

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

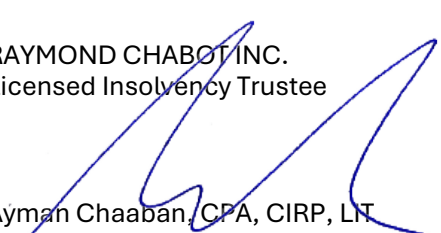
**REPORT OF THE TRUSTEE ON
THE DEBTOR’S BUSINESS AND FINANCIAL AFFAIRS**
(Subsection 50.4(7)b, 65.13 and 84.1 of the *Bankruptcy and Insolvency Act*)

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, 65.13 and 84.1 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 third 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*, the sale of assets and/or shares outside the ordinary course of business and an extension of the delay to make a proposal.

Signed in Montréal on January 17, 2025

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**”). On November 1, 2024, the First Order was granted, and the Stay Period was extended until December 16, 2024.
- 1.3. On December 6, 2024, EACT notified an application for the issuance of an order from the Court extending the time to file a proposal (the “**Second Order**”). On December 12, 2024, the Second Order was granted, and the Stay Period was extended until January 30, 2025.
- 1.4. Specifically, this report discusses:
 - **Section 2:** Steps undertaken since the Second Order.
 - **Section 3:** Cash flow monitoring.
 - **Section 4:** The Sale and Investment Solicitation Process
 - **Section 5:** Cash Flow projections.
 - **Section 6:** Conclusion and recommendations.
- 1.5. This report should be read in conjunction with the Trustee's first report dated October 30, 2024 (the “**First Report**”) and the Trustee's second report dated December 6, 2024 (the “**Second 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 SECOND ORDER

- 2.1. On December 16, 2024, EACT issued a press release announcing the issuance of the Second Order, approving an extension of the time to file a proposal under the NOI until January 30, 2025. 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. The Trustee monitored the Company's cash flow, including disbursements under the Interim Financing facility (refer to section 3 of this report).

- 2.4. The Company, with the assistance of the Trustee, completed the implementation of the Court authorized SISP and negotiated the proposed transaction described in this report (refer to section 4 of this report).
- 2.5. The Company, with the assistance of the Trustee, updated its cash flow projections (refer to section 5 of this report).

3. CASH FLOW MONITORING

- 3.1. Since the filing of the NOI, 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 13-week period ending January 3, 2025. 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 January 3, 2025 (13 weeks)		
	Actual	Budget	Variances
Receipts			
Opening AR and subsequent sales	2 837	2 640	197
Interim Financing	750	1 500	(750)
Other	-	-	-
	3 587	4 140	(553)
Disbursements			
Salary and employee benefits	252	252	(0)
Subsequent purchases and expenses	2 535	3 031	496
Restructuring fees	364	314	(49)
Reserve for unforeseen expenses	-	321	321
Sales taxes	27	105	78
	3 179	4 024	845
Decrease (Increase) in cash	408	116	292
Cash - Beginning	361	361	(0)
Cash - At the end	770	478	292

- 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.

4. THE SALE AND INVESTMENT SOLICITATION PROCESS

Summary description of the SISP

- 4.1. On November 1, 2024, the First Order was granted authorizing, among other things, the Debtor, in consultation with the Trustee, to conduct and implement a Sale and Investment Solicitation Process (“**SISP**”). The SISP estimated timetable presented as part of the application for the issuance of the First Order is presented in **Appendix A**.
- 4.2. The SISP can be summarized as follows:
 - 4.2.1. Preparation of a business opportunity document (“**Teaser**”);
 - 4.2.2. Preparation of a document specifying the terms and conditions of the call for tenders (“**Process Letter**”);
 - 4.2.3. Preparation of a virtual data room (“**Data Room**”);
 - 4.2.4. Preparation of a confidentiality agreement (“**NDA**”). In total, 10 parties have signed an NDA and were given access to the Data Room and to discussion/meetings with management;
 - 4.2.5. Preparation of a list of potential purchasers (“**Potential Purchasers**”);
 - 4.2.6. On October 29, 2024, the Trustee launched the SISP, which consisted of the mailing of the Teaser, the Process Letter and the NDA to:
 - 129 potential purchasers that were identified by the Trustee, made of both strategic potential purchasers and financial potential investors;
 - The Trustee’s entire network of partners and managers;
 - More than 3,500 subscribers on the Trustee’s website;
 - In addition to the above, press releases were issued informing the shareholders and the public of the SISP;
 - 4.2.7. The deadline to submit binding offers was set to December 20, 2024.
- 4.3. At the bid deadline of the SISP, 4 offers were received. A summary analysis of the offers is presented in **Appendix B (under seal)** of this report.
- 4.4. EACT, in consultation with the Trustee and the members of the board of directors, accepted an offer (the “**Successful Bid**”) from 9350-8086 Québec inc. (the “**Purchaser**”).
- 4.5. The Successful Bid was made by the Purchaser, on behalf of a group consisting of members of management, members of the board of directors, shareholders and other independent investors. The group of investors is composed of the same individuals and entities as those who have made the Interim Financing available to the Debtor. Control measures were put in place to ensure an independent and fair SISP, which included, among other things:
 - 4.5.1. The presence of the Trustee to all meetings between potential purchasers and members of management;

- 4.5.2. The exclusion of the members of management and members of the board of directors who are part of the Proposed Transaction from the meeting of the board of directors to review the offers and approve the Proposed Transaction.
- 4.5.3. The Trustee did not share any information regarding the conduct of the SISP with the members of management and director involved in the SISP.
- 4.6. Following the acceptance of the Successful Bid by its board of directors, the Debtor, in consultation with the Trustee, negotiated a subscription agreement (the “**Subscription agreement**”).
- 4.7. On January 17, 2025, the board of directors of the Debtor, in consultation with the Trustee, approved the execution by the Debtor of the Subscription Agreement and the closing of the transaction contemplated in the Subscription Agreement (the “**Proposed Transaction**”), subject to Court approval.

The Proposed Transaction

- 4.8. The Proposed Transaction, as detailed in the Subscription Agreement, can be summarized as follows:
- 4.8.1. Purchase price and assumption of liabilities: the consideration is essentially in the form of a credit bid and assumption of liabilities, which is summarized in **Appendix C**.
- 4.8.2. Retained assets: all the Debtor's assets, however, the Potential Purchaser reserve the right to exclude assets on or prior to the closing of the Proposed Transaction, without modifying the purchase price (the “**Excluded Assets**”).
- 4.8.3. Retained contracts:
- The share purchase agreement dated February 1, 2024, among (i) EACT, as purchaser, (ii) 9101-4928 Québec Inc., 9254-1382 Québec Inc., Foresterie Forestech Inc. and 9416-7392 Québec Inc., collectively as vendors and (iii) Interlube Inc., as intervening party (the “**Interlube Contract**”) would be retained and the amounts owing under such agreement would be satisfied on terms and conditions agreed upon between the vendors and the Potential Purchaser.
 - Other contracts are listed in the contemplated SPA (the “**Retained Contracts**”). All other contracts that are not Retained Contracts would be excluded contracts (the “**Excluded Contracts**”). For information purposes, the majority of the Debtor's contracts are Retained Contracts.
- 4.8.4. Transaction structure: by way of reverse vesting order (the “**RVO**”) pursuant to which all existing shares and other securities of EACT would be cancelled for no consideration and new shares would be issued to the Potential Purchaser. The structure of the Proposed Transaction is further addressed below in section 4.9.
- 4.8.5. Other conditions:
- No due diligence condition;
 - No financing condition;

- Subject to the issuance of an Order from the *Autorité des marchés financiers* (the “**AMF**”) partially revoking the cease trade order issued on September 4, 2024 or any other regulatory bodies, if required;
- Subject to court approval of the RVO, i.e. the retained assets will be free and clear of any lien and other claims upon the closing of the Proposed Transaction;
- Closing by January 31, 2025, or at the latest by February 7, 2025 (the “**Outside Date**”).

The structure of the Proposed Transaction

4.9. As mentioned above, the Potential Purchaser requires that the Proposed Transaction be achieved through an RVO, which can be summarized as follows:

4.9.1. The incorporation of a corporation by EACT (“**ResidualCo 1**”) in which all the Excluded Assets and Excluded Contracts, as defined in the Subscription Agreement, will be transferred upon closing of the Proposed Transaction;

4.9.2. The incorporation of a corporation by EACT (“**ResidualCo 2**”) in which all the excluded liabilities, as defined in the Subscription Agreement, will be transferred upon closing of the Proposed Transaction;

4.9.3. The cancellation of all of the existing equity of the Debtor and the issuance in favour of the Purchaser of new shares of the Debtor;

4.9.4. Upon the closing of the Proposed Transaction:

- EACT will no longer be subject to the NOI proceedings and will have emerged from the same; and
- ResidualCo 1 and ResidualCo 2 will be deemed to have made an assignment in bankruptcy.

4.10. The RVO structure allows for:

4.10.1. An efficient and quick closing of the Proposed Transaction given that all intellectual properties, patents, permits and licences remain in place and thus, the Proposed Transaction does not require the transfer of such assets or the issuance of additional permits and licenses. The delays associated with the transfer of such assets are uncertain and entail additional costs, which would inevitably have the effect of delaying a closing of the Proposed Transaction;

4.10.2. The maximization and preservation of certain tax attributes available to EACT estimated to over \$30 million.

The effects of the Proposed Transaction

4.11. The effects of the Proposed Transaction are summarized in **Appendix D (under seal)**.

4.12. The Proposed Transaction will allow for the satisfaction of the entirety of the Debtor's secured indebtedness, through a credit bid.

- 4.13. In addition, pursuant to the Proposed Transaction, the vast majority of the Debtor's unsecured indebtedness (i.e. more than 95%) will be retained and assumed by the Purchaser.

5. CASH FLOW PROJECTIONS

- 5.1. EACT prepared a weekly projected cash flow statement for the period ending on March 28, 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.
- 5.2. 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.
- 5.3. The approved Interim Financing of \$1.72 million is sufficient to cover fees and expenses until at least March 28, 2025, which is beyond the requested stay period and the target date for the conclusion of the SISP.

6. CONCLUSION AND RECOMMENDATIONS

The Proposed Transaction

- 6.1. In view of the foregoing, the Trustee recommends the approval by the Court of the Proposed Transaction considering that:
- 6.1.1. The contemplated transaction is the product of a thorough and rigorous process during which several potential purchasers were solicited and correspond, in our opinion, to the best offer available in the circumstances;
 - 6.1.2. The Proposed Transaction is subject to reasonable conditions;
 - 6.1.3. The Proposed Transaction will allow the continuation of the business of EACT, thus maintaining employment of all employees, as well as business relationships with various suppliers and partners;
 - 6.1.4. In a bankruptcy context, the liquidation of the assets covered by the offer would not be more advantageous;
 - 6.1.5. If approved by this Court, the Proposed Transaction should be completed within a short timeframe;
 - 6.1.6. The main secured creditors consent to the Proposed Transaction;
 - 6.1.7. Good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the insolvent person;
 - 6.1.8. The consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the process leading to the Proposed Transaction;

- 6.1.9. Unassumed unsecured creditors suffer no additional loss as compared to a bankruptcy scenario, since it is highly unlikely, if not impossible, that they would receive a dividend in a bankruptcy context.

The extension of the stay of proceedings

- 6.2. Considering, the following, among other things:
 - 6.2.1. 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.);
 - 6.2.2. The extension sought will allow the Debtor to implement the Proposed Transaction;
 - 6.2.3. EACT has sufficient funds until at least March 28, 2025, as presented in the cash flow projections;
 - 6.2.4. The secured creditors support the extension sought;
 - 6.2.5. Finally, the Company's stakeholders will not be materially prejudiced as a result of the extension sought.
- 6.3. The Trustee is of the opinion that stakeholders will benefit from the granting of the extension of the stay of proceedings.
- 6.4. The whole, respectfully submitted by Raymond Chabot Inc., in its capacity as Trustee.

APPENDIX A

SISP ESTIMATED TIMETABLE

STAGES / MILESTONES	ESTIMATED 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 call for tenders (“Process Letter”) • Preparation of a virtual data room • Preparation of a confidentiality agreement • Preparation of a list of potential buyers 	October 15-31, 2024
Launch of the SISP	November 1, 2024
Due Diligence Period	November 1 – December 20, 2024
Binding offers deadline	December 20, 2024
Negotiations with tenderers and preparation of Court material for the approval of an offer	December 22, 2024 – January 15, 2025
Signing of Binding Asset 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

**APPENDIX B
(UNDER SEAL)**

SUMMARY ANALYSIS OF THE OFFERS

APPENDIX C

THE PROPOSED TRANSACTION

Consideration and Assumption of liabilities

The consideration under the Proposed Transaction is estimated to \$5,042,678.35 (the “**Consideration**”), essentially by way of credit bid and assumption of liabilities, and can be detailed as follows:

(In thousand of \$ - unaudited)	Notes	Amount
Secured Pre-NOI loans	1	803
Interim Financing	2	840
Cure costs and payables	3	800
Interlube Contract	4	2 600
		5 043

1. On September 10, 2024, EACT entered into loan agreements for loans totalling \$650,000 with two lenders, Mr. Sofronis and Mr. Cardon de Lichtbuer (the “**Pre-Filing \$650k Secured Loans**”). On September 27, 2024, EACT obtained an additional financing for an amount of \$100,000 from Mr. Sofronis (the “**Pre-Filing \$100k Secured Loan**”, and together with the Pre-Filing \$650k Secured Loans, the “**\$750K Pre-Filing Loans**”). Both the Pre-Filing \$650k Secured Loans and the Pre-Filing \$100k Secured Loan are respectively secured by universal hypothecs on the entirety of EACT’s movable property.

This amount is fully drawn and such amount, together with accrued interests as at January 31, 2025, on the \$750K Pre-Filing Loans, will be the subject of the credit bid and accordingly will form part of the consideration paid for under the Proposed Transaction.

2. An amount of \$750,000 out of the \$1,720,000 Interim Financing is expected to have been drawn by EACT as at January 31, 2025, and such amount, together with accrued interests of \$89,911.23 as at January 31, 2025, will be the subject of a credit bid and accordingly will form part of the consideration paid for EACT.
3. Pre-filing and post-filing payables (the “**Retained Payables**”), totalling up to \$800,000, will be assumed by the Potential Purchaser. Payables include, among other things, cure costs, trade suppliers, retained employee’s claims and priority claims.
4. The Interlube Contract would be retained and the post-closing amounts owing under such agreement, estimated to \$2,6 million, would be satisfied on terms and conditions agreed upon between the vendors and the Potential Purchaser. The assumption of the Interlube Contract is conditional upon the Potential Purchaser and the Interlube Contract sellers reaching an agreement by closing. If no agreement is reached, the Interlube Contract may not be assumed.

**APPENDIX D
(UNDER SEAL)**

THE EFFECTS OF THE PROPOSED TRANSACTION

APPENDIX E
CASH FLOW PROJECTIONS

EARTH ALIVE CLEAN TECHNOLOGIES INC.
PROJECTED CASH FLOW
FOR THE PERIOD ENDING ON MARCH 28, 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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CANADA
DISTRICT OF QUEBEC
DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-064800-242
FILE NO.: 41-3143487

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 January 15, 2025, 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 January 15, 2025.

RAYMOND CHABOT INC.

Licensed Insolvency Trustee

DocuSigned by:

E87104090534441...
Ayman Chaaban, CPA, CIRP, LIT
Trustee in charge

CANADA
DISTRICT OF QUEBEC
DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-064800-242
FILE NO.: 41-3143487

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 January 4, 2025 to March 28, 2025.

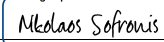
The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 3, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed 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 17 _____, on January 15, 2025.

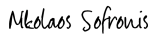
Earth Alive Clean Technologies Inc.

Signé par :

600C5143CC3B410...
Nikolaos Sofronis

EARTH ALIVE CLEAN TECHNOLOGIES INC.
CASH FLOW STATEMENT
FOR THE PERIOD OF JANUARY 4, 2025 TO MARCH 28, 2025
 ((paragraph 50(6) c)
 (Unaudited)

(In thousands of \$ - unaudited)	Week 1-4 31-01-2025	Week 5-8 28-02-2025	Week 9-12 28-03-2025	Total
Receipts				
Opening AR and subsequent sales	830	816	858	2 504
Interim Financing	-	-	-	-
	830	816	858	2 504
Disbursements				
Salary and employee benefits	84	84	84	252
Subsequent purchases and expenses	807	812	790	2 409
Sales taxes	44	44	-	88
Restructuring fees	172	97	97	366
Reserve for unforeseen expenses	43	43	43	129
	1 150	1 080	1 013	3 243
Increase (decrease) in cash	(320)	(264)	(155)	(740)
Cash - Beginning	770	449	185	770
Cash - At the end	449	185	30	30

Earth Alive Clean Technologies Inc.


Signé par :

 600C5143CC3B410...
 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 January 15, 2025.

RAYMOND CHABOT INC.

Licensed Insolvency Trustee

DocuSigned by:

 E87104090534441...
 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 MARCH 28, 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 January 15, 2025, 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 the most recent historical data, estimates and the experience of the company's management.

ACCOUNTS receivable

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

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:

- On 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.