

**In the Matter of the Proposal of Pumptown Quarry Inc.
Update to Preliminary Trustee's Report on Proposal
June 24, 2009**

Background

Our preliminary Trustee's report (the "Report") on the Proposal of Pumptown Quarry Inc. (the "Company") dated June 12, 2009, and sent to creditors the same day, addressed several issues surrounding the Proposal and we reported to creditors that our Report was subject to further review of the facts and circumstances surrounding the Proposal.

At the time of our initial Report, we were in the process of collecting facts with respect to the valuation of the Company's quarry property located at 40251 Quadling Road in Abbotsford, B.C. The appraisal done by an independent appraisal firm valued the property at \$1,550,000 (land value), based upon a comparative approach. Unfortunately it was unable to identify many properties that had a comparable aggregate deposit and business. For this reason we wanted to look at the available information that would provide creditors a sense of the prospects and potential value of an operating quarry at the location. At the time of writing our Report, the land value as appraised was the most relevant value based on the fact this is currently a non-producing site that does not have an operating permit and does not have the ability to generate sales or cash flow.

We have now collected additional information on the property's reserves and the estimates future cash flows that could be generated if the Company obtains the necessary permits and financing to once again operate the quarry. We are reporting our additional findings to creditors for consideration in voting on the acceptance or rejection of the Company's Proposal.

Property Valuation

Historical Information

In writing this update, we have performed an examination of additional information regarding the quarry which included the following work:

- Examination of March 2007 property appraisal performed by Grover, Elliott & Co. Ltd. ("Grover Elliott"), an independent appraisal firm, and discussions with the appraiser;
- Examination of May 2009 updated property appraisal performed by Grover, Elliott;
- Discussions with David Pow of McElhanney Consulting Services Ltd., the consulting firm, who has performed engineering consulting work for Pumptown Quarry Inc. for several years, and examination of certain documents produced by that firm;
- Discussions with management of the Company and examination of a net present value analysis for a potential operating aggregates business on the property; and

- Discussions with Steve Dunton and representatives from major creditors including HSBC, Caterpillar Financial Services Ltd. and Realty Investment Corp.

We understand there are approximately 1.2 million cubic meters available for extraction at the quarry pit; this translates to approximately 3.4 million tonnes of material available for extraction. A 2005 McElhanney report had estimated available reserves of 4.198 million tonnes of material. A later report suggests there are reserves of 4.05m tonnes on site. However, subsequently a rare Phantom Orchid has been discovered on the property near the northern edge of the pit. Because of this, there has been an environmental restriction placed on the development of the pit thus limiting the amount of rock available for extraction.

In the 2007 property valuation performed by Grover Elliott, a value of the property's raw materials was estimated at \$33.06 million. This was predicated on available tonnage of 4.198m grossed up for a "swell factor" of 25% to 5.248m tonnes. We understand that a swell factor, although appropriate for the volume of materials, does not impact the actual weight of the goods. Therefore, it is not appropriate to gross up the tonnage for any swelling. We have spoken to the appraiser who advises that the support for the raw material was all provided by the Company at the time and it did not do any independent verification. In fact, the appraisal states that "we recommend obtaining an expert in the field, as well as consultation with a business valuer for a more precise value estimate."

We also noted that estimated extraction costs per tonne were low at \$0.25 to \$0.40 and based on 2005 information. Current costs per tonne are now estimated at \$2.00. It is unclear from the appraisal report on what basis the numbers in the 2007 valuation report were founded upon.

The report assumed revenue dollars per tonne at \$6.30 or higher across several scenarios. It is our current understanding that the Company is in negotiations with a 3rd party to buy materials at \$4.00-\$4.50 per tonne and then crush the rock, as Pumptown does not have the necessary financing or equipment to crush the rock itself. It is noted the Company could potentially finance this equipment in the future and realize higher revenue dollars per tonne.

The report did not use a discount factor to reflect the time value of money which would decrease the net present value (NPV) of the raw materials significantly. The Company has now used a discount factor of 25% over a 5-year operating horizon to estimate the NPV of materials based upon guidelines provided by its auditors. This discount factor was provided by the Company's independent auditors. Management's view is that this discount rate is appropriate in light of current economic conditions and the fact the Company has difficulty in obtaining financing and does not currently have a permit to operate.

Current Estimates of Value

As noted above, Grover Elliott has recently appraised the land value of the quarry property at \$1.550 million with an estimated selling time of 12 months in a May 2009 report. The most recent appraisal did not contain an estimated raw materials value.

Management has prepared a 5-year discounted cash flow model to produce an estimated NPV for the property assuming the quarry obtains an operating permit and continues on a going concern basis. We have examined management’s significant assumptions and have outlined the analysis under the “base case” heading below. In light of corresponding information reviewed, including engineering reports from McElhanney, we have no reason to believe management’s assumptions as used are unreasonable but we have not attempted to verify them.

As in any business or property valuation, users of this report are cautioned that certain assumptions can change favourably or unfavourably over time in light of changed economic, environmental and regulatory circumstances. We summarize the Company’s cash flow model as follows:

Significant Assumption	Base case (prepared by management)	Notes
Time to extract reserves	5 years	1
Total tonnes extracted and sold	3,900,000	2
Selling price per tonne	\$4.50	3
Cost per tonne	\$2.00	4
Discount Rate	25%	5
Net present value (rounded)	\$1,211,609	6

Notes to above analysis:

- 1- Management assumes on a base case that the quarry can be mined over a 5 year period from late 2009 to late 2014. Production would initially be slow in later 2009 and into 2010 then ramp up into 2011 and beyond.
- 2- In light of the Phantom Orchid environmental issue, McElhanney estimated that the property has 3.4m tonnes of available material to extract. Management is of the opinion it can negotiate a “work around” with the Ministry of Environment to satisfy its concerns with Pumptown ultimately being able to harvest a greater volume of rock. It has used a volume of 3.9 million tonnes or approximately 15% more than the estimate provided by McElhanney.
- 3- Management is confident it can negotiate a selling price of \$4.50 per tonne with a 3rd party who will buy uncrushed rock. This assumption is predicated under current conditions where the company has no financing and cannot obtain the necessary equipment to crush the rock.
- 4- Management believes it can operate the quarry at \$2/tonne.
- 5- The discount rate reflects poor economic conditions and the fact the Company does not have an operating permit and cannot obtain financing. This is the discount rate recommended by the Company’s independent auditor.

- 6- The majority of other costs relate to principal and interest payments on the Realty Investments mortgage (discussed in our original report), payroll and administrative costs, and corporate taxes and these are not expected to change significantly.

Conclusions

Summary of our Additional Findings

1. The appraiser's current value of the property used a comparison basis for determining value. They were not able to find any directly comparable properties with a similar aggregate deposit and potential business. They picked the best evidence they could find, as in their 2007 appraisal, to arrive at their valuation. In discussions with the appraiser, he confirmed that there were very few transactions of comparable properties and that this property likely was more illiquid because it was not an operating property and access for removing aggregate was prohibited.
2. The McElhanney consultant advises that the rock is of good quality (medium range) and in a good location compared to other aggregate operations. If the quarry were operating, its location advantage would result in significantly lower transportation costs than other competing locations. However, he indicated that there has been reduced demand for aggregate due to the downturn in the economy.
3. Our discussions with the HSBC confirmed that the basis of support for the Company's proposal to them. They based their decision on the following factors:
 - a. The quarry was not operative
 - b. The bridge had to be replaced or a work around solution found
 - c. The Company had no cash flow
 - d. Any new case had to be raised by a third party on the public markets, which had been decimated by the current economic downturn
 - e. The Company had a significant debt load to service
 - f. Although they did not do a detailed review of the potential aggregate business, it was not a large factor in view of the other factors

Therefore, in light of this new information, we continue to be of the opinion that the analysis supports the Company's position that the Proposal represents a better outcome to creditors than if the Company were to be placed into bankruptcy either by voluntary assignment by the Company or by being 'deemed' bankrupt if the Proposal is not accepted and completed.

Please note the restrictions and qualifications outlined on page 9 of our Report dated June 12, 2009 are applicable to this updated report. We are pleased to answer any questions you have on the analysis contained in this Report.