

COURT FILE NUMBER

25-2965622

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

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

**August 11, 2023**



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**SUPPLEMENT TO THE FIRST REPORT OF THE PROPOSAL TRUSTEE**

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## INTRODUCTION

1. The purpose of this supplemental report (the “**Supplemental Report**”) is to provide additional information to supplement the First Report of the Proposal Trustee dated August 4, 2023 (the “**First Report**”). The purpose of this Supplemental Report is to provide this Honourable Court with information with respect to:
  - a. a summary of the actual cashflow results for the period of July 29 to August 4, 2023 compared to the cash flow statement filed with this Honourable Court on August 4, 2023 (the “**Second Cash Flow Statement**”); and
  - b. the Company’s revised cash flow statement (the “**Third Cash Flow Statement**”) for the period commencing August 5, 2023 and ending December 29, 2023.
2. This Supplemental First Report is being delivered in connection with the Company’s application on August 15, 2023 (the “**August 15 Application**”), which was rescheduled from August 8, 2023 (the “**August 8 Application**”). The Company will be seeking the same relief as was sought at the August 8 Application with an increase to the proposed interim financing being sought.
3. Since the August 8 Application, the Proposal Trustee has coordinated numerous meetings with the key stakeholders, including the Company, Travelers and others to understand concerns and walk through the Company’s cash flow projections and assumptions around on-going operations. The Proposal Trustee, with the consent of the Company, has also provided Travelers with additional detailed analysis and information with respect to the Third Cash Flow Statement and the profitability of on-going operations.
4. Electronic copies of all materials filed by the Company in connection with the August 15 Application and other statutory materials are available on the Proposal Trustee's website at: <http://cfcanada.fticonsulting.com/mantle/>.

## TERMS OF REFERENCE

5. In preparing this Supplement 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**").
6. Except as described in this Supplemental 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.
7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
8. Capitalized terms not otherwise defined herein are defined in the First Report.

## SECOND CASH FLOW STATEMENT

### VARIANCE ANALYSIS

9. The Company, in consultation with the Proposal Trustee, prepared the Second Cash Flow Statement for the period ending October 20, 2023, which was filed as Appendix “C” to the First Report.
10. The Company’s actual cash flows in comparison to those contained in the Second Cash Flow Statement forecast for the period of July 29 to August 4, 2023 are summarized below:

<b>1 Week Period Ending Aug 4, 2023</b>			
<i>(CAD\$)</i>	Actual	Forecast	Variance
<b>RECEIPTS</b>			
Post-Filing Sales	\$ -	\$ -	\$ -
Collection of Pre-filing AR	-	-	-
Other Receipts	-	-	-
<i>Total Receipts</i>	-	-	-
<b>DISBURSEMENTS</b>			
<i>Operating Disbursements</i>			
Payroll + Source Deductions	-	-	-
Royalties	-	-	-
Trucking and Fuel	10,544	-	10,544
Repair & Maintenance	-	-	-
Equipment Lease Payments	-	-	-
Insurance & Benefits	1,682	-	1,682
G&A Expense	8	1,000	(992)
EPO Reclamation	-	-	-
Emergency Payments	-	-	-
<i>Total Operating Disbursements</i>	12,234	1,000	11,234
<b>Net Operating Cash Flow</b>	<b>\$ (12,234)</b>	<b>\$ (1,000)</b>	<b>\$ (11,234)</b>
<i>Non-Operating Receipts &amp; Disbursements</i>			
<i>Interim Financing (Draw)</i>	-	\$ -	-
<i>Professional Fees</i>	-	\$ -	-
<i>Total Non-Operating Receipts &amp; Disbursem</i>	-	-	-
<b>NET CASH FLOWS</b>	<b>\$ (12,234)</b>	<b>\$ (1,000)</b>	<b>\$ (11,234)</b>
<b>CASH</b>			
Beginning Balance	28,267	28,267	-
Net Cash Inflows / (Outflows)	(12,234)	(1,000)	(11,234)
<b>ENDING CASH</b>	<b>\$ 16,034</b>	<b>\$ 27,267</b>	<b>\$ (11,234)</b>

11. The Company's is seeking approval of the Interim Lender's Charge to gain access to the Interim Financing Facility and this approval was not expected until after the period ending August 4, 2023. As a result, the Second Cash Flow Statement forecasts only very minor disbursements in an effort to conserve cash on hand. The Company's actual results show minor expenditures for fuel purchases and insurance premiums that were required to maintain operations.

### THIRD CASH FLOW STATEMENT

12. The Company has prepared the Third Cash Flow Statement in support of the August 15 Application in order to better present the overall cash projection of the Company for the period of August 5 to December 29, 2023 (the "Forecast Period"), a summary of which is included below. A copy of the Third Cash Flow Statement is attached hereto as Appendix "A".

Weeks Ending (Friday) (CAD)	Second CF	Third CF	Variance
	Statement	Statement	
	12-Week	21-Week	
	Forecast	Forecast	
Forecast Week	Total	Total	
<b>RECEIPTS</b>			
Post-Filing Sales	\$ 2,947,458	\$ 3,824,230	\$ 876,773
Collection of Pre-filing AR	697,396	697,396	-
Other Receipts	-	38,700	38,700
<i>Total Receipts</i>	<u>3,644,854</u>	<u>4,560,326</u>	<u>915,473</u>
<b>DISBURSEMENTS</b>			
<i>Operating Disbursements</i>			
Payroll + Source Deductions	276,800	456,369	179,569
Royalties	1,080,269	363,126	(717,143)
Trucking and Fuel	1,352,501	1,636,180	283,679
Repair & Maintenance	11,000	21,000	10,000
Equipment Lease Payments	88,658	97,346	8,688
Insurance & Benefits	24,446	103,276	78,830
G&A Expense	45,883	88,765	42,883
EPO Reclamation	1,388,754	1,640,869	252,115
Emergency Payments	85,515	85,515	-
<i>Total Operating Disbursements</i>	<u>4,353,826</u>	<u>4,492,446</u>	<u>138,620</u>
<b>Net Operating Cash Flow</b>	<b>\$ (708,972)</b>	<b>\$ 67,881</b>	<b>\$ 776,852</b>
<i>Non-Operating Receipts &amp; Disbursements</i>			
Interim Financing (Draw)	(1,400,000)	(2,200,000)	(800,000)
Professional Fees	425,000	721,250	296,250
<i>Total Non-Operating Receipts &amp; Disbursements</i>	<u>(975,000)</u>	<u>(1,478,750)</u>	<u>(503,750)</u>
<b>NET CASH FLOWS</b>	<b>\$ 266,028</b>	<b>\$ 1,546,631</b>	<b>\$ 1,280,602</b>
<b>CASH</b>			
Beginning Balance	\$ 28,267	\$ 16,034	\$ (12,234)
Net Cash Inflows / (Outflows)	266,028	1,546,631	1,280,602
<b>ENDING CASH</b>	<b>\$ 294,296</b>	<b>\$ 1,562,664</b>	<b>\$ 1,268,369</b>

13. The Company and the Proposal Trustee determined it was necessary to provide a revised cash flow statement as certain positive material changes were made to projections since the First Report including:
- a. extending the Forecast Period to the end of the year to provide better insight into the full economics of ongoing sales contracts as the Second Cash Flow statement ended October 20, 2023. There are material cash receipts generated from completing ongoing projects that will be received after October 20, 2023, therefore the Second Cash Flow Statement contained in the First Report did not capture these receipts. By extending the Third Cash Flow Statement to December 29, 2023 it provides a more complete picture of the economics of continuing operations;
  - b. updating royalty expenses, which was previously overstated due to a formula error in the previous forecast;
  - c. adjusting timing of expected cash disbursements relating to vendors (specifically trucking) stemming from the Company's now further advanced negotiations on work terms post Filing Date;
  - d. providing the full scope of reclamation work expected to be completed by the Company on the Inactive Pits prior to the end of 2023 (assuming there are no further delays in commencing this work);
  - e. overall, the Third Cash Flow Statement demonstrates positive net operating cash flow of \$67,881 an improvement of \$776,852. The Third Cash Flow Statement outlines the profitability in completing the ongoing contracts and supports the Company's plan to continue ongoing operations; and
  - f. increasing interim financing requirements to \$2.2 million resulting from the adjusted timing of cash operational disbursements which moved a substantial amount of disbursements into the earlier weeks of the Forecast Period. This increase

is offset by higher net operating cash flow such that the Company ultimately ends in a better net cash position by the end of the Forecast Period.

14. The Third Cash Flow Statement requires a maximum draw on the Interim Financing Facility of up to \$2.2 million. The Proposal Trustee understands that the Company will now be seeking the approval of the Interim Financing Facility up to a maximum principal amount of \$2.2 million to align with the cash needs outlined in the Third Cash Flow Statement and that the RLH Lender has agreed to the increase in the quantum of the facility.
15. The Company has an imminent need for liquidity, if funding is not obtained immediately the Company will have no ability to pay employees or suppliers required to maintain operations and safeguard assets.
16. A detailed summary of the assumptions used to develop the Third Cash Flow Statement can be found in the First Report as these assumptions are the same as was used in the Second Cash Flow Statement. However, the Proposal Trustee notes the following specific assumption relating to the Third Cash Flow Statement:
  - a. subsequent to the granting of the Interim Lender's Charge the Company will continue the reclamation work required by the AEP to satisfy the Environmental Reclamation Obligations for the Inactive Pits. The Third Cash Flow Statement includes payments in regard to this reclamation work totaling \$1.6 million. The Proposal Trustee understands that the majority of the reclamation work will be completed by the end of 2023 with minor monitoring work being required in 2024 and onwards, as long as the current reclamation schedule is maintained. Any further delays would substantially increase the costs to be incurred in 2024 and onwards.
17. The Third Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Third Cash Flow Statement, including assumptions that goods and services incurred after the Filing Date. are paid when incurred.



18. The Proposal Trustee’s review of the Third 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 Third Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances.
  
19. Based on the Proposal Trustee’s review, as at the date of this Supplemental 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 Third 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 Third Cash Flow Statement.
  
20. In the Proposal Trustee’s view maintaining operations to complete ongoing contracts will generate positive net operating cashflow for the benefit of the stakeholders in these proceedings while addressing the Environmental Reclamation Obligations.

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All of which is respectfully submitted this 11<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

**Mantle Materials Group Ltd.**  
 Projected Cash Flow Statement for the period of August 5, 2023 to December 29, 2023

Projected Cash Flow Statement (C\$ 000s)	Week 1 11-Aug	Week 2 18-Aug	Week 3 25-Aug	Week 4 1-Sep	Week 5 8-Sep	Week 6 15-Sep	Week 7 22-Sep	Week 8 29-Sep	Week 9 6-Oct	Week 10 13-Oct	Week 11 20-Oct	Week 12 27-Oct	Week 13 3-Nov	Week 14 10-Nov	Week 15 17-Nov	Week 16 24-Nov	Week 17 1-Dec	Week 18 8-Dec	Week 19 15-Dec	Week 20 22-Dec	Week 21 29-Dec	Total	Notes	
<b>Cash Receipts</b>																								
Post-Filing Sales	\$ -	\$ -	\$ -	\$ 10,400	\$ 30,400	\$ 76,050	\$ 75,750	\$ 165,750	\$ 1,070,710	\$ 1,070,710	\$ 227,688	\$ 517,688	\$ 305,188	\$ 103,938	\$ 39,980	\$ 129,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,824,230	1
Collection of Pre-filing AR	-	72,010	429,269	162,700	23,115	10,302	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	697,396	2
Other Receipts	38,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,700	3
<b>Total - Cash Receipts</b>	<b>\$ 38,700</b>	<b>\$ 72,010</b>	<b>\$ 429,269</b>	<b>\$ 173,100</b>	<b>\$ 53,515</b>	<b>\$ 86,352</b>	<b>\$ 75,750</b>	<b>\$ 165,750</b>	<b>\$ 1,070,710</b>	<b>\$ 1,070,710</b>	<b>\$ 227,688</b>	<b>\$ 517,688</b>	<b>\$ 305,188</b>	<b>\$ 103,938</b>	<b>\$ 39,980</b>	<b>\$ 129,980</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,560,326</b>	
<b>Operating Disbursements</b>																								
Payroll + Source Deductions	49,017	46,285	55,096	-	55,096	-	55,096	-	55,096	-	49,617	-	20,944	-	20,944	-	20,944	-	14,117	-	14,117	-	456,369	4
Royalties	-	-	-	2,933	2,933	7,608	7,700	7,700	65,450	65,450	47,438	47,438	18,988	19,865	14,332	4,092	12,800	25,600	-	-	-	12,800	363,126	5
Trucking and Fuel	-	71,280	3,120	563,655	653,655	108,695	138,695	18,695	15,026	15,026	12,986	7,580	7,580	1,080	1,080	1,080	1,080	480	480	480	480	1,636,180	6	
Repair & Maintenance	-	2,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	21,000	7
Equipment Lease Payments	-	39,434	9,596	10,005	6,955	9,687	5,742	1,411	1,753	4,076	803	-	409	-	2,732	803	409	-	2,732	803	-	97,346	8	
Insurance & Benefits	5,651	18,212	8,158	6,000	7,804	-	4,408	-	13,804	-	408	-	6,408	7,397	4,408	-	6,408	7,397	408	-	6,408	-	103,276	9
G&A Expense	-	13,294	1,100	12,194	1,000	1,000	1,000	1,100	12,194	1,000	1,000	1,000	12,294	1,000	1,000	1,000	1,000	12,294	1,000	1,000	1,000	12,294	88,765	10
EPO Reclamation	-	176,364	104,364	104,364	104,364	126,904	176,904	126,904	151,904	105,561	105,561	155,561	105,561	35,570	10,570	10,570	10,570	10,570	6,236	6,236	6,236	1,640,869	11	
Emergency Payments	-	85,515	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85,515	12
<b>Total - Operating Disbursements</b>	<b>\$ 54,668</b>	<b>\$ 452,384</b>	<b>\$ 182,434</b>	<b>\$ 700,151</b>	<b>\$ 832,808</b>	<b>\$ 254,894</b>	<b>\$ 390,545</b>	<b>\$ 156,810</b>	<b>\$ 316,227</b>	<b>\$ 192,113</b>	<b>\$ 220,852</b>	<b>\$ 217,985</b>	<b>\$ 173,183</b>	<b>\$ 72,411</b>	<b>\$ 56,064</b>	<b>\$ 18,544</b>	<b>\$ 65,504</b>	<b>\$ 46,046</b>	<b>\$ 25,971</b>	<b>\$ 9,518</b>	<b>\$ 53,334</b>	<b>\$ 4,492,446</b>		
<b>Net Operating Cash Flow</b>	<b>\$ (15,968)</b>	<b>\$ (380,374)</b>	<b>\$ 246,835</b>	<b>\$ (527,051)</b>	<b>\$ (779,293)</b>	<b>\$ (168,542)</b>	<b>\$ (314,795)</b>	<b>\$ 8,940</b>	<b>\$ 754,483</b>	<b>\$ 878,597</b>	<b>\$ 6,836</b>	<b>\$ 299,703</b>	<b>\$ 132,005</b>	<b>\$ 31,526</b>	<b>\$ (16,084)</b>	<b>\$ 111,436</b>	<b>\$ (65,504)</b>	<b>\$ (46,046)</b>	<b>\$ (25,971)</b>	<b>\$ (9,518)</b>	<b>\$ (53,334)</b>	<b>\$ 67,881</b>		
<b>Non-Operating Receipts &amp; Disbursements</b>																								
Interim Financing (Draw)	-	(475,000)	-	(450,000)	(1,000,000)	-	(275,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,200,000)	13
Professional Fees	-	70,000	-	-	172,500	-	-	-	82,500	-	-	-	127,500	-	-	-	127,500	-	-	-	-	141,250	721,250	14
<b>Total - Non-Operating Receipts &amp; Disbursements</b>	<b>\$ -</b>	<b>\$ (405,000)</b>	<b>\$ -</b>	<b>\$ (450,000)</b>	<b>\$ (827,500)</b>	<b>\$ -</b>	<b>\$ (275,000)</b>	<b>\$ -</b>	<b>\$ 82,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 127,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 127,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 141,250</b>	<b>\$ (1,478,750)</b>	
<b>Net Cash Flow</b>	<b>\$ (15,968)</b>	<b>\$ 24,626</b>	<b>\$ 246,835</b>	<b>\$ (77,051)</b>	<b>\$ 48,207</b>	<b>\$ (168,542)</b>	<b>\$ (39,795)</b>	<b>\$ 8,940</b>	<b>\$ 671,983</b>	<b>\$ 878,597</b>	<b>\$ 6,836</b>	<b>\$ 299,703</b>	<b>\$ 4,505</b>	<b>\$ 31,526</b>	<b>\$ (16,084)</b>	<b>\$ 111,436</b>	<b>\$ (193,004)</b>	<b>\$ (46,046)</b>	<b>\$ (25,971)</b>	<b>\$ (9,518)</b>	<b>\$ (194,584)</b>	<b>\$ 1,546,631</b>		
Opening Cash	\$ 16,034	\$ 66	\$ 24,692	\$ 271,527	\$ 194,475	\$ 242,683	\$ 74,141	\$ 34,346	\$ 43,286	\$ 715,269	\$ 1,593,866	\$ 1,600,702	\$ 1,900,405	\$ 1,904,910	\$ 1,936,436	\$ 1,920,352	\$ 2,031,788	\$ 1,838,784	\$ 1,792,738	\$ 1,766,766	\$ 1,757,248	16,034		
Change in Cash	(15,968)	24,626	246,835	(77,051)	48,207	(168,542)	(39,795)	8,940	671,983	878,597	6,836	299,703	4,505	31,526	(16,084)	111,436	(193,004)	(46,046)	(25,971)	(9,518)	(194,584)	1,546,631		
<b>Ending Cash Balance</b>	<b>\$ 66</b>	<b>\$ 24,692</b>	<b>\$ 271,527</b>	<b>\$ 194,475</b>	<b>\$ 242,683</b>	<b>\$ 74,141</b>	<b>\$ 34,346</b>	<b>\$ 43,286</b>	<b>\$ 715,269</b>	<b>\$ 1,593,866</b>	<b>\$ 1,600,702</b>	<b>\$ 1,900,405</b>	<b>\$ 1,904,910</b>	<b>\$ 1,936,436</b>	<b>\$ 1,920,352</b>	<b>\$ 2,031,788</b>	<b>\$ 1,838,784</b>	<b>\$ 1,792,738</b>	<b>\$ 1,766,766</b>	<b>\$ 1,757,248</b>	<b>\$ 1,562,664</b>	<b>\$ 1,562,664</b>		

DocuSigned by:  
  
 DAZEAF6A770408  
 Mantle Materials Group Ltd.  
 Byron Levkulich, Director

  
 FTI CONSULTING CANADA INC., TRUSTEE UNDER THE NOTICE  
 OF INTENTION TO MAKE A PROPOSAL  
 Dustin Oliver, 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 August 5, 2023 to December 29, 2023. This Projected Cash Flow Statement is based on probable and hypothetical assumptions detailed in Notes 1-14. 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** Other Receipts includes amounts forward by RLF Lender for funding of critical payments and other miscellaneous collections.
- 4** Payroll and source deductions represent payments to employees for wages and vacation pay.
- 5** Royalties represent private and public land aggregate royalty payments and land rental costs.
- 6** Trucking expenses to deliver sold material. Fuel related to company vehicles and crushing operations.
- 7** R&M related to historical run rates for costs relating to crushing equipment and loader necessary to complete the permitted sales contracts.
- 8** Forecasted based on current run rates and expected requirements to complete on-going contracts
- 9** Insurance & Benefits represent recurring payments based on current run rates.
- 10** General and administrative expenses are forecasted based on current run rates and includes occupancy expense, third party accounting expenses, and other miscellaneous costs
- 11** Internal budget based on pending and/or approved work plans set forth with AEP
- 12** Emergency Payments relate to amounts which arose prior to the Filing Date and deemed critical to operations by the Company
- 13** The Interim Financing represents advances for interim funding provided by Interim Financing lender during the NOI proceedings
- 14** Professional fees relate to the Company's legal counsel, the Trustee and Trustee's legal counsel.