

COURT FILE NUMBER

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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.

DOCUMENT

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

**August 4, 2023**

ADDRESS FOR SERVICE AND  
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# FIRST REPORT OF THE PROPOSAL TRUSTEE

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## INTRODUCTION

1. On July 14, 2023 (the "**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**"). Attached as Appendix "A" hereto is the Certificate of Filing of a Notice of Intention to Make a Proposal issued by the Office of the Superintendent of Bankruptcy.
2. FTI Consulting Canada Inc. ("**FTI**") consented to act as proposal trustee (the "**Proposal Trustee**") in the NOI proceedings of Mantle (the "**Proposal Proceedings**").
3. This first report of the Proposal Trustee (the "**First Report**") is being delivered in connection with the Company's application currently scheduled to be heard on August 8, 2023 (the "**August 8 Application**"), seeking an Order from the Court of King's Bench of Alberta (the "**Court**"), among other things:
  - a. extending the stay of proceedings for Mantle to September 27, 2023 (the "**Stay Period**");
  - b. approving a secured, non-revolving, interim financing facility in the maximum principal amount of \$1,400,000 (the "**Interim Financing Facility**"), provided under a letter loan agreement, dated August 1, 2023 (the "**Interim Financing Agreement**") between RLF Canada Lender Limited (the "**Interim Lender**") and Mantle;
  - c. authorizing and approving the following charges ranking ahead of any and all charges, security interests, liens trusts, deemed trusts and encumbrances against all present and after acquired property of Mantle (the "**Property**"):
    - i. in favour of the Company's counsel Gowling WLG (Canada) LLP ("**Gowling**"), the Proposal Trustee and the Proposal Trustee's counsel

McCarthy Tetrault LLP (collectively, the “**Administrative Professionals**”) in the amount of \$425,000 (the “**Administrative Charge**”);

ii. in favour of the Interim Financing Facility in the amount of \$1.4 million under the Interim Financing Agreement between RLF Lender Limited and Mantle (the “**Interim Lender’s Charge**”); and

iii. in favour of the directors and officers of Mantle (the “**Directors**”) in the amount of \$150,000 (the “**D&O Charge**” and collectively with the Administrative Charge and the Interim Financing Facility, the “**BIA Charges**”);

d. authorizing the Company to make certain payments relating to amounts which arose prior to the Filing Date (the “**Emergency Payments**”), with approval from the Proposal Trustee and to the extent any Emergency Payments were funded by advances between the Filing Date and August 8, 2023, to repay such advances from any amounts received by Mantle after the Filing Date; and

e. requiring any Persons that have collected, realized, seized or taken possession of any money or other Property following the Filing Date without the consent of the Proposal Trustee or the leave of this Honourable Court to promptly deliver or surrender to Mantle such money or other property.

4. Electronic copies of all materials filed by the Company in connection with the August 8 Application and other statutory materials are available on the Proposal Trustee's website at: <http://cfcanada.fticonsulting.com/mantle/>.

## PURPOSE

5. FTI, in its capacity as Proposal Trustee, has reviewed the Court materials filed by the Company in support of the August 8 Application. The purpose of this First Report is to provide information and analysis to this Honourable Court pertaining to:
  - a. the Company, the circumstances surrounding the commencement of these Proposal Proceedings and the main objectives of these Proposal Proceedings;
  - b. the Company's operations, assets and creditors;
  - c. the status of the these Proposal Proceedings;
  - d. a summary of the actual cashflow since the Filing Date to July 28, 2023, compared to the cash flow forecast filed with the Office of the Superintendent of Bankruptcy at the commencement of these Proposal Proceedings (the "**Cash Flow Statement**");
  - e. the Company's revised cash flow statement (the "**Second Cash Flow Statement**") for the period commencing on July 29, 2023 ending October 20, 2023;
  - f. the Company's requested relief including:
    - i. an extension to the Stay Period;
    - ii. approving the proposed BIA Charges; and
  - g. the Proposal Trustee's conclusions and recommendations.

## TERMS OF REFERENCE

6. In preparing this First Report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").
  
7. Except as described in this First Report:
  - a. the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*;
  
  - b. the Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the *Chartered Professional Accountants of Canada Handbook*; and
  
  - c. future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
  
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## OBJECTIVES

9. The Company's primary objectives in these Proposal Proceedings is to:

- a. ensure the Company has the necessary stability to maintain operations while it seeks to complete contracts for sale of inventory, continue collection of accounts receivables and complete reclamation work (the “**Reclamation Project**”) in order to fulfill and properly address various environmental reclamation obligations (the “**Environmental Reclamation Obligations**”) on inactive aggregate/gravel pits pursuant to environmental protection orders issued (“**Reclamation Orders**”) by Alberta Environment and Parks (the “**AEP**”); and
  - b. preserve and enhance the value of Mantle’s business and Property to develop and complete, in coordination with Mantle’s secured creditors and the Proposal Trustee, a plan for a controlled liquidation of the remaining Property in a manner that is commercially reasonable and is beneficial to its stakeholders and reasonable in the circumstances.
10. The Company intends to move through these Proposal Proceedings with the goal of satisfying the Environmental Reclamation Obligations in a manner acceptable to the AEP.

## **BACKGROUND**

11. Detailed information with respect to the Company's business, operations and causes of financial difficulty are outlined in the Affidavit of Byron Levkulich filed on August 2, 2023 (the "**Levkulich Affidavit**"). The information contained in this First Report provides a summary of the Company's business and affairs.
12. Mantle is a wholly owned subsidiary of RLF Canada Holdings Limited ("**RLF Canada**"), a Colorado corporation, which in turn is a wholly owned subsidiary of Resource Land Fund V, LP ("**RLF LP**"), a Delaware limited partnership, which is a fund managed by Resource Land Holdings, LLC ("**RLH LLC**"),.

13. The Company operates and holds interests in aggregate and gravel pits (the "**Aggregate Pits**") in Central Alberta. The Company has two office locations, a head office located in Edmonton, AB and a field office yard and shop in Bonnyville, AB.
14. Mantle in its current state was formed through an amalgamation between Mantle, originally incorporated in British Columbia on July 17, 2020, and JMB Crushing Systems Inc. ("**JMB**") and its wholly owned subsidiary 2161889 Alberta Ltd ("**216**", and together with JMB, "**JMB/216**").
15. On May 1, 2020, JMB/216 applied for and obtained protection under the Companies' Creditors Arrangement Act, RSC 1985, c C-36, as amended (the "**CCAA**") pursuant to an initial order pronounced by the Honourable Madam Justice Eidsvik (the "**CCAA Proceedings**"), and FTI was appointed as their monitor (in such capacity, the "**Monitor**").
16. The amalgamation of Mantle and JMB/216 was completed as part of a reorganization transaction whereby JMB/216 emerged from the CCAA Proceedings (the "**Reorganization Transaction**"). The Reorganization Transaction was completed on May 1, 2021.
17. Mantle inherited significant legacy environmental reclamation obligations from JMB/216 associated with aggregate and gravel pits which were operated by JMB/216 (the "**JMB/216 Pits**") prior to the CCAA Proceedings and the Reorganization Transaction.
18. During the CCAA Proceedings, the AEP issued environmental protection orders requiring JMB/216 to address the Environmental Reclamation Liabilities associated with the JMB/216 Pits.
19. Mantle's operations were a continuation of that of JMB/216's and as a part of the Reorganization Transaction, Mantle assumed certain of JMB/216's secured indebtedness.

## HISTORICAL FINANCIAL AND OPERATING RESULTS

20. The Proposal Trustee has reviewed the Company's draft unaudited financial statements for the six months ending June 30, 2023. In the six months ending June 30, 2023, the Company incurred an operating loss of approximately \$1.2 million. The table below presents a summary of the Company's balance sheet as at June 30, 2023.

Balance Sheet	
(C\$ 000s)	Jun-23
<b>Assets</b>	
Current assets	
Cash	\$ 130
Accounts receivable	762
Prepays and deposits	132
Inventory and WIP	1,423
<b>Total - Current assets</b>	<b>2,446</b>
Non-current assets	
Property and equipment	1,354
Investment in associate entity	982
Mineral properties	1,296
Right-of-use assets	57
Long-term pre-payments	37
Other non-current assets	1,281
<b>Total - Assets</b>	<b>\$ 7,453</b>
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued liabilities	1,339
Current portion of lease liabilities	32
Current portion of debt	1,375
Current portion of accrued site reclamation costs	1,769
<b>Total - Current liabilities</b>	<b>4,514</b>
Non-current liabilities	
LT portion of lease liabilities	20
LT portion of debt	9,614
LT portion of accrued site reclamation costs	1,898
<b>Total - Liabilities</b>	<b>16,046</b>
<b>Shareholders' equity</b>	
Share capital	58,888
Retained deficit	(67,482)
<b>Total - Liabilities and Shareholders' equity</b>	<b>\$ 7,453</b>

21. The Company's main assets include:
- a. Accounts receivable for aggregate inventory previously sold to customers, cash, and deposits;
  - b. Inventory (aggregate, gravel, sand) ready for sale;
  - c. Heavy equipment utilized in the operations; and
  - d. Lease and royalty interests in various active and inactive Aggregate Pits. The Aggregate Pits are burdened by significant environmental/reclamation obligations described in further detail below.
22. Included in the Company's assets is an investment in an associate entity in which the Company is in effect an approximately 25% interest holder in a non-operating aggregate pit. The Company is uncertain of the potential marketability of the non-operating aggregate pit and further uncertain about any potential value that could be derived from its minority shareholding in the joint venture who holds the rights to the aggregate pit.
23. The Proposal Trustee understands that as at June 30, 2023, the book value of the Company's assets and liabilities were approximately \$7.5 million and \$16.0 million, respectively, the Company is insolvent.

#### *CREDITORS*

24. As detailed in further detail in the Levkulich Affidavit, Mantle has a number of credit facilities with various security interests over the Property. The following is a summary of certain of Mantle's facilities:
- a. Fiera Private Debt Fund VI LP, by its general partner Fiera Private Debt Fund GP Inc., and Fiera Private Debt Fund V LP, by its general partner Fiera Private Debt Fund GP Inc. (collectively, "**Fiera**") and Mantle entered into a loan agreement

dated April 26, 2021, as amended October 19, 2022 and June 12, 2023 (the “**Fiera Loan Agreement**”) which provided three secured credit facilities to Mantle totaling approximately \$13.5 million and consist of the following:

- i. a non-revolving interest bearing facility in the original principal amount of \$3.6 million;
  - ii. a non-revolving, non-interest bearing facility in the original principal amount of \$6.1 million;
  - iii. a non-revolving, non-interest bearing facility which was inherited in the Reorganization Transaction in the original estimate amount of \$3.7 million;
  - iv. a revolving facility with a fixed rate term option, in the principal amount of \$150,000; and
  - v. at the date of this First Report, Fiera is owed approximately \$8.2 million;
- b. Travelers Restructuring Capital Inc. (“**Travelers**”) and Mantle entered into a secured loan dated October 8, 2021, as amended October 15, 2022 (the “**Travelers Loan Agreement**”) in the amount of \$1.7 million for the purpose of purchasing certain equipment (the “**Traveler’s Equipment**”) to be used in Mantle’s operations. As at the date of this First Report, Travelers is owed approximately \$1.0 million;
- c. Pathward, National Association (“**Pathward**”) and Mantle entered into a loan agreement dated June 6, 2022 (the “**Pathward Loan Agreement**”) which established a \$1.5 million margined, revolving, working capital facility in favor of Mantle which is secured by Mantle’s inventory and accounts receivable (and proceeds thereof) (the “**Pathward Priority Collateral**”). As at the date of this First Report, Pathward is owed approximately \$0.5 million;

- d. RLF Lender a whole owned subsidiary of RLF LP made various advances to Mantle for general corporate purposes (the “**RLF Indebtedness**”). RLF Lender and Fiera entered into a subordination agreement (the “**RLF/Fiera Subordination Agreement**”) which subordinated the amounts owed under the Fiera Loan Agreement to the RLF Indebtedness up to approximately \$2.3 million (the “**RLF Debt Cap**”). As at the date of this First Report, RLF Lender is owed approximately \$1.8 million; and
  - e. ATB Financial (“**ATB**”) had been the secured operating lender of JMB prior to its CCAA Proceedings. As part of the Reorganization Transaction and pursuant to an agreement dated April 26, 2021 (the “**ATB Agreement**”) Mantle assumed on a non-recourse basis indebtedness up to the value of the remaining aggregate inventory from the period prior to the commencement of the CCAA Proceedings (the “**ATB Inventory**”) which was repayable by way of royalties on the sale of the ATB Inventory. As at the date of this First Report, Mantle owes ATB approximately \$16,000.
25. Mantle’s total indebtedness under its various secured credit facilities is approximately \$11.6 million.
26. The below summarizes Mantle’s secured liabilities as described in the Levkulich Affidavit in paragraph 52. The Proposal Trustee notes that it has not completed an independent review of the priority of the Company’s liabilities:
- a. Travelers has priority over the Traveler’s Equipment followed by Pathward (up to a maximum of approximately \$1.8 million, followed by RLF Lender (up to the RLF Debt Cap), followed by Fiera;

- b. Pathward has priority over the Pathward Priority Collateral (up to maximum of approximately \$1.8 million), followed by RLF Lender (up to the RLF Debt Cap), followed by Fiera;
  - c. RLF Indebtedness provides security over all of the Property and is subordinated to the Fiera Loan Agreement up to the RLF Debt Cap;
  - d. ATB has priority with respect to the ATB Inventory and its proceeds; and
  - e. Fiera has residual priority for all assets in excess of the RLF Debt Cap.
27. Mantle’s other liabilities include, but are not limited indebtedness to:
- a. landlords for approximately \$40,000;
  - b. equipment lessors under various capital and operating leases totaling approximately \$0.2 million; and
  - c. trade creditors totalling approximately \$0.3 million.
28. The Company’s estimated costs to complete the reclamation related to the environmental obligations for the Aggregate Pits total approximately \$3.6 million. This consists of:
- a. approximately \$1.7 million in estimated reclamation costs related to inactive pits (the “**Inactive Pits**”). This is the amount subject to Reclamation Orders.
  - b. approximately \$1.9 related to active pits (the “**Active Pits**”) still in operation (“**Active Pit Reclamation Obligation**”).
29. The Company is in the process of completing the Reclamation Project to remediate the Environmental Reclamation Obligations associated with the Inactive Pits. The Second

Cash Flow Statement includes a portion (\$1.4 million) of the total estimated cost of \$1.7 million to complete Reclamation Project for the Inactive Pits.

30. The Company has posted with AEP approximately \$1.1 million in security made up of letters of credit and cash deposits. The Proposal Trustee understands that once a pit is fully reclaimed the AEP will issue a reclamation certificate and the security deposit for that respective pit would be returned to the Company.

***AGGREGATE PITS AND OPERATIONS***

31. The Company’s operations are focused on the production of gravel, sand and other aggregates produced from the Aggregate Pits. The Company’s interests in the Aggregate Pits includes royalty agreements with land owners and surface material leases issued by the AEP whereby Mantle is given access to the land to extract the aggregate products. Further, for active pits the Company has secured production rights from the AEP which provides Mantle with the rights to produce aggregate.
32. A summary of the Aggregate Pits, the estimated reclamation costs and quantum of deposits paid to the AEP categorized by their current operating status is presented below:

<b>Status</b>	<b>Number of Pits/ Leases</b>	<b>Estimated Cost of Reclamation</b>	<b>Deposit Posted with AEP</b>
Inactive - EPO Order	10	\$ (1,678,308)	\$ 116,363
Active	9	(1,874,872)	807,476
Not Opened	5	-	116,890
Vacant Land	1	-	17,232
<b>Total</b>	<b>25</b>	<b>\$ (3,553,179)</b>	<b>\$ 1,057,961</b>

33. The Company is of the view that the value from the in-situ aggregate reserves in the Active Pits would exceed the Active Pit Reclamation Obligations and believes the Active Pits could be liquidated for no less than nil value should they be marketed during these Proposal Proceedings. Accordingly, the Second Cash Flow Statement does not include any reclamation costs for the Active Pits. The Proposal Trustee understands the

Company's plan is to sell the existing aggregate/gravel inventory that is ready for sale in the Aggregate Pits and then attempt to mitigate the environmental liability associated with the Active Pits by selling or assigning the pits to new owners such that the estate would not be required to remediate the Active Pits.

#### ***CAUSES OF FINANCIAL DIFFICULTY***

34. Subsequent to the closing of the Reorganization Transaction, Mantle worked to implement improved management and operational practices with the goal of improving upon predecessor operations and generate sufficient cash flows to support future operations and repay its indebtedness including the Environmental Reclamation Obligations.
35. Due to a number of factors further described in the Levkulich Affidavit, Mantle was unable to improve operations, ran into a liquidity crunch due to an inability to generate sufficient sales and secure sufficient supply contracts. Following cash injections (from Pathward and RLF Lender) Mantle was unable to secure any additional longer term agreements which would sustain its ongoing operations.

#### **PROPOSAL PROCEEDINGS**

36. The Company's main objective in these Proposal Proceedings is to satisfy the Environmental Reclamation Obligations which have priority over all secured and unsecured creditors and affect Mantle's assets, as a package.
37. Mantle believe that its management has the best knowledge and experience with the pits to address the Environmental Reclamation Obligations in as an efficient manner as possible.
38. The alternative would be a receivership or bankruptcy. These Proposal Proceedings will allow the Company to continue, uninterrupted with the Reclamation Project already in progress. Time is of the essence as the Company needs to maintain its reclamation timeline and to complete the work prior to winter ground freeze. If this work is not completed

before the winter freeze there will be significant additional costs to demobilize the equipment in the winter and remobilize in the spring to complete this work.

39. Since the Filing Date, certain of the Company's creditors have taken steps which have affected the Company's ability to maintain operations through these Proposal Proceedings:
- a. Pathward has collected at least \$328,000 in account receivable pursuant to the Pathward Loan Agreement. The Company's view these amounts as assets of the estate and therefore should be paid into the estate for use to fund these Proposal Proceedings. These amounts would still be considered part of Pathward's security and be considered in any allocation of funds which may be distributed at the completion of these Proposal Proceedings; and
  - b. Lafarge Canada Inc. ("**Lafarge**") a customer and Diversity Equipment Rental & Sales Ltd. ("**Diversity**") an equipment supplier have threatened to terminate their respective agreements with Mantle. Mantle's counsel has informed these parties of the stay of proceedings.
40. Mantle is seeking this Honourable Court to provide further direction on the restrictions imposed on creditors and counterparties under sections 69(1) and 65.1 of the *BIA*. The Proposal Trustee supports this request as Mantle requires the cooperation from its creditors and counterparties in order for these Proposal Proceedings to be successful.
41. There is uncertainty surrounding the marketability and value of the Property (especially the Active Pits) and whether the value of the Property and profit that can be generated from selling existing inventory will be sufficient to satisfy the Environmental Reclamation Obligations, the cost of these proceedings and provide any recoveries to Mantle's creditors.

42. RLF Lender is willing to provide the Interim Financing Facility which will provide the principal funding for the costs related to the Environmental Reclamation Obligations and the Administrative Professionals to be incurred during the Proposal Proceedings.
43. Mantle's intentions during these Proposal Proceedings is to determine the most expeditious, efficient and commercially reasonable manner in which to satisfy the Environmental Reclamation Obligations and realize value from the Property to ultimately provide recoveries to its creditors. Utilizing the Interim Financing Facility to fund ongoing reclamation work would assist in the reclamation efforts carrying on uninterrupted versus a bankruptcy where there would not be funding available to carry on the reclamation work. The likely outcome in a bankruptcy would be the Trustee disclaiming any interest in and turning the pits and environmental obligations over to the AEP.

## **CASH FLOW STATEMENT**

### ***VARIANCE ANALYSIS***

44. On July 24, 2023, management of the Company, in consultation with the Proposal Trustee, prepared the Cash Flow Statement for the period ending October 13, 2023, which was filed with Official Receiver and is attached as Appendix "B" to this Report.
45. The Company's actual cash flows in comparison to those contained in the Cash Flow Statement forecast for the period of July 14 to July 28, 2023 are summarized below:

<b>1 Week Period Ending Jul 28, 2023</b>			
<i>(CAD\$)</i>	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
<b>RECEIPTS</b>			
Receipts	\$ 87,280	\$ 100,279	\$ (12,999)
<b>DISBURSEMENTS</b>			
<i>Operating Disbursements</i>			
Payroll + Source Deductions	86,605	108,351	(21,746)
Royalties	-	-	-
Trucking and Fuel	-	60,480	(60,480)
Repair & Maintenance	-	1,000	(1,000)
Equipment Lease Payments	-	32,803	(32,803)
Insurance & Benefits	-	6,408	(6,408)
G&A Expense	329	37,294	(36,965)
EPO Reclamation	-	-	-
<i>Total Operating Disbursements</i>	<u>86,934</u>	<u>246,335</u>	<u>(159,401)</u>
<b>Net Operating Cash Flow</b>	<b>\$ 346</b>	<b>\$ (146,056)</b>	<b>\$ 146,402</b>
<i>Non-Operating Receipts &amp; Disbursements</i>			
<i>Interim Financing (Draw)</i>	-	(300,000)	300,000
<i>Professional Fees</i>	-	40,000	(40,000)
<i>Total Non-Operating Receipts &amp; Disbursements</i>	<u>-</u>	<u>(260,000)</u>	<u>260,000</u>
<b>NET CASH FLOWS</b>	<b>\$ 346</b>	<b>\$ 113,944</b>	<b>\$ (113,598)</b>
<b>CASH</b>			
Beginning Balance	27,922	1,000	26,922
Net Cash Inflows / (Outflows)	346	113,944	(113,598)
<b>ENDING CASH</b>	<b>\$ 28,267</b>	<b>\$ 114,944</b>	<b>\$ (86,676)</b>

46. The Company's actual results were materially different to the Cash Flow Statement for the period ending July 28, 2023 as a result of the following:
- a. the Company was unable to collect accounts receivable as expected and therefore did not have sufficient liquidity to make operational disbursements. The Company had a critical payroll due. RLF Lender advanced funds necessary to meet the payroll in order to prevent disruption to operations. The Company is seeking approval from this Honourable Court have this advance considered an Emergency Payment. The Proposal Trustee is of the view that the payroll was required to prevent disruption to operations.; and
  - b. due to the lack of liquidity, the Company has pushed off all payments other than payroll and intends to await an advance under the Interim Financing Facility at

which time it will have sufficient cash to catch up its post-filing payables. The Company requires immediate access to the Interim Financing Facility in order to carry on with the reclamation work, the sale of inventory and the completion of ongoing contracts.

47. Given the change in the Company's cash flows, the Company in consultation with the Proposal Trustee, has prepared the Second Cash Flow Statement to estimate the Company's liquidity for the period from July 29, 2023, to October 20, 2023 (the "**Forecast Period**"), a summary of which is included below. A copy of the Second Cash Flow Statement is attached hereto as Appendix "C".

Weeks Ending (Friday) (CAD)	12-Week Forecast
Forecast Week	Total
<b>RECEIPTS</b>	
Post-Filing Sales	\$ 2,947,458
Collection of Pre-filing AR	697,396
<i>Total Receipts</i>	3,644,854
<b>DISBURSEMENTS</b>	
<i>Operating Disbursements</i>	
Payroll + Source Deductions	276,800
Royalties	1,080,269
Trucking and Fuel	1,352,501
Repair & Maintenance	11,000
Equipment Lease Payments	88,658
Insurance & Benefits	24,446
G&A Expense	45,883
EPO Reclamation	1,388,754
Emergency Payments	85,515
<i>Total Operating Disbursements</i>	4,353,826
<b>Net Operating Cash Flow</b>	<b>\$ (708,972)</b>
<i>Non-Operating Receipts &amp; Disbursements</i>	
Interim Financing (Draw)	(1,400,000)
Professional Fees	425,000
<i>Total Non-Operating Receipts &amp; Disbursements</i>	(975,000)
<b>NET CASH FLOWS</b>	<b>\$ 266,028</b>
<b>CASH</b>	
Beginning Balance	\$ 28,267
Net Cash Inflows / (Outflows)	266,028
<b>ENDING CASH</b>	<b>\$ 294,296</b>

48. The Second Cash Flow Statement projects the Company will have negative net operating cash flow of approximately \$710,000 over the Forecast Period, including:
- a. total receipts of approximately \$3.6 million, primarily relating to the collection of revenue generated from contracts to be completed during the Forecast Period; and
  - b. operating disbursements of approximately \$4.4 million, primarily relating to employee expenses, royalties on sale of inventory, trucking and fuel and EPO reclamation expenses.
49. The Second Cash Flow Statement includes a draw against the Interim Financing Facility of \$1.4 million.
50. The Second Cash Flow Statement contemplates the following:
- a. the Company's collection of all accounts receivable paid by the Company's vendors after the Filing Date. The collection of these receivables in normal course would be paid to Pathward, however pursuant to the stay of proceedings, which arose automatically upon the Filing Date, it is the Company's view that these amounts should be paid into the estate to fund the Proposal Proceedings with a determination of allocation to be determined at a later date:
    - i. on July 24, 2023, the Proposal Trustee sent direction to pay notices to all of the Company's customers to have any future accounts receivable paid into the Proposal Trustee's account. The Company is seeking relief to have the funds collected by the Proposal Trustee and all funds collected by Pathward after the Filing Date to be paid into the estate as they will be required to fund these Proposal Proceedings; and
  - b. the Company will continue to complete the reclamation work required by the AEP to satisfy the Environmental Reclamation Obligations. The Second Cash Flow

Statement includes payments in regards to this reclamation work totaling \$1.4 million. However, the Company has advised the Proposal Trustee that reclamation work will be required beyond the Forecast Period, however that a significant portion will be completed before the end of 2023.

51. The Second Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Second Cash Flow Statement, including assumptions that goods and services incurred after the Filing Date are paid when incurred and only Emergency Payments are made to critical vendors for pre-filing amounts.
52. The Proposal Trustee's review of the Second Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to the Information supplied to it by the Company. Since probable and hypothetical assumptions need not be supported, the Proposal Trustee's procedures were limited to evaluating whether they were consistent with the purpose of the Second Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances.
53. Based on the Proposal Trustee'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 Second Cash Flow Statement; and
  - b. the probable and hypothetical assumptions developed by the Company are not supported and consistent with the plan of the Company or do not provide a reasonable basis for the Second Cash Flow Statement.

## **BIA CHARGES**

### ***ADMINISTRATIVE CHARGE***

54. The Proposal Trustee understands that the Company is seeking the Administrative Charge in the amount of \$425,000, which would have priority over all other claims against the Company, statutory or otherwise, as security for the fees and disbursements of the Administrative Professionals incurred both before and after the Filing Date in respect of the Proposal Proceedings.
55. The quantum of the Administrative Charge sought by the Company was determined in consultation with the Proposal Trustee.
56. The Proposal Trustee is of the view that the quantum of the Administrative Charge is reasonable having regard to the number of beneficiaries of the Administrative Charge and the projected professional fees contemplated in the Second Cash Flow Statement.

### ***INTERIM FINANCING***

57. As demonstrated by the Second Cash Flow Statement, Mantle is in immediate need of funding and is therefore seeking approval of the Interim Financing Agreement between Mantle and the Interim Lender pursuant to which the Interim Lender will make the Interim Financing Facility available to Mantle, subject to the terms and conditions set out in the Interim Financing Agreement, in the maximum principal amount of \$1.4 million.
58. The Proposal Trustee understands that the terms of the Interim Financing Agreement include, among others, the following:
  - a. the Interim Financing Facility is a secured non-revolving loan available by way of multiple advances;
  - b. the purposes of the Interim Financing Facility is to fund:

- i. the satisfaction of the Environmental Reclamation Obligations;
  - ii. the payment of reasonable professional fees and expenses of the Administrative Professionals;
  - iii. the payment of expenses incurred by Mantle in its remaining obligations during the Proposal Proceedings; and
  - iv. the payment of other costs agreed to by RLF Lender and consented to by the Proposal Trustee;
- c. interest will accrue on the principal amounts outstanding under the Interim Financing Facility at a rate equal to 14.5% per annum;
- d. the Interim Financing Facility is conditional on, among other things, the following:
  - i. this Honourable Court approving the Interim Financing Agreement and granting the Interim Lender's Charge to and in favour of the RLF Lender with priority over all encumbrances other than the Administrative Charge;
  - ii. RLF Lender being satisfied that the Interim Lender's Charge ranks in priority to all encumbrances other than the Administrative Charge; and
  - iii. RLF Lender having approved the cash flow projections, as updated from time to time; and
- e. the Interim Financing Facility terminates on the earlier of: (i) the termination of the Interim Financing Facility by notice in writing from RLF Lender following the occurrence of an event of default, (ii) the repayment in full of the Environmental Reclamation Obligations or (iii) the termination of the stay of proceedings of the Proposal Proceedings.

59. Mantle requires access to the Interim Financing Facility to, among other things, provide stability, continue certain on-going and future contracts and work towards completing the Environmental Reclamation Obligations.
60. The Proposal Trustee is of the view that the Company's request for the Interim Lender's Charge is appropriate pursuant to section 50.6(1) of the *BIA* for the following reasons:
- a. the financing contemplated by the Interim Financing Facility is necessary to fund the Company's operations and will allow the Company the ability to continue to complete the reclamation work related to the Environmental Reclamation Obligations. Absent the funding available under the Interim Financing Facility, the Company would be forced to cease all operations due to lack of liquidity;
  - b. it is the Proposal Trustee's view that the environmental liabilities rank ahead of all creditor claims, based on the Supreme Court decision in *Orphan Well Association v Grant Thornton Ltd.* and the Alberta Court of Appeals decision in *Manitok Energy Inc (Re)* therefore:
    - i. while the recovery value of the Property is uncertain, specifically with regards to the potential marketable value of the Active Pits, and given the quantum of the Environmental Reclamation Obligations and its super priority, it is in the best interest of all secured creditors for the work on the Reclamation Project to continue towards satisfying these obligations. The satisfaction of the Environmental Reclamation Obligations will in turn enhance the likelihood and quantum of recoveries once the Property has been realized on; and
    - ii. the Proposal Trustee does not believe any creditor will be materially prejudiced by the Interim Lender's Charge as the quantum of the charge over the Forecast Period is effectively replacing the cost of the reclamation

working being completed over the same period (both approximately \$1.4 million) and thus the relative priority of secured creditors does not materially change if priority of the Interim Lender's Charge ranks only subordinated to the Administrative Charge. The Company is effectively replacing one priority obligation for another but along the way intends to complete the Reclamation Project discharging the Environmental Remediation Obligation, selling the Active Pits (which should lower or eliminate the corresponding Environmental Remediation Obligations for such Pits) and potentially generate additional value for stakeholders due to the experience and expertise in the business; and

- c. the Proposal Trustee reviewed a database of approximately 40 interim financings approved in insolvency proceedings in the past 20 months and can advise that the proposed terms (interest rates, fees, etc.) in the Interim Financing Facility are customary and in line with those approved in prior insolvency proceedings.

- 61. Accordingly, the Proposal Trustee supports the Company's request for approval of the Interim Financing and the Interim Lender's Charge.

***D&O CHARGE***

- 62. The Company's application contemplates that the Directors would be granted a Court-ordered charge on the Property up to a maximum of \$150,000.
- 63. The Company is of the view that the success of the Proposal Proceedings will only be possible with the continued participation of the Directors. The Proposal Trustee agrees that the Directors will add value to these Proposal Proceedings. The Directors have been and intend to continue to be actively involved in discussions with creditors and suppliers required to complete the Reclamation Project and sell inventory, assisting in cash flow forecasting and supporting management.

64. The Proposal Trustee notes that the amount of the D&O Charge was calculated based on the estimated maximum liability of the Directors arising from statutory obligations for employee related liabilities and sales taxes that may arise and be payable during the Proposal Proceedings as set out below:
- a. the estimate of the maximum exposure for employee related liabilities for salaries, wages and vacation pay is \$100,000 based on the bi-weekly payroll cycle as shown in the Second Cash Flow Statement; and
  - b. the maximum GST payable in respect of new revenue generated is estimated at approximately \$50,000 before consideration of offsetting input tax credits.
65. The Proposal Trustee understands that the Company’s insurance policy in respect of the potential liability of their directors and officers (the “**D&O Insurance Policy**”) remains active. However, although the D&O Insurance Policy insures the directors and officers for certain claims that may arise against them in their capacity as directors and/or officers of the Mantle, the Company advised the Proposal Trustee that the coverage is subject to certain exclusions and limitations and therefore the existing coverage in respect of potential director liabilities and therefore the existing indemnification insurance is not adequate.
66. The Proposal Trustee is of the view that the creation of the D&O Charge is reasonable in the circumstances and supports the D&O Charge and the quantum thereof.

## **STAY EXTENSION**

67. The stay of proceedings expires on August 13, 2023. At the August 8 Application, the Company is requesting an extension of the stay of proceedings to September 27, 2023.
68. The Proposal Trustee is of the view that the requested extension of the stay of proceedings is appropriate pursuant to section 50.4(9) of the *BIA* for the following reasons:

- a. the Company and its management are acting in good faith and with due diligence in taking steps to continue the operations of the business;
- b. the extension of the Stay Period should allow sufficient time for the Company to continue the Reclamation Project and work towards the satisfaction of the Environmental Reclamation Obligations;
- c. the Second Cash Flow Statement indicates that the Company will have sufficient liquidity to continue to fund operations and the cost of the Proposal Proceedings to October 20, 2023; and
- d. the continuation of the Reclamation Project is for the benefit of and will not material prejudice any creditor as it will reduce the Environmental Reclamation Obligations, which would have priority over and will be allocated against assets of the estate used in the gravel business.

## **PROPOSAL TRUSTEE'S RECOMMENDATIONS**

69. The Proposal Trustee respectfully recommends that this Honourable Court grant the Company's request for:
  - a. extension of the Stay Period to September 27, 2023;
  - b. approval of the BIA Charges, including:
    - i. Administrative Charge for \$425,000;
    - ii. Interim Financing Facility for \$1.4 million; and
    - iii. Directors Charges for \$150,000; and

- c. authorization of Emergency Payments to be made with the approval of the Proposal Trustee; and
- d. requiring any Persons who collected, realized, seized or taken money or property without consent of the Proposal Trustee or leave of this Honourable Court to surrender such money or property to Mantle.

\*\*\*\*\*

All of which is respectfully submitted this 4<sup>th</sup> day of August 2023.

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



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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

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Date of the Notice of Intention:

July 14, 2023

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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

**Mantle Materials Group Ltd.**

Projected Cash Flow Statement for the period of July 14, 2023 to October 13, 2023

Projected Cash Flow Statement (C\$ 000s)	Week 1 28-Jul	Week 2 4-Aug	Week 3 11-Aug	Week 4 18-Aug	Week 5 25-Aug	Week 6 1-Sep	Week 7 8-Sep	Week 8 15-Sep	Week 9 22-Sep	Week 10 29-Sep	Week 11 6-Oct	Week 12 13-Oct	Total	Notes
<b>Cash Receipts</b>														
Post-Filing Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,400	\$ 30,400	\$ 976,730	\$ 993,910	\$ 260,030	\$ 75,750	\$ 75,750	\$ 2,442,970	1
Collection of Pre-filing AR	100,279	27,044	403,673	18,796	69,417	49,345	18,541	10,302	-	-	-	-	697,396	2
<b>Total - Cash Receipts</b>	\$ 100,279	\$ 27,044	\$ 403,673	\$ 18,796	\$ 69,417	\$ 79,745	\$ 48,941	\$ 987,032	\$ 993,910	\$ 260,030	\$ 75,750	\$ 75,750	\$ 3,140,366	
<b>Operating Disbursements</b>														
Payroll + Source Deductions	108,351	-	108,351	-	53,983	-	53,983	-	53,983	-	53,983	-	432,634	3
Royalties	-	-	-	-	-	128,471	128,471	186,221	180,813	102,541	102,541	102,541	931,597	4
Trucking and Fuel	60,480	3,840	3,840	1,440	1,440	1,440	1,440	503,695	521,175	75,295	17,015	16,655	1,207,755	5
Repair & Maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	6
Equipment Lease Payments	32,803	409	8,057	4,878	1,344	1,753	1,714	4,076	7,758	7,459	5,041	4,076	79,366	7
Insurance & Benefits	6,408	-	408	-	408	6,000	408	4,000	408	-	6,408	-	24,446	8
G&A Expense	37,294	1,000	1,000	1,000	8,600	12,194	1,000	1,000	1,000	17,571	3,223	1,000	85,883	9
EPO Reclamation	-	-	155,787	155,787	155,787	155,787	122,014	122,014	122,014	122,014	59,028	59,028	1,229,259	10
<b>Total - Operating Disbursements</b>	\$ 246,335	\$ 6,249	\$ 278,442	\$ 164,105	\$ 222,562	\$ 306,644	\$ 310,030	\$ 822,005	\$ 888,150	\$ 325,880	\$ 248,239	\$ 184,299	\$ 4,002,940	
<b>Non-Operating Receipts &amp; Disbursements</b>														
Interim Financing (Draw)	(300,000)	-	-	(300,000)	-	-	(450,000)	-	-	-	(250,000)	-	(1,300,000)	11
Professional Fees	40,000	-	-	-	-	-	202,500	-	-	-	82,500	100,000	425,000	12
<b>Total - Non-Operating Receipts &amp; Disbursements</b>	\$ (260,000)	\$ -	\$ -	\$ (300,000)	\$ -	\$ -	\$ (247,500)	\$ -	\$ -	\$ -	\$ (167,500)	\$ 100,000	\$ (875,000)	
<b>Net Cash Flow</b>	\$ 113,944	\$ 20,796	\$ 125,231	\$ 154,691	\$ (153,145)	\$ (226,900)	\$ (13,589)	\$ 165,027	\$ 105,760	\$ (65,850)	\$ (4,989)	\$ (208,549)	\$ 12,427	
Opening Cash	\$ 1,000	\$ 114,944	\$ 135,739	\$ 260,971	\$ 415,661	\$ 262,517	\$ 35,617	\$ 22,028	\$ 187,055	\$ 292,815	\$ 226,965	\$ 221,976	1,000	
Change in Cash	113,944	20,796	125,231	154,691	(153,145)	(226,900)	(13,589)	165,027	105,760	(65,850)	(4,989)	(208,549)	12,427	
<b>Ending Cash Balance</b>	\$ 114,944	\$ 135,739	\$ 260,971	\$ 415,661	\$ 262,517	\$ 35,617	\$ 22,028	\$ 187,055	\$ 292,815	\$ 226,965	\$ 221,976	\$ 13,427	\$ 13,427	

DocuSigned by:

Byron J Levkulich

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Mantle Materials Group Ltd.

Byron Levkulich, Director



FTI CONSULTING CANADA INC., TRUSTEE UNDER THE NOTICE  
OF INTENTION TO MAKE A PROPOSAL  
Dustin Olver, LIT

**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 July 22, 2023 to October 13, 2023. 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.
- 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 current run rates and expected requirements to complete on-going contracts.
- 8 Insurance & Benefits represent recurring payments based on current run rates.
- 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.
- 11 The Interim Financing represents advances for interim funding provided by Interim Financing lender during the NOI proceedings.
- 12 Professional fees relate to the Company's legal counsel, the Trustee and Trustee's legal counsel.

# Appendix C

**Mantle Materials Group Ltd.**

Projected Cash Flow Statement for the period of July 29, 2023 to October 20, 2023

Projected Cash Flow Statement (C\$ 000s)	Week 1 4-Aug	Week 2 11-Aug	Week 3 18-Aug	Week 4 25-Aug	Week 5 1-Sep	Week 6 8-Sep	Week 7 15-Sep	Week 8 22-Sep	Week 9 29-Sep	Week 10 6-Oct	Week 11 13-Oct	Week 12 20-Oct	Total	Notes
<b>Cash Receipts</b>														
Post-Filing Sales	\$ -	\$ -	\$ -	\$ -	\$ 30,400	\$ 30,400	\$ 76,050	\$ 75,750	\$ 165,750	\$ 1,070,710	\$ 1,070,710	\$ 427,688	\$ 2,947,458	1
Collection of Pre-filing AR	-	364,427	185,365	69,417	49,345	18,541	10,302	-	-	-	-	-	697,396	2
Other Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total - Cash Receipts</b>	<b>\$ -</b>	<b>\$ 364,427</b>	<b>\$ 185,365</b>	<b>\$ 69,417</b>	<b>\$ 79,745</b>	<b>\$ 48,941</b>	<b>\$ 86,352</b>	<b>\$ 75,750</b>	<b>\$ 165,750</b>	<b>\$ 1,070,710</b>	<b>\$ 1,070,710</b>	<b>\$ 427,688</b>	<b>\$ 3,644,854</b>	
<b>Operating Disbursements</b>														
Payroll + Source Deductions	-	95,302	-	45,417	-	38,379	-	38,379	-	38,379	-	20,944	276,800	3
Royalties	-	-	-	-	128,471	128,471	128,471	128,563	102,541	160,291	160,291	143,172	1,080,269	4
Trucking	-	-	-	-	-	-	15,575	15,575	15,575	560,535	560,535	101,906	1,269,701	
Fuel (SG&A)	-	15,360	1,920	1,920	1,440	1,440	1,440	1,440	1,440	1,440	1,080	1,080	30,000	
Fuel (Production)	-	52,800	-	-	-	-	-	-	-	-	-	-	52,800	
Trucking and Fuel	-	68,160	1,920	1,920	1,440	1,440	17,015	17,015	17,015	561,975	561,615	102,986	1,352,501	5
Repair & Maintenance	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,000	6
Equipment Lease Payments (Light Equipment)	-	1,211	3,534	-	409	-	2,732	803	-	409	2,732	-	11,829	
Equipment Lease Payments (Sales)	-	1,344	1,344	9,596	9,596	6,955	6,955	4,939	1,411	1,344	1,344	-	44,829	
Equipment Lease Payments (Production)	-	32,000	-	-	-	-	-	-	-	-	-	-	32,000	
Equipment Lease Payments	-	34,555	4,878	9,596	10,005	6,955	9,687	5,742	1,411	1,753	4,076	-	88,658	7
Insurance & Benefits	-	6,815	-	408	6,000	408	4,000	408	-	6,408	-	-	24,446	8
Office Administration	-	2,323	-	100	2,223	-	-	-	100	2,223	-	-	6,970	
Occupancy	-	8,971	-	-	8,971	-	-	-	-	8,971	-	-	26,913	
Other / Miscellaneous Contingency	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	
G&A Expense	1,000	12,294	1,000	1,100	12,194	1,000	1,000	1,000	1,100	12,194	1,000	1,000	45,883	9
EPO Reclamation	-	126,364	104,364	104,364	104,364	126,904	176,904	126,904	151,904	105,561	105,561	155,561	1,388,754	10
Emergency Payments	-	85,515	-	-	-	-	-	-	-	-	-	-	85,515	11
<b>Total - Operating Disbursements</b>	<b>\$ 1,000</b>	<b>\$ 430,006</b>	<b>\$ 113,162</b>	<b>\$ 163,805</b>	<b>\$ 263,474</b>	<b>\$ 304,557</b>	<b>\$ 338,077</b>	<b>\$ 319,010</b>	<b>\$ 274,971</b>	<b>\$ 887,560</b>	<b>\$ 833,542</b>	<b>\$ 424,663</b>	<b>\$ 4,353,826</b>	
<b>Net Operating Cash Flow</b>	<b>\$ (1,000)</b>	<b>\$ (65,580)</b>	<b>\$ 72,203</b>	<b>\$ (94,388)</b>	<b>\$ (183,729)</b>	<b>\$ (255,616)</b>	<b>\$ (251,724)</b>	<b>\$ (243,260)</b>	<b>\$ (109,221)</b>	<b>\$ 183,150</b>	<b>\$ 237,168</b>	<b>\$ 3,025</b>	<b>\$ (708,972)</b>	
<b>Non-Operating Receipts &amp; Disbursements</b>														
Interim Financing (Draw)	-	(335,000)	-	-	-	(700,000)	-	(365,000)	-	-	-	-	(1,400,000)	12
Professional Fees	-	70,000	-	-	-	172,500	-	-	-	82,500	100,000	-	425,000	13
<b>Total - Non-Operating Receipts &amp; Disbursements</b>	<b>\$ -</b>	<b>\$ (265,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (527,500)</b>	<b>\$ -</b>	<b>\$ (365,000)</b>	<b>\$ -</b>	<b>\$ 82,500</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ (975,000)</b>	
<b>Net Cash Flow</b>	<b>\$ (1,000)</b>	<b>\$ 199,420</b>	<b>\$ 72,203</b>	<b>\$ (94,388)</b>	<b>\$ (183,729)</b>	<b>\$ 271,884</b>	<b>\$ (251,724)</b>	<b>\$ 121,740</b>	<b>\$ (109,221)</b>	<b>\$ 100,650</b>	<b>\$ 137,168</b>	<b>\$ 3,025</b>	<b>\$ 266,028</b>	
Opening Cash	\$ 28,267	\$ 27,267	\$ 226,688	\$ 298,891	\$ 204,503	\$ 20,773	\$ 292,658	\$ 40,933	\$ 162,673	\$ 53,453	\$ 154,103	\$ 291,271	28,267	
Change in Cash	(1,000)	199,420	72,203	(94,388)	(183,729)	271,884	(251,724)	121,740	(109,221)	100,650	137,168	3,025	266,028	
<b>Ending Cash Balance</b>	<b>\$ 27,267</b>	<b>\$ 226,688</b>	<b>\$ 298,891</b>	<b>\$ 204,503</b>	<b>\$ 20,773</b>	<b>\$ 292,658</b>	<b>\$ 40,933</b>	<b>\$ 162,673</b>	<b>\$ 53,453</b>	<b>\$ 154,103</b>	<b>\$ 291,271</b>	<b>\$ 294,296</b>	<b>\$ 294,296</b>	

DocuSigned by:

Byron J Levkulich

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Mantle Materials Group Ltd.  
Byron Levkulich, Director

FTI CONSULTING CANADA INC., TRUSTEE UNDER THE NOTICE  
OF INTENTION TO MAKE A PROPOSAL  
Dustin Olver, LIT

**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 July 29, 2023 to October 20, 2023. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-13. 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.
- 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 current run rates and expected requirements to complete on-going contracts.
- 8** Insurance & Benefits represent recurring payments based on current run rates.
- 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.
- 11** Emergency Payments relate to amounts which arose prior to the Filing Date and deemed critical to operations by the Company.
- 12** The Interim Financing represents advances for interim funding provided by Interim Financing lender during the NOI proceedings.
- 13** Professional fees relate to the Company's legal counsel, the Trustee and Trustee's legal counsel.