

CANADA
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-064800-242
FILE NO.: 41-3143487
IN THE MATTER OF THE PROPOSAL OF:

SUPERIOR COURT
“Commercial Division”

EARTH ALIVE CLEAN TECHNOLOGIES INC.

The Debtor

-and-

RAYMOND CHABOT INC., (SR0163)
Ayman Chaaban, CPA, CIRP, LIT
Trustee in charge

Trustee

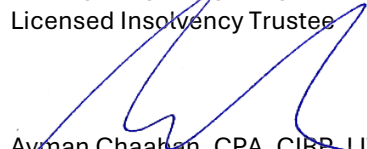
**REPORT OF THE TRUSTEE ON
THE DEBTOR’S BUSINESS AND FINANCIAL AFFAIRS**
(Subsection 50.4(7)b) of the *Bankruptcy and Insolvency Act*)

PREAMBLE

To one of the Honourable judges of the Superior Court, sitting in the Commercial division, in and for the judicial district of Montréal, in accordance with subsection 50.4(7)b) of the *Bankruptcy and Insolvency Act* (“**BIA**”), Raymond Chabot Inc., acting in its capacity as trustee (the “**Trustee**”) in connection with the Notice of Intention to Make a Proposal (the “**NOI**”) filed by Earth Alive Clean Technologies Inc. (“**EACT**” or the “**Company**” or the “**Debtor**”), respectfully submits its second report on the Debtor’s business and financial affairs in support of an application for the issuance of an order from the Court approving, *inter alia*, an extension of the delay to make a proposal.

Signed in Montréal on December 6, 2024

RAYMOND CHABOT INC.
Licensed Insolvency Trustee



Ayman Chaaban, CPA, CIRP, LIT
Trustee in charge

1. INTRODUCTION

- 1.1. On October 22, 2024, EACT filed a NOI with a view to, among other things, allow the Company to protect its limited cash resources, to obtain additional funding, and to carry out its restructuring plan for the benefit of all stakeholders. On that same day, EACT issued a press release announcing, among other things, that it had filed a NOI.
- 1.2. On October 23, 2024, EACT notified an application for the issuance of an order from the Court **(i)** approving an interim financing and an interim financing charge, **(ii)** approving an administration charge, **(iii)** approving a D&O charge, **(iv)** extending the time to file a proposal (the “**Stay Period**”), **(v)** authorizing the Debtor, in consultation with the Trustee, to conduct and implement a Sale and Investment Solicitation Process (“**SISP**”) and **(vi)** approving ancillary reliefs (the “**First Order**”).
- 1.3. On November 1, 2024, the First Order was granted, and the Stay Period was extended until December 16, 2024.
- 1.4. Specifically, this report discusses:
 - **Section 2:** Steps undertaken since the First Order;
 - **Section 3:** Cash flow monitoring and cash flow projections;
 - **Section 4:** The restructuring plan and the SISP;
 - **Section 5:** Extension sought and recommendations.
- 1.5. This report should be read in conjunction with the Trustee's first report dated October 30, 2024 (the “**First Report**”). Capitalized terms that are not defined in this report have the meanings assigned to them in the First Report.

2. STEPS UNDERTAKEN SINCE THE FIRST ORDER

- 2.1. On November 1, 2024, EACT issued a press release announcing, among other things, the issuance of the First Order, approving, *inter alia*, an interim financing granted to the Company in the amount of up to \$1,720,000, and authorizing the Company to pursue, under the supervision of the Court, with the assistance of the Trustee, a formal SISP, in order to conclude a transaction with a view to maximizing the value of the Company's business and assets. The press release included the contact information of the Trustee as well as the contact information of the Company's legal counsel.
- 2.2. Management, with the support of the Trustee, had numerous discussions with employees, clients, suppliers and other stakeholders to ensure continuity of operations.
- 2.3. EACT, with the approval of the Trustee, issued notices to disclaim or terminate certain agreements under subsection 65.11 of the BIA and rule 94.1 of the *Bankruptcy and Insolvency General Rules*.
- 2.4. Management renewed the D&O insurance policy until February 11, 2025.
- 2.5. The Trustee monitored the Company's cash flow, including disbursements under the Interim Financing facility (refer to section 3 of this report).

- 2.6. The Company, with the assistance of the Trustee, implemented the Court authorized SISP (refer to section 4 of this report).

3. CASH FLOW MONITORING AND CASH FLOW PROJECTIONS

Cash flow monitoring

- 3.1. Since the issuance of the First Order, the Trustee has been exercising oversight on the affairs and finances of the Debtor.
- 3.2. The following table sets out the actual versus projected cash flow changes for the 8-week period ending November 29, 2024. This work does not constitute an audit or a review of the financial statements in accordance with generally accepted auditing standards established by CPA Canada or the American Institute of Certified Public Accountants (AICPA). We have not performed any audit work and, accordingly, we do not express an opinion on these accounts.

(In thousands of \$ - unaudited)	As at November 29, 2024		
	(8 weeks)		
	Actual	Budget	Variance
Receipts			
Opening AR and subsequent sales	1 776	1 604	172
Interim Financing	715	1 000	(285)
Other	-	-	-
	2 491	2 604	(113)
Disbursements			
Salary and employee benefits	167	168	1
Subsequent purchases and expenses	1 352	1 884	532
Restructuring fees	257	194	(63)
Reserve for unforeseen expenses	-	198	198
Sales taxes	-	35	35
	1 776	2 478	703
Decrease (Increase) in cash	715	126	589
Cash - Beginning	361	361	(0)
Cash - At the end	1 077	487	589

- 3.3. Main variances can be explained as follows:
- 3.3.1. Opening AR and subsequent sales: variance is mainly due to customers paying faster than budgeted;
- 3.3.2. Interim financing: based on cash flow requirements;
- 3.3.3. Subsequent purchases and expenses: variance is mainly due to efforts by management to reduce expenses since the filing of the NOI, reduction of inventory on hand and timing of purchases;
- 3.3.4. Reserve for unforeseen: unused reserve.

Cash flow projections

- 3.4. EACT prepared a projected cash flow statement for the 16-week period ending on January 24, 2025. Refer to **Appendix I** for the Trustee's report under paragraph 50.4(2)(b) of the BIA, which includes the projected cash flow statement along with its main assumptions.
- 3.5. The projected cash flow statement is based on various conjectural assumptions established by management. They have been prepared with a view of the NOI Proceedings (i.e., a stay of proceedings) and with the objective of creating a favourable framework to put in place the restructuring plan, which includes, among other things, a SISP.
- 3.6. The approved Interim Financing of \$1.72 million is sufficient to cover fees and expenses until at least January 31, 2025, which is beyond the requested stay period and the target date for the conclusion of the SISP.

4. THE RESTRUCTURING PLAN AND THE SISP**The restructuring plan**

- 4.1. As presented in the First Report, during the NOI proceedings, the Company intends to, among other things:
 - 4.1.1. Prepare and update cash flow projections (see section 3 of this report);
 - 4.1.2. Obtain Interim Financing (obtained through the First Order);
 - 4.1.3. Maintain operational going concern and thus maximize the value of EACT assets and operations (ongoing);
 - 4.1.4. Put in place a communication plan, re: suppliers, subcontractors, directors, employees, shareholders, and other stakeholders (ongoing);
 - 4.1.5. Terminate and/or renegotiate contracts and leases (ongoing);
 - 4.1.6. Initiate a SISP (ongoing – see below).

The Sale and Investment Solicitation Process

- 4.2. As presented in First Report, the board of directors of the Debtor decided to initiate a SISP in view of maximizing the value of the assets and the operations of the Company. The SISP was authorized by the Court within the First Order.
- 4.3. The Debtor's management, supported by the Trustee, is currently implementing the SISP. The following steps were performed in regard to the SISP:

STAGES / MILESTONES	TIMELINE
<ul style="list-style-type: none"> • Preparation of a business opportunity document (“Teaser”) • Preparation of a document specifying the terms and conditions of the calls for tenders (“Process Letter”) • Preparation of a virtual data room • Preparation of a confidentiality agreement • Preparation of a list of potential buyers 	October 15-29, 2024
Launch of the SISP	October 29, 2024
Due Diligence Period (ongoing)	October 24 - December 20, 2024

4.4. The SISP estimated timetable for the remainder of the SISP can be summarized as follows:

STAGES / MILESTONES	ESTIMATED TIMELINE
Binding offers deadline	December 20, 2024
Negotiations with tenderers and preparation of Court for the approval of an offer	December 22, 2024 - January 15, 2025
Signing of Binding Assets or Share Purchase Agreement	January 15, 2025
Service of Application for Court Approval of Asset or Share Purchase Agreement	January 16, 2025
Hearing for Court Approval (Subject to Court availability)	Week of January 20, 2025
Closing of the transaction	Week of January 27, 2025

5. EXTENSION SOUGHT AND RECOMMENDATIONS

- 5.1. Considering, the following, among other things:
 - 5.1.1. The bankruptcy of EACT would jeopardize the value of its assets and would have negative consequences for all stakeholders (employees, subcontractors, secured and unsecured creditors, shareholders, etc.);
 - 5.1.2. The restructuring plan allows the Debtor to continue the implementation of the SISF to attempt to maximize the value of the operations and the assets on a going concern and enhance the prospect of a viable proposal or going concern transaction being made for the benefit of the creditors;
 - 5.1.3. EACT has sufficient funds until at least January 31, 2025, as presented in the cash flow projections;
 - 5.1.4. The senior secured creditors support the extension sought;
 - 5.1.5. Finally, the Company's stakeholders will not be materially prejudiced as a result of the extension sought;
- 5.2. The Trustee is of the opinion that stakeholders will benefit from the granting of the extension of the stay of proceedings.
- 5.3. The whole, respectfully submitted by Raymond Chabot Inc., in its capacity as Trustee.

APPENDIX 1

EARTH ALIVE CLEAN TECHNOLOGIES INC.
PROJECTED CASH FLOW
FOR THE PERIOD ENDING ON JANUARY 24, 2025

Trustee’s report	1
Debtor’s report	2
Projections	
Cash flow statement	3
Notes to the projected cash flow	4 and 5

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DISTRICT OF QUEBEC
DIVISION NO.: 01-MONTRÉAL
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SUPERIOR COURT

“In Bankruptcy and Insolvency”

IN THE MATTER OF THE PROPOSAL OF:

EARTH ALIVE CLEAN TECHNOLOGIES INC.

Insolvent Person

TRUSTEE’S REPORT ON CASH FLOW STATEMENT

(Paragraph 50(6)b) of the Act

The attached statement of projected cash flow of Earth Alive Clean Technologies Inc., as of October 22, 2024 has been prepared by the debtor company for the purpose described in Note 1, using probable and hypothetical assumptions set out in Note 3.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the debtor. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by the debtor for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

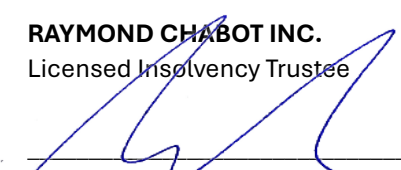
- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed by the debtor company are not suitably supported and consistent with the plans of the debtor or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved (this should not be interpreted as the expression of an opinion).

The projection has been prepared solely for the Official Receiver for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated in Montreal, this October 22, 2024.

RAYMOND CHABOT INC.
Licensed Insolvency Trustee



Ayman Chaaban, CPA, CIRP, LIT
Trustee in charge

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SUPERIOR COURT
“In Bankruptcy and Insolvency”

IN THE MATTER OF THE PROPOSAL OF:

EARTH ALIVE CLEAN TECHNOLOGIES INC.

Insolvent Person

REPORT ON CASH FLOW STATEMENT BY THE PERSON MAKING THE PROPOSAL

(Paragraph 50(6) c) of the Act)

The management of Earth Alive Clean Technologies Inc. has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, from October 5, 2024 to January 24, 2025.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 3, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the Notes.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in Note 1, using a set of probable and hypothetical assumptions set out in Note 3. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated in _____, on October 22, 2024.

Earth Alive Clean Technologies Inc.

Nikolaos Sofronis

EARTH ALIVE CLEAN TECHNOLOGIES INC.
CASH FLOW STATEMENT
FOR THE PERIOD OF OCTOBER 5, 2024 TO JANUARY 24, 2025
((paragraph 50(6) c)

(Unaudited)

(In thousands of \$ - unaudited)	Week 1-4 01-11-2024	Week 5-8 29-11-2024	Week 9-12 27-12-2024	Week 13-16 24-01-2025	Total
Receipts					
Opening AR and subsequent sales	828	776	823	862	3 290
Interim Financing	500	500	500	-	1 500
	1 328	1 276	1 323	862	4 790
Disbursements					
Salary and employee benefits	84	84	84	84	336
Subsequent purchases and expenses	958	926	912	912	3 709
Sales taxes	35	-	35	35	105
Restructuring fees	97	97	97	97	387
Reserve for unforeseen expenses	99	99	99	99	396
	1 272	1 206	1 227	1 227	4 932
Decrease (Increase) in cash	56	70	97	(365)	(142)
Cash - Beginning	361	417	487	584	361
Cash - At the end	417	487	584	219	219

Earth Alive Clean Technologies Inc.

Nikolaos Sofronis

The projected cash flow, prepared by the insolvent person in accordance with the appropriate sections of the Bankruptcy and Insolvency Act, should be read jointly with the trustee's report.

On October 22, 2024.

RAYMOND CHABOT INC.
Licensed Insolvency Trustee

Ayman Chaaban, CPA, CIRP, LIT
Trustee in charge

EARTH ALIVE CLEAN TECHNOLOGIES INC.
NOTES TO THE PROJECTED CASH FLOW STATEMENT
FOR THE PERIOD ENDING ON JANUARY 24, 2025
(Unaudited - see Trustee's report)

1. PURPOSE OF THE PROJECTED CASH FLOW STATEMENT

The company's management prepared the projected cash flow statement on October 5, 2024, from pertinent information.

The purpose of this projected cash flow statement is to present relevant prospective financial information within the scope of the filing of a Notice of Intention to file a proposal, by virtue of the Bankruptcy and Insolvency Act. This financial information may not be relevant for other purposes.

These projections have been prepared based on assumptions which reflect the general direction that the company's management shall be adopting given the financial and economic conditions, which in the opinion of the company's management is the most probable.

Since this projected cash flow statement is based on assumptions regarding future events, actual results for the period covered will vary from the information presented, and the variations may be material.

2. CONTINUITY OF OPERATION

As part of a financial reorganization plan, on October 22, 2024, the Company filed a notice of intention to make a proposal to creditors under the provisions of the Bankruptcy and Insolvency Act.

This statement of cash flows has been prepared on a going concern basis; it does not reflect any adjustments that would be required if certain assets were disposed of outside the ordinary course of business.

3. HYPOTHETICAL AND PROBABLE ASSUMPTIONS

The projected cash flow statement is mostly based on hypothetical assumptions listed below:

3.1. Receipts

SALES

Sales are based on estimates and the experience of the company's management.

ACCOUNTS receivable

Accounts receivable are based on sales for the period as estimated by management.

INTERIM FINANCING

Based on cash requirements and subject to the approval of the Court.

3.2. Disbursements

SALARY AND EMPLOYEE BENEFITS

Salaries are based on management's assessment of staff requirements, and are paid biweekly.

SUBSEQUENT PURCHASES AND EXPENSES

Purchases and expenses are based on sales estimated by management, historical data and contractual agreements, and are paid for on receipt of goods.

SALES TAXES

Sales taxes are estimated on the basis of sales and expenses volume.

RESTRUCTURING FEES

Estimated on the basis of experience and payable on receipt of invoices.

4. RISK RELATED TO THE ACHIEVEMENT OF THE PROJECTIONS

The realization of projections depends in particular:

- the company's ability to maintain its customer base and its purchasing capacities despite the filing of the notice of intent to make a proposal;
- the company's ability to obtain court approval for the Interim Financing cover the projected cash shortfall for the period from external sources.