring period. However, at this time, without clarity as to the ultimate proceeds to be derived from Equipment and Inventory sales and the treatment of the Active Pits and corresponding Environmental Obligations, the details concerning such process and cost allocation cannot be finalized.
46. It is appropriate to carry the BIA Charges over to the CCAA as the beneficiaries of the BIA Charges are critical to the ongoing reclamation and restructuring efforts.

FTI'S QUALIFICATIONS TO ACT AS MONITOR

47. FTI is a licensed trustee within the meaning of section 2 of the BIA and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. FTI is not, and has never been:
 - a. a director, officer or employee of the Mantle;
 - b. related to Mantle or to any director or officer of the Mantle;

- c. the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of Mantle;
 - d. the trustee under a trust indenture issued by Mantle or, to the best of its knowledge, any person related to Mantle, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the Civil Code of Quebec that is granted by Mantle or, to the best of its knowledge, any person related to the Mantle;
or
 - e. to the best of its knowledge, related to the trustee, or the holder of a power of attorney, referred to above.
48. FTI is currently the Proposal Trustee of Mantle in the NOI Proceedings and as such is familiar with the business and operations Mantle, its personnel, and the key issues and stakeholders in the proposed CCAA Proceedings.
49. FTI has consented to act as the Monitor in these proceedings should the Court grant the Initial CCAA Order. A copy of FTI's Consent to Act attached hereto as Appendix B.
50. The Proposed Monitor has retained McCarthy Tétrault LLP ("**McCarthy**") to act as its proposed independent legal counsel in the CCAA proceedings. McCarthy currently acts as the independent legal counsel of the Proposal Trustee in the NOI Proceedings.

CASH FLOW STATEMENT

VARIANCE ANALYSIS

51. Mantle, in consultation with the Proposal Trustee, prepared the Fifth Cash Flow Statement which was filed as Appendix A to the Third Report.

52. Mantle’s actual cash flows in comparison to those contained in the Fifth Cash Flow Statement forecast for the period of October 28 to December 1, 2023 are summarized below:

5 Week Period Ending Dec 1, 2023			
<i>(CAD\$)</i>	Actual	Forecast	Variance
RECEIPTS			
Operating Receipts	\$ 2,750,476	\$ 2,379,993	\$ 370,483
DISBURSEMENTS			
<i>Operating Disbursements</i>			
Payroll + Source Deductions	129,628	130,922	(1,293)
Royalties	41,255	60,012	(18,757)
Trucking and Fuel	718,821	487,917	230,905
Repair & Maintenance	-	4,000	(4,000)
Equipment Lease Payments	22,090	35,380	(13,290)
Insurance & Benefits	16,249	24,620	(8,371)
G&A Expense	47,478	42,814	4,664
EPO Reclamation	483,327	435,104	48,222
Emergency Payments	-	-	-
<i>Total Operating Disbursements</i>	<u>1,458,849</u>	<u>1,220,768</u>	<u>238,080</u>
Net Operating Cash Flow	\$ 1,291,628	\$ 1,159,225	\$ 132,403
<i>Non-Operating Receipts & Disbursements</i>			
<i>Professional Fees</i>	<u>264,232</u>	<u>442,738</u>	<u>(178,507)</u>
<i>Total Non-Operating Receipts & Disbursements</i>	<u>264,232</u>	<u>442,738</u>	<u>(178,507)</u>
NET CASH FLOWS	\$ 1,027,396	\$ 716,486	\$ 310,910
CASH			
Beginning Balance	342,348	342,348	-
<i>Interim Financing (Draw)</i>	396,300	396,300	-
Net Cash Inflows / (Outflows)	1,027,396	716,486	310,910
ENDING CASH	\$ 1,766,043	\$ 1,455,134	\$ 310,910
INTERIM FINANCING FACILITY			
Opening	1,803,700	1,803,700	-
Draw/ (Repayment)	396,300	396,300	-
ENDING INTERIM FINANCING FACILITY	\$ 2,200,000	\$ 2,200,000	\$ -

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

- a. the favourable variance in receipts of approximately \$370,000 relates to Mantle collecting receipts quicker than was forecast;
 - b. the unfavourable variance of approximately \$238,000 in disbursements is primarily comprised of:
 - i. unfavourable variance of approximately \$211,000 relating to employee expenses, royalties and trucking and fuel relating to additional sales which were not contemplated in the forecast;
 - ii. favourable variance of approximately \$21,000 relating to repair & maintenance, equipment lease payments, insurance and benefits and G&A expenses which are lower than forecast due to the natural curtailing of operations surrounding winter freeze and the general wind-down of the business;
 - iii. unfavourable variance of approximately \$48,000 for EPO reclamation work relates to the release of funds which were being held in escrow as security for the services to be provided by Mantle's reclamation vendor. Mantle expects the escrow amount of \$50,000 to be released in the coming weeks which will reverse this variance; and
 - iv. the favorable variance of approximately \$179,000 for professional fees which relates to the timing of payment of invoices which were forecast to be paid in the subsequent weeks of the Fifth Cash Flow Statement.
54. As at December 1, 2023, the Interim Financing Facility has been fully drawn to \$2.2 million and Mantle is holding approximately \$1.8 million in cash on hand.

CCAA CASH FLOW STATEMENT

55. Management has prepared the Initial CCAA Cash Flow Statement to set out Mantle’s liquidity requirements for the 13-week period ending March 1, 2024 (the “**Forecast Period**”). A copy of the CCAA Cash Flow Statement is attached as Appendix C.
56. The CCAA Cash Flow Statement is summarized as follows:

Weeks Ending (Friday) (CAD)	13-Week Forecast
Forecast Week	Total
RECEIPTS	
Operational Receipts	1,515,601
DISBURSEMENTS	
<i>Operating Disbursements</i>	
Payroll + Source Deductions	153,425
Royalties	456,471
Trucking and Fuel	59,537
Repair & Maintenance	12,093
Equipment Lease Payments	47,746
Insurance & Benefits	22,192
G&A Expense	44,548
EPO Reclamation	(42,600)
<i>Total Operating Disbursements</i>	753,413
Net Operating Cash Flow	\$ 762,188
<i>Non-Operating Receipts & Disbursements</i>	
Company Counsel	673,118
Proposed Monitor & Counsel	374,388
<i>Total Non-Operating Receipts & Disbursements</i>	1,047,506
NET CASH FLOWS	\$ (285,317)
CASH	
Beginning Balance	\$ 1,766,043
Interim Financing (Draw)	-
Net Cash Inflows / (Outflows)	(285,317)
ENDING CASH	\$ 1,480,726
INTERIM FINANCING FACILITY	
Opening	\$ 2,200,000
Draw/ (Repayment)	-
ENDING INTERIM FINANCING FACILITY	\$ 2,200,000

57. The Initial CCAA Cash Flow Statement projects Mantle will have negative net cash flow of approximately \$285,000 over the Forecast Period, including:
- a. total receipts of approximately \$1.5 million, primarily relating to the collection of receipts generated from the sale of inventory prior to and during the Forecast Period;
 - b. employee expenses of approximately \$153,000;
 - c. expenses relating to royalties and trucking and fuel of approximately \$516,000; and
 - d. miscellaneous operating disbursements of approximately \$127,000, primarily relating to equipment lease payments, insurance and benefits and G&A expenses;
 - e. return of \$50,000 held in trust by the Company's counsel relating to EPO Reclamation work and miscellaneous invoices for completed but unpaid EPO Reclamation;
 - f. professional fees for the Company's counsel of approximately \$673,000 and for the Proposed Monitor and its counsel of approximately \$374,000; and
 - g. the interim financing which was previously granted will remain fully drawn at \$2.2 million for the Forecast Period.
58. The Initial CCAA Cash Flow projects Mantle will end the Forecast Period with approximately \$1.5 million in cash on hand.
59. The Initial CCAA Cash Flow Statement contemplates the following:
- a. Mantle's collection of accounts receivables from sales of Mantle's current inventory during the NOI Proceedings and through the Forecast Period;

- b. expenses relating to the sale of and transportation of Mantle’s inventory, including employee, royalty, trucking and fuel and miscellaneous G&A expenses;
 - c. Mantle has completed the reclamation work for the 2023 operating season, halting work due to the winter freeze, however the Initial CCAA Cash Flow projects the payment of invoices relating to work completed in the prior period and the return of funds held in trust by the Company’s counsel. Mantle expects to restart reclamation work in spring 2024, which is outside the current Forecast Period. Mantle has advised the Proposed Monitor that reclamation work will be required in 2024 and beyond;
 - d. professional fees for the Proposed Monitor, Proposed 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 Mantles Counsel is approximately \$500,000 and \$173,000, respectively. The split between accrued expenses and forecasted expense for the Proposed Monitor and its counsel is approximately \$92,000 and \$283,000, respectively; and
 - e. the CCAA Cash Flow Forecast only includes operating cash does not contemplate the Net Sale Proceeds (as defined in the Auction Approval Order) or any proceeds resulting the sale of the Active Pits. The disclosure of these amounts may have a negative impact on the currently on-going SSP.
60. The Initial CCAA Cash Flow Statement has been prepared by Mantle using probable and hypothetical assumptions set out in the notes to the Initial CCAA Cash Flow Statement.
61. The Proposed Monitor’s review of the Initial 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

Proposed Monitor's procedures were limited to evaluating whether they were consistent with the purpose of the Initial CCAA Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances.

62. 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:
 - 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 Initial CCAA Cash Flow Statement.

CONCLUSIONS AND RECOMMENDATIONS

63. The Proposed Monitor respectfully recommends the continuation of the NOI Proceedings under the CCAA as contemplated in the Initial CCAA Order.

All of which is respectfully submitted this 11th day of December 2023.

FTI Consulting Canada Inc., in its capacity as
the Proposed 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



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-2965622
Estate No. 25-2965622

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

Mantle Materials Group, Ltd.

Insolvent Person

FTI CONSULTING CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

July 14, 2023

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

-- AMENDED --

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

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

Date: July 17, 2023, 10:38

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada

Appendix B

Clerk's Stamp

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

APPLICANT MANTLE MATERIALS GROUP, LTD.

DOCUMENT **CONSENT TO ACT AS MONITOR**

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT
McCarthy Tétrault LLP
4000, 421 – 7th Avenue SW
Calgary, AB T2P 4K9
Attention: Sean Collins / Pantelis Kyriakakis
Phone: 403-260-3531 / 3536
Fax: 403-260-3501
Email: scollins@mccarthy.ca / pkyriakakis@mccarthy.ca

TAKE NOTICE THAT, FTI Consulting Canada Inc. hereby consents to act as court-appointed monitor in the within proceedings of Mantle Materials Group, Ltd., if so appointed by this Honourable Court.

DATED at the City of Calgary, in the Province of Alberta, this 27th day of November, 2023.

FTI CONSULTING CANADA INC.

Per:


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

Appendix C

Weeks Ending (Friday) (CAD)	8-Dec-23 Forecast	15-Dec-23 Forecast	22-Dec-23 Forecast	29-Dec-23 Forecast	5-Jan-24 Forecast	12-Jan-24 Forecast	19-Jan-24 Forecast	26-Jan-24 Forecast	2-Feb-24 Forecast	9-Feb-24 Forecast	16-Feb-24 Forecast	23-Feb-24 Forecast	1-Mar-24 Forecast	13-Week 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	Total
RECEIPTS														
Operational Receipts	82,468	215,251	122,590	-	141,737	476,972	111,340	62,137	303,106	-	-	-	-	1,515,601
DISBURSEMENTS														
<i>Operating Disbursements</i>														
Payroll + Source Deductions	[3] 36,124	38,126	-	19,051	-	19,051	-	19,051	-	11,012	-	11,012	-	153,425
Royalties	[4] 107,085	137,368	-	212,019	-	-	-	-	-	-	-	-	-	456,471
Trucking and Fuel	[5] 6,385	46,973	780	780	780	780	780	780	300	300	300	300	300	59,537
Repair & Maintenance	[6] -	-	-	-	9,286	2,807	-	-	-	-	-	-	-	12,093
Equipment Lease Payments	[7] -	6,854	20,407	-	3,780	16,704	-	-	-	-	-	-	-	47,746
Insurance & Benefits	[8] 5,651	408	-	408	6,698	408	-	408	3,698	408	-	408	3,698	22,192
G&A Expense	[9] 1,732	17,605	1,000	11,588	1,000	1,618	1,000	2,503	1,000	1,000	1,000	2,503	1,000	44,548
EPO Reclamation	[10] 7,400	-	-	(50,000)	-	-	-	-	-	-	-	-	-	(42,600)
<i>Total Operating Disbursements</i>	164,376	247,334	22,187	193,845	21,544	41,367	1,780	22,741	4,998	12,720	1,300	14,222	4,998	753,413
Net Operating Cash Flow	\$ (81,908)	\$ (32,082)	\$ 100,403	\$ (193,845)	\$ 120,192	\$ 435,605	\$ 109,560	\$ 39,396	\$ 298,107	\$ (12,720)	\$ (1,300)	\$ (14,222)	\$ (4,998)	\$ 762,188
<i>Non-Operating Receipts & Disbursements</i>														
Company Counsel	[11] -	-	-	530,227	-	-	-	93,507	-	-	-	-	49,384	673,118
Proposed Monitor & Counsel	[11] 91,888	-	-	161,250	-	-	-	-	35,000	-	-	-	86,250	374,388
<i>Total Non-Operating Receipts & Disbursements</i>	91,888	-	-	530,227	161,250	-	-	93,507	35,000	-	-	-	135,634	1,047,506
NET CASH FLOWS	\$ (173,796)	\$ (32,082)	\$ 100,403	\$ (724,072)	\$ (41,058)	\$ 435,605	\$ 109,560	\$ (54,111)	\$ 263,107	\$ (12,720)	\$ (1,300)	\$ (14,222)	\$ (140,632)	\$ (285,317)
CASH														
Beginning Balance	\$ 1,766,043	\$ 1,592,248	\$ 1,560,165	\$ 1,660,569	\$ 936,496	\$ 895,438	\$ 1,331,044	\$ 1,440,604	\$ 1,386,493	\$ 1,649,600	\$ 1,636,881	\$ 1,635,581	\$ 1,621,358	\$ 1,766,043
Interim Financing (Draw)	[12] -	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Inflows / (Outflows)	(173,796)	(32,082)	100,403	(724,072)	(41,058)	435,605	109,560	(54,111)	263,107	(12,720)	(1,300)	(14,222)	(140,632)	(285,317)
ENDING CASH	\$ 1,592,248	\$ 1,560,165	\$ 1,660,569	\$ 936,496	\$ 895,438	\$ 1,331,044	\$ 1,440,604	\$ 1,386,493	\$ 1,649,600	\$ 1,636,881	\$ 1,635,581	\$ 1,621,358	\$ 1,480,726	\$ 1,480,726
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	\$ 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	\$ 2,200,000



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 December 2, 2023 to March 1, 2024. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-12. Consequently, actual results will likely vary from actual performance and such variances may be material.

- [1] Post-filing amounts are estimated collections from customers for work completed and invoiced after the NOI Filing Date.
- [2] Collection of pre-filing customer accounts receivable.
- [3] Payroll and source deductions represent payments to employees for wages and vacation pay.
- [4] Royalties represent private and public land aggregate royalty payments and land rental costs.
- [5] Trucking expenses to deliver sold material. Fuel related to company vehicles and crushing operations.
- [6] R&M related to historical run rates for costs relating to crushing equipment and loader necessary to complete the permitted sales contracts.
- [7] Forecasted based on invoices currently being processed and expected requirements to complete on-going contracts.
- [8] Insurance & Benefits represent recurring payments based on current run rates and managements expectations for reductions as operations come to an end.
- [9] General and administrative expenses are forecasted based on current run rates and includes occupancy expense, third party accounting expenses, and other miscellaneous costs
- [10] Internal budget based on pending and/or approved work plans set forth with AEP.A.
- [11] Professional fees relate to the Company's legal counsel, the Proposed Monitor and Proposed Monitor's legal counsel. Fees in Weeks 1-5 are payment of unpaid invoices and unbilled WIP. Amounts in Weeks 6-14 are fees forecasted to be incurred.
- [12] The Interim Financing represents advances for interim funding provided by Interim Financing lender during the NOI proceedings and through the CCAA Proceedings.



Bonnyville Operations
PO Box 6977, 61329 Range Road 455,
Bonnyville, AB, T9N 2H4

(780) 826-1774 (Phone)
(780) 826-6280 (Fax)

info@mantlegroup.ca

www.mantlegroup.ca

December 7, 2023

FTI Consulting Canada Inc.

Suite 1610, 520 Fifth Avenue S.W.

Calgary, AB

T2P 3R7

Attention: Dustin Olver, CA•CIRP

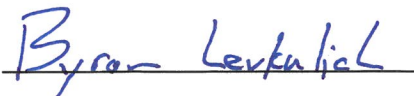
Dear Sir:

**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 Mantle Materials Group, Ltd. for the commencement of proceedings under the CCAA in respect of Mantle Materials Group, Ltd. ("**Mantle**"), the management of Mantle ("**Management**") has prepared the attached Cash Flow Statement and the assumptions on which the Cash Flow Statement is based.

Management confirms that:

1. The Cash-Flow Statement and the underlying assumptions are the responsibility of the Mantle;
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.



Byron Levkulich

Director

