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COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

C110440

Nov 8, 2023
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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 THIRD REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS PROPOSAL TRUSTEE OF MANTLE MATERIALS GROUP LTD.

November 3, 2023

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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THIRD 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**").
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. On August 15, 2023, this Honourable Court granted an Order (the "**August 15 Order**") which granted, among other things, the following relief:
 - a. an extension of the stay of proceedings (the "**Stay of Proceedings**") until and including September 27, 2023;
 - b. approval of the interim financing facility in the maximum amount of \$2.2 million (the "**Interim Financing Facility**"); and
 - c. approval of priority charges in favour of (i) the Company's counsel, the Proposal Trustee and the Proposal Trustee's counsel in the amount of \$425,000, (ii) the Interim Financing Facility and (iii) the directors and officers in the amount of \$150,000 (collectively, the "**BIA Charges**").
4. On September 22, 2023, this Honourable Court granted an extension to the Stay of Proceedings until and including November 13, 2023.
5. This third report of the Proposal Trustee (the "**Third Report**") is being delivered in connection with the Company's application scheduled to be heard on November 8, 2023 (the "**November 8 Application**"), seeking from the Court of King's Bench of Alberta (the "**Court**") the following:

- a. an order (the “**Auction Approval Order**”) approving the sale by way of public auction of certain 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 dated November 1, 2023 (the “**Confidential Levkulich Affidavit**”) and the Confidential Supplement to the Third Report of the Proposal Trustee, dated November 3, 2023 (the “**Confidential Supplement**”); 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 to Mantle.
6. Electronic copies of all materials filed by the Company in connection with the November 8 Application and other statutory materials are available on the Proposal Trustee's website at: <http://cfcanada.fticonsulting.com/mantle/>.

PURPOSE

7. FTI, in its capacity as Proposal Trustee, has reviewed the Court materials filed by the Company in support of the November 8 Application. The purpose of this Third Report is to provide information and analysis to this Honourable Court pertaining to:
 - a. the status of these Proposal Proceedings;

- b. the Proposal Trustee’s summary of the bid process concerning the marketing and liquidation of the Equipment and its summary and recommendations with respect to the Auction Agreement;
- c. an update on the status of the various environmental reclamation obligations (the “**Environmental Reclamation Obligations**”) on the Company’s inactive aggregate/gravel pits pursuant to environmental protection orders (“**EPOs**”) issued by Alberta Environment and Protected Areas (the “**AEPA**”);
- d. a summary of the actual cashflow for the period of September 16 to October 27, 2023, compared to the cash flow forecast filed with this Honourable Court on September 18, 2023 (the “**Fourth Cash Flow Statement**”);
- e. the Company's revised cash flow statement (the "**Fifth Cash Flow Statement**") for the period commencing on October 28, 2023 and ending January 5, 2024;
- f. a summary of the Company’s request to be provided certain information for the shareholders of Atlas;
- g. the Company's requested relief for an extension to the Stay Period; and
- h. the Proposal Trustee's conclusions and recommendations.

TERMS OF REFERENCE

- 8. In preparing this Third 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**").
- 9. Except as described in this Third 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.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

ACTIVITIES OF THE PROPOSAL TRUSTEE

11. Since the date of the Second Report, the Proposal Trustee has, among other things:
- a. reviewed the Company's receipts and disbursements and monitored the Company's performance relative to its cash flow forecast;
 - b. reviewed forecast inventory sales subsequent to the 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;

- d. attended, for the purpose of addressing the Court’s questions on factual matters, the application made by Travelers Capital Corp (“**Travelers**”) to appeal the contested matter of the priority of Travelers security interest of over certain equipment;
- e. assisted the Company in reviewing proposals from auction houses to sell the Equipment by way of public auction;
- f. assisted the Company in developing and monitoring the Company’s implementation of a sales and solicitation process (the “**SSP**”) to market and sell certain of its active aggregate pits (the “**Active Aggregate Pits**”); and
- g. assisted the Company in developing the Fifth Cash Flow Forecast.

STATUS OF THESE PROPOSAL PROCEEDINGS

- 12. The Company has continued the sale of gravel, sand and other aggregates from its Active Aggregate Pits. The Company has been successful in securing additional contracts to further reduce its existing inventory. The Company’s operational focus is to sell as much of its produced inventory as possible to maximize cash receipts as it works to satisfy the Environmental Reclamation Obligations.
- 13. The Company’s sale and transportation of inventory to customers continues to be highly weather dependant and the Company expects its sales of existing inventory to continue until the end of November. The Company expects that winter freeze will set in around the end of November and thereafter it will not be able to complete any more inventory sales until spring thaw in 2024.

TRAVELERS APPLICATION FOR PERMISSION TO APPEAL

- 14. On August 28, 2023, Justice Feasby issued his reasons for decision (the “**KB Decision**”) on the contested matter of the priority of Travelers Capital Corp (“**Travelers**”) security interest of over certain equipment. The KB Decision concluded that Travelers’ security

interest in the equipment is subject to Mantle’s reclamation obligations and therefore subordinate to the BIA Charges.

15. Travelers subsequently filed an application (the “**Leave Application**”) to the Alberta Court of Appeal, seeking confirmation that Travelers could appeal the KB Decision without leave or alternatively seeking leave to appeal the KB Decision.
16. On October 23, 2023, Justice W. T. de Wit released his decision (the “**Appeal Decision**”) concerning the Leave Application. In the Appeal Decision, Justice W.T. de Wit dismissed Travelers’ Leave Application.
17. We understand Travelers now seeks leave to appeal the Appeal Decision.

STATUS OF THE ENVIRONMENTAL RECLAMATION OBLIGATIONS

18. The Company has continued with its objective of satisfying the Environmental Reclamation 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.
19. As at the Filing Date, the AEPA had issued ten EPOs (the “**Original EPOs**”) for aggregate pits Mantle’s inactive aggregate pits. Of the pits associated with these 10 Original EPOs, one EPO was closed in April 23, 2023, the registration for one pit subject to an Original EPO was transferred to a third party following its sale and eight pits affected by the Original EPOs remained open with the Original EPOs outstanding.
20. On October 16, 2023, the Company issued a progress update report (the “**EPO Status Report**”) to advise the AEPA on the Company’s progress in completing the

Environmental Reclamation Obligations for the eight open pits affected by the Original EPOs and the one transferred pit associated with an Original EPO.

21. In the EPO Status Report, the Company advised that of the eight pits with outstanding Original EPOs; five pits are now in the Monitoring stage and that the final Initial Reclamation work for the other three pits, including seeding of topsoil, would be completed in spring of 2024.
22. Subsequent to the Filing Date, the AEPA has issued seven new EPOs (the “**New EPOs**”). Two of the New EPOs were issued on September 12, 2023 and 5 of the New EPOs were issued on October 28, 2023. All of the New EPOs relate to Active Aggregate Pits which are being actively marketed in the SSP.
23. The AEPA responded to the EPO Status Report and noted that the Company is deficient in its obligations under the eight outstanding Original EPOs.
24. The Proposal Trustee understands that there are discrepancies between the Company’s view of the status of the reclamation work and the AEPA’s view and that the parties are working to arrange a meeting to discuss the deficiencies under the eight Original EPOs as well as the issuance of the New EPOs.

MARKETING OF THE COMPANY’S ASSETS

ACTIVE AGGREGATE PITS

25. On September 20, 2023, the Company launched the SSP to market and sell Active Aggregate Pits. The Company is running the SSP itself, with the Proposal Trustee acting as a third party to oversee the process and ensure its 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. the Company setting up a virtual data room for interested parties to view confidential information following the execution of a non-disclosure agreement; and
 - c. the Company making its management available to interested parties for meetings and to provide site tours.
27. The Proposal Trustee intends to provide this Honourable Court with a full summary of the SSP in a future report when the Company seeks the approval of transaction(s) which result from the SSP.
28. The deadline for the submission of initial offers under the SSP was October 25, 2023 (the “**Bid Deadline**”). As at the date of this Third Report, the Company, in consultation with the Proposal Trustee, is in the process of reviewing the submitted offers and clarify certain terms off the offers. The Company intends to advance these discussions and consult with the AEPA with the goal of entering into binding purchase agreement(s) acceptable to the Company and the AEPA.

EQUIPMENT AUCTION

29. The Equipment consists of certain of the Company’s owned equipment, the majority of which relates to crushing operations, and which is no longer necessary for the Company’s current operational focus of selling currently 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. 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.

30. On or around September 11, 2023, the Company, in consultation with the Proposal Trustee and Travelers, prepared a list of 5 auction houses and 1 interested party to reach out to in order to seek proposals to sell the Equipment by the way of public auction or outright purchase the Equipment.
31. The Company received proposals from 5 parties (the “**Equipment Proposals**”) which contained varying structures including minimum purchase price guarantees, commission-only consideration, and offers to outright purchase the Equipment. One auction house declined to submit a proposal.
32. A table summarizing the Equipment Proposals received by the Company has been attached to the supplemental report prepared by the Proposal Trustee (the “**Supplement to the Third Report**”).
33. The Company, in consultation with the Proposal Trustee and Travelers, evaluated the Equipment Proposals with consideration for, among other things:
 - a. the minimum purchase price guarantees;
 - b. the fee structures, including commissions, buyer’s premiums, sharing thresholds and cost deductions;
 - c. key dates, including proposed auction dates;
 - d. closing risk and risk associated with maximizing recoveries under each proposal;
 - e. the proposed consideration structures and the anticipated recoveries.
34. After review, the Company, in consultation with the Proposal Trustee and Travelers, selected an auction proposal submitted by Ritchies (the “**Ritchie’s Proposal**”). Following the selection of the Ritchie’s Proposal, the Proposal Trustee understands that the Company

and Ritchies proceeded to negotiate the terms of the Auction Agreement. These negotiations included the revision of the list of Equipment to be sold by auction and resulting decrease in the consideration offered by Ritchies, as the original proposal included certain equipment that was not owned by the Company. The Company determined the decrease in consideration was likely to be similar across all Equipment Proposals and it was not necessary to have all parties resubmit their proposals.

35. A table summarizing the Equipment Proposals received by the Company and copy of the unredacted Auction Agreement has been attached to the Confidential Levkulich Affidavit along with a further summary and additional details being set out in the Confidential Supplement.
36. The Auction Agreement includes the following key terms:
 - a. Ritchies will sell the Equipment by way of public auction to be held at its Nisku, AB facility on or about December 13, 2023;
 - b. the transportation costs to move the Equipment to Ritchie's Nisku facility is at the Company's expense;
 - c. the proceeds to the Company are based on a gross minimum guarantee structure whereby the Company will receive guaranteed proceeds up to a certain threshold and a 70% share of proceeds in excess of the threshold;
 - d. Ritchies will make payment to the Company for its share of the proceeds within 21 days of the auction having been completed; and
 - e. the only material condition to closing is the approval of the Auction Agreement by this Honourable Court.
37. The Proposal Trustee's comments with respect to the Auction Agreement are as follows:

- a. The Company completed a fulsome tender process to determine various options to monetize the equipment;
 - b. The Ritchies option provides a minimum guaranteed amount with a split of sales proceeds between the Company and Ritchie's above a certain threshold. This structure provides downside risk while maintaining the potential for upside to the estate depending on the results of the auction;
 - c. based on the Proposal Trustee's prior experience with auctioneers and liquidators, the structure of, and other key terms in, the Auction Agreement is commercially reasonable give the nature, locations and condition of the Equipment; and
 - d. the Company consulted with Travelers throughout the tender process and the Proposal Trustee understands that Travelers is supportive of the Auction Agreement.
38. Of the Equipment Proposals received, the Ritchie's Proposal will result in monetization of the Equipment in a timely manner and maximizes the potential realization for the Equipment while providing competitive baseline consideration through a gross minimum guarantee. Accordingly, the Proposal Trustee recommends this Honourable Court grant the Company's request for the Auction Approval Order and to vest the Equipment in the purchaser(s) free and clear of any security interest, lien or other encumbrance.
39. The Proposal Trustee has provided additional details and analysis with respect to the Equipment Proposals and the Auction Agreement in the Confidential Supplement.

ATLAS AGGREGATES

40. The Company holds a minority shareholding (the "**Atlas Shares**") 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 the Company has been advised holds a significant amount of aggregate reserves.

41. As part of its efforts to realize on its assets, the Company intends to market the Atlas Shares. Given Atlas is a private corporation and the complicated ownership structure of the 1386 owned aggregate pit, the Company believes the other Atlas shareholders are the most likely buyer of the Atlas Shares. Further, in order for the Company to maximize the value of the Atlas Shares these other Atlas shareholders should be included in any marketing process for the Atlas Shares.
42. Atlas has refused the Company’s request for certain information relating to the other shareholders of Atlas. The information the Company has requested includes shareholder names, numbers of shares held and contact details (the “**Shareholder Information**”).
43. The Company is seeking an order:
 - a. declaring that the provision of the Shareholder Information is not a violation of privacy law pursuant to the *Personal Information Protection Act* (Alberta); and
 - b. authorizing and directing Atlas to provide the Shareholder Information to Mantle for the purposes of the Company marketing the Atlas Shares for sale.
44. The Proposal Trustee supports the marketing of the Atlas Shares to all of the Atlas shareholders as it will benefit the SSP process and enhance the potential to maximize value to the estate.

RESTRICTED COURT ACCESS ORDER

45. The Confidential Levkulich Affidavit has been prepared by the Company in connection with the November 8 Application and contains confidential and commercially sensitive information relating to the Equipment Proposals and the Auction Agreement. Similarly,

the Confidential Supplement has been prepared by the Proposal Trustee to provide further details and a comparison of the Equipment Proposals and the Auction Agreement and, as a result, contains confidential and commercial sensitive information relating to same.

46. The information contained in the Confidential Levkulich Affidavit and the Confidential Supplement could be detrimental to the realization process for the Equipment in the event the Auction Agreement is not completed.
47. An order sealing the Confidential Levkulich Affidavit and the Confidential Supplement is necessary to prevent the commercially sensitive information relating to the Equipment Proposals and the Auction Agreement from being published and disclosed. The Sealing Order being sought by the Company is the least restrictive means possible to prevent disclosure of the confidential and commercially sensitive information contained in the Confidential Levkulich Affidavit and the Confidential Supplement, as it is limited in time and will be unsealed upon the filing of the Proposal Trustee's certificate.
48. The Proposal Trustee supports the Company's request for a restricted access order as the Confidential Levkulich Affidavit and the Confidential Supplement contain commercially sensitive information that if disclosed present a real risk to the Company's commercial interests and could harm the Company's efforts to maximize proceeds from the sale of Equipment.

CASH FLOW STATEMENT

VARIANCE ANALYSIS

49. The Company, in consultation with the Proposal Trustee, prepared the Fourth Cash Flow Statement which was filed as Appendix "A" to the Second Report.
50. The Company's actual cash flows in comparison to those contained in the Fourth Cash Flow Statement forecast for the period of September 16 to October 27, 2023 are summarized below:

6 Week Period Ending Oct 27, 2023			
<i>(CAD\$)</i>	Actual	Forecast	Variance
RECEIPTS			
Receipts	\$ 1,345,311	\$ 1,598,904	\$ (253,592)
DISBURSEMENTS			
<i>Operating Disbursements</i>			
Payroll + Source Deductions	185,012	161,386	23,627
Royalties	112,030	121,470	(9,440)
Trucking and Fuel	1,228,650	1,244,227	(15,577)
Repair & Maintenance	797	6,000	(5,203)
Equipment Lease Payments	68,974	88,410	(19,436)
Insurance & Benefits	14,752	18,620	(3,868)
G&A Expense	54,220	49,115	5,104
EPO Reclamation	454,600	1,076,410	(621,810)
Emergency Payments	113,713	109,472	4,241
<i>Total Operating Disbursements</i>	<u>2,232,748</u>	<u>2,875,109</u>	<u>(642,361)</u>
Net Operating Cash Flow	\$ (887,437)	\$ (1,276,206)	\$ 388,769
<i>Non-Operating Receipts & Disbursements</i>			
<i>Professional Fees</i>	259,085	543,446	(284,361)
<i>Total Non-Operating Receipts & Disbursements</i>	<u>259,085</u>	<u>543,446</u>	<u>(284,361)</u>
NET CASH FLOWS	\$ (1,146,522)	\$ (1,819,652)	\$ 673,129
CASH			
Beginning Balance	20,171	20,171	-
<i>Interim Financing (Draw)</i>	1,468,700	1,860,000	(391,300)
Net Cash Inflows / (Outflows)	<u>(1,146,522)</u>	<u>(1,819,652)</u>	<u>673,129</u>
ENDING CASH	\$ 342,348	\$ 60,519	\$ 281,829
INTERIM FINANCING FACILITY			
Opening	335,000	335,000	-
Draw/ (Repayment)	1,468,700	1,860,000	(391,300)
ENDING INTERIM FINANCING FACILITY	\$ 1,803,700	\$ 2,195,000	\$ (391,300)

51. The material variances in actual receipts and disbursements as compared to the Fourth Cash Flow Statement are primarily due to timing in the collection of receipts and payments relating to the Environmental Reclamation Obligations and professional fees. As a result of the reduced payments, the Company's draw on the Interim Financing is also lower than was forecast. Below is a more detailed description of these variances:

- a. the unfavourable variance in receipts of approximately \$250,000 relates to the timing in collections. This variance is expected to be reverse in future periods;

- b. the favourable variance of approximately \$640,000 in disbursements is primarily comprised of:
 - i. unfavourable variance of approximately \$24,000 relating to employee expenses due to more work by hourly staff to complete inventory sales which were not originally included in the forecast;
 - ii. favourable variance of approximately \$16,000 for the trucking and fuel expenses which is expected to reverse in future periods;
 - iii. favourable variance of approximately \$24,000 relating to repair & maintenance and equipment lease payments which are lower than forecast due to reduced equipment hours. This variance is expected to be permanent;
 - iv. of the favourable variance of approximately \$622,000 for EPO reclamation the Company expects that approximately \$225,000 will reverse in the coming weeks as the invoices come due for work completed in October. Approximately \$325,000 relates to expenses that will now be incurred in 2024 as the Company's reclamation work is more or less complete for the 2023 operating season. The Company believes that it has cost savings in completing reclamation work to date of approximately \$70,000; and
 - v. the favorable variance of approximately \$285,000 for professional fees relates to the timing of payment of invoices and is expected to reverse in future periods.
52. As at October 27, 2023, the Interim Financing Facility has been drawn to approximately \$1.8 million and the Company has an ending cash balance of approximately \$342,000.

FIFTH CASH FLOW STATEMENT

53. Management has prepared the Fifth Cash Flow Statement to set out the Company's liquidity requirements for the 10-week period ending January 5, 2024 (the "Forecast Period"). A copy of the Fifth Cash Flow Statement is attached as Appendix A.

54. The Fifth Cash Flow Statement is summarized as follows:

Weeks Ending (Friday) (CAD)	Jul 28 to Oct 27	Oct 28 to Jan 5	Total
Forecast Week	Actual	Forecast	
RECEIPTS			
Operational Receipts	1,944,519	3,252,820	5,197,340
Sale of Equipment	-	1,588,800	1,588,800
Receipts	1,944,519	4,841,620	6,786,140
DISBURSEMENTS			
<i>Operating Disbursements</i>			
Payroll + Source Deductions	478,428	213,382	691,810
Royalties	112,030	319,228	431,258
Trucking and Fuel	1,512,299	495,417	2,007,716
Repair & Maintenance	12,537	4,000	16,537
Equipment Lease Payments	108,534	35,380	143,914
Insurance & Benefits	43,268	38,832	82,099
G&A Expense	92,633	56,167	148,800
EPO Reclamation	671,287	435,104	1,106,391
<i>Total Operating Disbursements</i>	3,144,729	1,597,509	4,742,238
Net Operating Cash Flow	\$ (1,200,210)	\$ 3,244,111	\$ 2,043,901
<i>Non-Operating Receipts & Disbursements</i>			
Professional Fees	289,064	578,988	868,052
<i>Total Non-Operating Receipts & Disbursements</i>	289,064	578,988	868,052
NET CASH FLOWS	\$ (1,489,273)	\$ 2,665,123	\$ 1,175,849
CASH			
Beginning Balance	\$ 27,922	\$ 342,348	\$ 27,922
Interim Financing (Draw)	1,803,700	396,300	2,200,000
Net Cash Inflows / (Outflows)	(1,489,273)	2,665,123	1,175,849
ENDING CASH	\$ 342,348	\$ 3,403,770	\$ 3,403,770
INTERIM FINANCING FACILITY			
Opening	\$ -	\$ 1,803,700	\$ -
Draw/ (Repayment)	1,803,700	396,300	2,200,000
ENDING INTERIM FINANCING FACILITY	\$ 1,803,700	\$ 2,200,000	\$ 2,200,000

55. The Fifth Cash Flow Statement projects the Company will have positive net cash flow of approximately \$2.6 million over the Forecast Period, including:
- a. total receipts of approximately \$3.2 million, primarily relating to the collection of revenue generated from the sale of inventory during the Forecast Period;
 - b. operating disbursements of approximately \$1.6 million, primarily relating to employee expenses, royalties on sale of inventory, trucking and fuel and EPO reclamation expenses;
 - c. proceeds from the Auction Agreement of approximately \$1.6 million which is shown to be collected approximately 21 days following the expected auction date of December 13, 2023; and
 - d. professional fees of approximately \$0.6 million.
56. The Fifth Cash Flow Statement forecasts a total draw against the Interim Financing Facility as at January 5, 2024, to be \$2.2 million. This includes a draw of approximately \$400,000 in the early weeks of the Forecast Period to account for working capital needs relating to the payment of the Company's vendors.
57. The Fifth Cash Flow Statement contemplates the following:
- a. the Company's collection of accounts receivable for the pre-filing period as well as receivables from the sale of the Company's current inventory;
 - b. expenses relating to the sale of and transportation of the Company's inventory; and
 - c. the Company continuing to complete the reclamation work required by the EPOs. As further described above the Fifth Cash Flow Statement includes costs for reclamation work totaling approximately \$435,000, however similar to its previous

cash flow forecasts, the Company has advised the Proposal Trustee that reclamation work beyond the Forecast Period will be required.

58. The Fifth Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Fifth Cash Flow Statement, including assumptions that goods and services incurred after the Filing Date are paid when incurred.
59. The Proposal Trustee's review of the Fifth 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 Fifth Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances.
60. Based on the Proposal Trustee's review, as at the date of this Third 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 Fifth 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 Fifth Cash Flow Statement.

STAY EXTENSION

61. The stay of proceedings and time within which the Applicant is required to file a proposal expires on November 13, 2023. At the November 8 Application, the Company is requesting an extension to December 28, 2023.

62. The Proposal Trustee is of the view that the requested extension 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;
 - b. the extension of the Stay Period should allow sufficient time for the Company to continue to work towards the satisfaction of the Environmental Reclamation Obligations;
 - c. the extension of the Stay Period will allow the Company to continue the SSP for the Active Aggregate Pits, which will be to the benefit of all stakeholders and provide additional funding for these Proposal Proceedings;
 - d. the Fifth Cash Flow Statement indicates that the Company will have sufficient liquidity to continue to fund operations and the cost of the Proposal Proceedings to December 28, 2023;
 - e. the continuation of the Company's reclamation work is for the benefit of and will not materially prejudice any creditor as it will reduce the Environmental Reclamation Obligations, which have priority over all assets of the estate used in the gravel business; and
 - f. these Proposal Proceedings commenced on July 15, 2023, and the initial Stay of Proceedings was granted until August 13, 2023. The Company's request to extend the Stay of Proceedings until December 28, 2023 does not exceed the extension of the Stay Period beyond the aggregate five-month period since the expiry of the initial Stay Period which will be on January 13, 2024.

PROPOSAL TRUSTEE'S RECOMMENDATIONS

63. The Proposal Trustee respectfully recommends that this Honourable Court grant the Company's request for the following:
- a. the Auction Approval Order;
 - b. the Sealing Order; and
 - c. the Stay Extension Order which among other things, would extend the Stay Period to December 28, 2023.

All of which is respectfully submitted this 3rd day of November 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



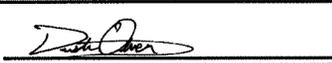
Dustin Olver, CA, CPA, CIRP, LIT
Senior Managing Director
FTI Consulting Canada Inc.

Appendix A

Mantle Materials Group Ltd.
Fifth Cash Flow Statement

Weeks Ending (Friday) (CAD)	3-Nov Forecast	10-Nov Forecast	17-Nov Forecast	24-Nov Forecast	1-Dec Forecast	8-Dec Forecast	15-Dec Forecast	22-Dec Forecast	29-Dec Forecast	5-Jan Forecast	10-Week Forecast
Forecast Week	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	Wk 9	Wk 10	Total
RECEIPTS											
Operational Receipts	-	390,582	358,029	865,284	766,098	6,653	298,887	298,887	28,400	240,000	3,252,820
Sale of Equipment	-	-	-	-	-	-	-	-	-	1,588,800	1,588,800
Receipts	-	390,582	358,029	865,284	766,098	6,653	298,887	298,887	28,400	1,828,800	4,841,620
DISBURSEMENTS											
<i>Operating Disbursements</i>											
Payroll + Source Deductions	44,846	-	44,846	-	41,230	-	41,230	-	41,230	-	213,382
Royalties	1,384	-	3,544	-	55,085	-	192,330	27,502	12,983	26,400	319,228
Trucking and Fuel	273,180	200,237	10,900	1,800	1,800	1,800	1,800	1,800	1,800	300	495,417
Repair & Maintenance	1,000	1,000	1,000	1,000	-	-	-	-	-	-	4,000
Equipment Lease Payments	4,037	3,629	23,434	3,871	409	-	-	-	-	-	35,380
Insurance & Benefits	6,408	7,397	4,408	-	6,408	7,397	408	-	6,408	-	38,832
G&A Expense	30,962	1,000	1,000	1,000	8,853	1,000	1,000	1,000	8,853	1,500	56,167
EPO Reclamation	111,854	323,250	-	-	-	-	-	-	-	-	435,104
<i>Total Operating Disbursements</i>	473,670	536,512	89,131	7,671	113,784	10,197	236,768	30,302	71,274	28,200	1,597,509
Net Operating Cash Flow	\$ (473,670)	\$ (145,931)	\$ 268,898	\$ 857,614	\$ 652,314	\$ (3,543)	\$ 62,119	\$ 268,585	\$ (42,874)	\$ 1,800,600	\$ 3,244,111
<i>Non-Operating Receipts & Disbursements</i>											
Professional Fees	-	70,000	-	-	372,738	-	-	-	136,250	-	578,988
<i>Total Non-Operating Receipts & Disbursements</i>	-	70,000	-	-	372,738	-	-	-	136,250	-	578,988
NET CASH FLOWS	\$ (473,670)	\$ (215,931)	\$ 268,898	\$ 857,614	\$ 279,576	\$ (3,543)	\$ 62,119	\$ 268,585	\$ (179,124)	\$ 1,800,600	\$ 2,665,123
CASH											
Beginning Balance	\$ 342,348	\$ 264,977	\$ 49,047	\$ 317,944	\$ 1,175,558	\$ 1,455,134	\$ 1,451,591	\$ 1,513,709	\$ 1,782,294	\$ 1,603,170	\$ 342,348
Interim Financing (Draw)	396,300	-	-	-	-	-	-	-	-	-	396,300
Net Cash Inflows / (Outflows)	(473,670)	(215,931)	268,898	857,614	279,576	(3,543)	62,119	268,585	(179,124)	1,800,600	2,665,123
ENDING CASH	\$ 264,977	\$ 49,047	\$ 317,944	\$ 1,175,558	\$ 1,455,134	\$ 1,451,591	\$ 1,513,709	\$ 1,782,294	\$ 1,603,170	\$ 3,403,770	\$ 3,403,770
INTERIM FINANCING FACILITY											
Opening	\$ 1,803,700	\$ 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	\$ 1,803,700
Draw/ (Repayment)	396,300	-	-	-	-	-	-	-	-	-	396,300
ENDING INTERIM FINANCING FACILITY	\$ 2,200,000										


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 October 28, 2023 to January 5, 2024.

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] Operational receipts consist of post-filing amounts are estimated collections from customers for work completed and invoiced after the NOI filing and collection of pre-filing customer accounts receivable.
- [2] Proceeds from the sale of the Company's Surplus Equipment by way of public auction by Ritchie Bros.
- [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] Professional fees relate to the Company's legal counsel, the Trustee and Trustee's legal counsel.
- [12] The Interim Financing represents advances for interim funding provided by Interim Financing lender during the NOI proceedings.