

This is the 1st affidavit of Sai Chu in this case and was made on September 3, 2020.

No. _____
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C., 1985
c. C-36, AS AMENDED

-AND-

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF
URTHECAST CORP., URTHECAST INTERNATIONAL CORP., URTHECAST USA INC,
1185729 B.C. LTD. AND THOSE OTHER PETITIONERS SET OUT ON THE ATTACHED
SCHEDULE "A"

PETITIONERS

AFFIDAVIT

I, Sai Chu, of Suite 33, 1055 Canada Place, in the City of Vancouver, in the Province of British Columbia, AFFIRM THAT:

1. I am the Chief Financial Officer of Urthecast Corp. ("**UrtheCast**") and as such I have personal knowledge of the facts and matters to which I depose in this affidavit, except where stated to be based on information and belief, and where so stated, I verily believe them to be true.
2. I make this affidavit in support of an application by the Petitioners pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended (the "**CCAA**"), for certain relief including, among other things, the following:

- (a) a declaration that the CCAA applies to the Petitioners;
- (b) a stay of all proceedings and remedies taken or that might be taken in respect of the Petitioners or any of their property, except as otherwise set out in the Initial Order or otherwise permitted by law;

- (c) authorizing the Petitioners to carry on business in a manner consistent with the preservation of their property and business and to make certain payments in connection with their business during the CCAA proceeding;
- (d) appointing Ernst & Young Inc. as monitor in these proceedings;
- (e) authorizing the Petitioners to file with the Court a plan or plans of compromise and arrangement.

3. Unless otherwise provided, all amounts set out in this affidavit are provided in Canadian currency.

OVERVIEW OF THE PETITIONERS

4. UrtheCast is a corporation existing under the laws of Ontario, Canada. It is a public company with its common shares listed on the Toronto Stock Exchange (the "**TSX**"). It is the parent corporation of the other Petitioners in these Proceedings (collectively, the "**UrtheCast Group**" or the "**Petitioners**"). Attached hereto and marked as **Exhibit "A"** to this Affidavit, is a true copy of an organizational structure chart that sets out the organizational structure of the UrtheCast Group.

5. UrtheCast is a technology company developing world-first technologies in data services, geo-analytics, machine learning and artificial intelligence. The UrtheCast Group currently owns and operates two earth observation satellites. In 2019, through the acquisition of Geosys (as defined below), the UrtheCast Group expanded its expertise to include agricultural analysis of satellite and weather data. The UrtheCast Group has been working towards the launch of UrtheDaily, the world's first earth observation system designed from the ground up to produce scientific-quality and analytics-ready imagery of the entire earth every day.

6. The UrtheCast Group includes 16 subsidiaries of UrtheCast.

7. The three active direct wholly-owned subsidiaries of UrtheCast are:

- (a) UrtheCast International Corp. incorporated under the federal laws of Canada;
- (b) 1185729 B.C. Ltd. incorporated under the laws of British Columbia; and

(c) UrtheCast USA Inc. ("**UrtheCast USA**") incorporated under the laws of Delaware.

8. UrtheCast also has two dormant wholly-owned subsidiaries: UrtheCast (Barbados) Holding Inc. and Space Video Company LLC formed under the Russian Federation.

9. UrtheCast also indirectly owns a number of additional subsidiaries in several jurisdictions:

(a) UrtheCast Imaging S.L.U., Deimos Imaging S.L.U. and DOT Imaging S.L.U., each formed under the laws of Spain (collectively, "**UrtheCast Spain**");

(b) UrtheCast Holdings (Malta) Limited and UrtheCast Investments (Malta) Limited, each formed under the laws of Malta (collectively, "**UrtheCast Malta**");

(c) UrtheDaily Corp. incorporated under the federal laws of Canada;

(d) 1185781 B.C. Ltd. incorporated under the laws of British Columbia; and

(e) the six Geosys entities: Geosys Holding, ULC existing under the laws of British Columbia, Geosys-Int'l Inc. formed under the laws of Delaware, United States of America, Geosys SAS formed under the laws of France, Geosys Australia PTY formed under the laws of Australia, Geosys do Brasil Sistemas de Informacao Agricolas Ltda. formed under the laws of Brazil, and Geosys Europe SARL formed under the laws of Switzerland (collectively, "**Geosys**").

10. Attached hereto and marked as **Exhibit "B"** are corporate searches for the UrtheCast Group available at the time of swearing this affidavit.

11. Both UrtheCast (Barbados) Holding Inc. and Space Video Company LLC are not part of these proceedings and are currently in the process of being wound-up.

12. The UrtheCast Group operates as a functionally integrated group and is consolidated financially. The managerial decision making is primarily made out of the Vancouver head-office and many of the operational functions are consolidated. The exception to the foregoing is with respect to Geosys as given the recency of the acquisition, not all functions have been consolidated.

13. The UrtheCast Group's corporate headquarters is in Vancouver, British Columbia. UrtheCast Group also has offices in:

- (a) Minnesota, USA;
- (b) Toulouse, France; and
- (c) Boecillo, Madrid and Puertollano, Spain.

14. As at August 31, 2020, the UrtheCast Group had 186 employees. 50 work from British Columbia, 2 work from Ontario, 12 work from various locations in the United States, 53 work in Spain, 65 work in France and 4 work remotely. The majority of the employees are highly specialized professionals consisting of aerospace engineers, mechanical and software engineers. The remainder are involved in the development of current and prospective customers and strategic partners, as well as corporate governance and administration.

THE BUSINESS

15. The UrtheCast Group generates revenues through (i) direct data sales to institutional users, (ii) the provision of engineering services, and (iii) the sale of other value-added services and imagery-related products.

16. The UrtheCast Group's primary tangible assets are the earth observation (EO) assets that it currently operates in space, including two satellites, Deimos-1 and Deimos-2 (the "**Deimos Satellites**") which are held by UrtheCast Spain.

17. UrtheCast also owns two EO sensors and related equipment currently installed aboard the Russian module of the International Space Station (the "**ISS Cameras**", and collectively with the Deimos Satellites, the "**Orbital Assets**"); however, commercial and operational issues related to the ISS Cameras have resulted in the termination of the access and operation agreement with UrtheCast's Russian operating partner on the ISS, and the UrtheCast Group has not been able to access its ISS Cameras since November 2016.

18. UrtheCast Malta was established in connection with the Deimos Satellites acquisition, and has no operations or assets, other than small amounts of cash on hand and intercompany balances.

19. The UrtheCast Group generates revenue from the Orbital Assets by supplying data from the assets both to customers directly, and by processing and distributing imagery and value-added products to customers on behalf of the PanGeo Alliance, a network of eight EO satellite operators formed and led by Deimos Imaging S.L.U., one of the UrtheCast subsidiaries.

20. UrtheCast offers a number of additional value-added services to customers in relation to EO development and design including: (i) engineering services involving EO technology development, licensing, and training; (ii) paid research and development, and (iii) the creation of technology solutions to address specific customer requirements.

21. Geosys, was acquired in January 2019. The acquisition was initially structured to be paid in three installments: (1) USD \$5,000,000 payable on January 14, 2019, (2) USD \$5,000,000 payable on October 14, 2019 and (3) USD \$10,000,000 payable on April 13, 2021. The second installment has been extended, and is to be paid on October 1, 2020. As at August 31, 2020, UrtheCast Group has paid the first instalment and made two partial payments of USD \$750,000 towards the second installment. Geosys generates revenue through providing scientific grade weather and satellite data and proven methodologies for monitoring and benchmarking crops. In addition to delivering geospatial information, it provides value added services and systems around the world and positions the UrtheCast Group as a fully vertically integrated geo-analytics provider for agriculture.

22. To date, UrtheCast's go-forward business plan has been focused on the development of two major EO projects, which are expected to generate significant revenue once operational.

23. UrtheCast has, along with its strategic partners, been developing synthetic aperture radar ("SAR") technologies intended to lead the next generation of EO capabilities, with the intention of incorporating SAR sensory technology into a constellation of synchronized satellites known as the OptiSAR Constellation. UrtheCast and its strategic partners have developed significant SAR-related intellectual property to date.

24. Simultaneously, the UrtheCast Group has been pursuing the development of a second constellation of synchronized satellites equipped with optical EO sensors through a project referred

to as the UrtheDaily Constellation, which would be the first earth observation system to provide scientific-quality, analytics-ready imagery of the entire earth (excluding Antarctica) every day.

25. The UrtheCast group is also developing software and related infrastructure to facilitate EO imagery processing and distribution, at scale (the "**UrthePipeline**"). The UrthePipeline has commenced offering some services of the UrthePipeline. Once completed, the technology will form an integrated part of the ground segment for the UrtheDaily Constellation.

FINANCIAL STATEMENTS

26. The following UrtheCast Group Entities have consolidated financials: UrtheCast, UrtheCast USA Inc., UrtheCast Spain, Geosys and 1185781 B.C. Ltd.

27. As at March 31, 2020, the consolidated financials show \$128,106,000 in assets and total liabilities of \$149,803,000.

28. Attached hereto and marked as **Exhibits "C" and "D"** respectively to this Affidavit is a true copy of UrtheCast's audited consolidated financial statements for the year ended December 31, 2019 and 2018, and UrtheCast's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019 (together, the "**Financial Statements**").

CASH-FLOW STATEMENTS

29. The UrtheCast Group, with the assistance of the proposed monitor, Ernst & Young Inc. ("**EY**"), has prepared cash flow projections for the period from (the "**Cash-Flow Statement**"). Attached hereto and marked as **Exhibit "E"** to this affidavit is a true copy of the Cash-Flow Statement.

30. Regarding the Cash-Flow Statement:

- (a) the hypothetical assumptions are reasonable and consistent with the purpose of the projections described in the notes to the Cash-Flow Statement, and the probable assumptions are suitably supported and consistent with the plans of the Petitioners and provide a reasonable basis for the projections. All such assumptions are disclosed in the notes to the Cash-Flow Statement;

- (b) since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material; and
- (c) the projections have been prepared solely for the purpose described in the notes to the Cash-Flow Statement, using the probable and hypothetical assumptions set out in the notes. Consequently, readers are cautioned that it may not be appropriate for other purposes.

31. As discussed further below, the UrtheCast Group requires financing to address existing liquidity constraints.

CAUSE OF FINANCIAL DIFFICULTIES AND NEED TO RESTRUCTURE

32. The Petitioners have a history of significant recurring operating losses, shareholders' deficit, working capital deficiencies and insufficient cash flow to meet its obligations. As at December 31, 2019, UrtheCast had a working capital deficiency of \$47,446,000 and as at March 31, 2020, UrtheCast had a working capital deficiency of \$54,240,000. UrtheCast's working capital deficiency has continued to increase and as of June 30, 2020 was \$59,858,000.

33. The financial difficulties experienced by the Petitioners are primarily attributable to the delay in funding requirements for the development of the UrtheDaily and the completion of the engineering contract in connection with the OptiSAR project. UrtheCast has had to maintain its core infrastructure in preparation for the UrtheDaily project and completion of the engineering contract during this time. These financial difficulties were further exacerbated by the COVID-19 pandemic, which has negatively impacted financing discussions with investors for the UrtheDaily project, sales, the collection of receivables from customers, and timely completion of milestones under its engineering and services contracts.

34. In 2014, UrtheCast entered into a multi-year milestone-based contract in connection with its OptiSAR project (the "**OptiSAR Contract**"). The contract was originally expected to be completed March 2019 and is now estimated to be completed May 2021. The delay was due to technical design, production error and unsatisfactory deliverables produced by the project's subcontractors. Export permitting delays due to Brexit and political issues between the United

Kingdom and Saudi Arabia, exacerbated by the global pandemic have also contributed to significant cost overruns as well as foreign exchange loss in UrtheCast's forward hedge contract as milestone payments were not made on a timely basis.

35. To address these challenges, the UrtheCast Group has explored options for deferring maturity and principal repayments under its debt facilities, reducing costs, obtaining additional financing and the sale of certain assets. UrtheCast has also initiated a sales process for its Deimos Satellites. The company received several bids for Deimos. UrtheCast engaged in an extensive due diligence process with one of the bidders but ultimately could not complete the sale due to regulatory constraints in its country. UrtheCast re-engaged with one of the other bidders.

36. For the last few years, UrtheCast has been able to manage this cash drain by obtaining secured and unsecured bridge financing from its current group of debt holders. The premise of these funding rounds was that there would be a larger refinancing in connection with the UrtheDaily project, which would enable UrtheCast to be recapitalized, and that the UrtheDaily business will generate sufficient revenue and future cash-flow would be positive.

37. UrtheCast has been diligent in its efforts to obtain financing for the UrtheDaily project to ensure a future for the company. UrtheCast has made progress in obtaining refinancing in connection with the UrtheDaily project, but with several false starts along the way, the refinancing has been delayed beyond expectations.

38. In 2019, UrtheCast engaged two investment banks – Truist/SunTrust Robinson Humphrey (New York) and a global bulge bracket bank to run a capital raising process. The UrtheDaily investment opportunity was initially presented to 291 counterparties comprising of Alternative Managers, Infrastructure Funds, Pension Funds, Private Equity, Strategic, and Venture/Growth Equity firms. UrtheCast executed 32 NDAs with interested parties and ultimately received 5 term sheets from the Truist process and a term sheet for Structured Project Financing from the Global bulge bracket bank. Three of the term sheets were received in 2019 and three were received in 2020. Each of the interested parties performed initial to extensive levels of due diligence, with three of the parties ending their process due to COVID19 related issues. UrtheCast chose not to pursue two of the term sheets.

39. At present, UrtheCast maintains ongoing discussions with one investor from the Truist process and with the global bulge bracket bank towards UrtheDaily financing.

40. In the interim, UrtheCast has expressed that it requires short-term bridge financing in order to secure UrtheDaily financing for a targeted December, 2020 close.

41. UrtheCast has been in discussions with an investor since March, 2020 and had entered into a 60 days exclusivity period expiring August 18, 2020. Extensive financial, technical, market and insurance diligence was substantially completed by August 2020 with discussion of a bridge financing requirement to meet UrtheCast's short-term obligations. However, disagreement between UrtheCast's existing secured debtholder group who has been providing bridge financing since January 2019 and the investor regarding the terms and nature of the additional bridge financing and the plan to restructure and recapitalize the company, has resulted in the detrimental delay of available liquidity required by UrtheCast to meet its working capital needs.

42. The UrtheCast Group believes that there is no reasonable expectation that its financial condition will improve absent these restructuring proceedings. The UrtheCast Group is therefore insolvent and requires CCAA protection at this time.

43. The Initial Order is urgently required to provide much needed breathing space for the UrtheCast Group to address its solvency issues and avoid potential unilateral action by its creditors that might result in the liquidation of the Petitioners and their assets.

44. I understand that while no insolvency proceedings other than the proposed CCAA proceedings are currently underway with respect to the UrtheCast Group, one of the creditors of Geosys SAS has advised of its intention to commence a safeguard procedure in Toulouse, France. The Initial Order is necessary to avoid a multiplicity of proceedings and avoid disruption to the continuity of the Geosys services. To the extent that multiple proceedings are necessary, the Initial Order is the necessary first step to ensure cooperation and coordination between proceedings.

STAKEHOLDERS

Unsecured Creditors

45. The unsecured creditors of the Petitioners primarily consist of:

- (a) Convertible debenture holders;
- (b) Canadian Ministry of Industry;
- (c) Unsecured trade creditors and other accounts payables;
- (d) Professional services firms including accounting and insurance firms;
- (e) Certain UrtheCast Directors and Officers who agreed under unsecured grid notes to defer their salaries in connection with the January 2019 financing; and
- (f) Inter-company indebtedness.

46. The unsecured creditors of the Petitioners are owed approximately \$59,461,038, excluding intercompany indebtedness.

47. These debts are subordinate to the secured creditors of the Petitioners. I believe that a restructuring with the assistance of the proposed Monitor under the CCAA is much more likely to result in an outcome that will allow the unsecured creditors of the Petitioners to realize a return on their debt, as opposed to a liquidation.

Investors

48. The operations of the UrtheCast Group were historically financed primarily through equity offerings made at the parent level by UrtheCast. Proceeds generated through such equity financings have been used to fund the working capital needs of the entire UrtheCast Group, and cash is flowed through the various UrtheCast subsidiaries as needed through inter-company loan transactions.

49. On May 3, 2018, UrtheCast closed a private placement of 76,217,260 subscription receipts, which were sold at a price of \$0.35 per subscription receipt and subsequently converted to non-interest bearing, unsecured senior convertible debentures in the aggregate principal amount of \$21,675,416 and 33,867,826 share purchase warrants. On July 10, 2018, the last tranche of the private placement of \$5,000,625 and 7,813,476 common share purchase warrants were released.

50. On September 11, 2019, UrtheCast completed a \$6,600,000 financing consisting of two unsecured convertible debentures, as amended and restated on October 31, 2019, and on January 29, 2020, UrtheCast completed a \$2,025,773 financing consisting of an unsecured convertible debenture.

51. As at August 28, 2020, UrtheCast had 142,929,507 common shares issued and outstanding. Over the last 52 weeks, the trading price for UrtheCast's common shares fluctuated between a high of \$0.23 per share and a low of \$0.05 per share on the TSX. As at September 2, 2020, the closing price of UrtheCast's common shares on the TSX was \$0.07.

Secured Creditors

52. As of August 31, 2020, the UrtheCast Group had approximately \$55,842,034 of principal and interest owing to secured creditors. The secured debt consists of the following:

- (a) \$22,843,900 owing to Banco de Sabadell, S.A. pursuant to a Spanish loan agreement dated December 11, 2015 between Banco de Sabadell, S.A. and UrtheCast Imaging, S.L.U. (the "**Sabadell Term Loan**"). Attached hereto as **Exhibit "F"** is a true copy of the Sabadell Term Loan. At the time of making this affidavit, only a copy in the Spanish language of the Sabadell Term Loan was available.
- (b) \$10,478,804 owing to SMF Investments Limited pursuant to a convertible debenture issued on May 25, 2018, as amended from time to time, (the "**SMF Secured Convertible Debenture**"). Attached hereto as **Exhibit "G"** is a true copy of the Secured SMF Convertible Debenture;
- (c) \$10,430,492 owing to Bolzano Investments Limited and certain directors and officers of UrtheCast pursuant to a term note of 1185781 B.C. Ltd. dated January 14, 2019, as amended and restated on June 26, 2019 and January 15, 2020 (the "**January 2019 Term Note #1**"), and participation agreement dated on January 30, 2019 (the "**Participation Agreement**"). Attached hereto collectively as **Exhibit "H"** are true copies of the January 2019 Term Note #1 and Participation Agreement;

- (d) \$7,350,574 owing to 1249836 B.C. pursuant to a term note of 1185781 B.C. Ltd. dated January 14, 2019, as amended and restated on June 26, 2019 and January 15, 2020 (the "**January 2019 Term Note #2**"), which was assigned by Refresh Capital Corp. to 1249836 B.C. on May 21, 2020. Attached hereto as **Exhibit "I"** is a true copy of the January 2019 Term Note #2;
- (e) \$2,374,698 owing to Bolzano Investments Limited pursuant to a term note of 1185781 B.C. Ltd. dated June 26, 2019, as amended and restated on July 24, 2019 (the "**June 2019 Term Note**"). Attached hereto as **Exhibit "J"** is a true copy of the June 2019 Term Note; and
- (f) \$2,352,565 owing to Lunar Ventures Inc. pursuant to a term note of 1185781 B.C. Ltd. dated July 24, 2019 (the "**July 2019 Term Note**"). Attached hereto as **Exhibit "K"** is a true copy of the July 2019 Term Note.

53. UrtheCast has been continuing discussions with the above lenders to secure further deferrals of payment.

54. On August 27, 2020, UrtheCast entered into a term loan for up to \$1,000,000 USD with 1262743 B.C. Ltd. \$500,000 USD has been advanced under the term loan, which accrues interest at a rate of 18% per annum; has a maturity date of November 30, 2020 and is secured by all the assets owned by UrtheCast (the "**August 2020 Term Loan**"). Attached hereto as **Exhibit "L"** is a true copy of the August 2020 Term Loan.

55. In order to facilitate the August 2020 Term Loan, 1249836 B.C. Ltd.; Bolzano Investments Limited; Lunar Ventures Inc.; SMF Investments Limited; and 1194249 B.C. Ltd. entered into a subordination and standstill agreement with 1185781 B.C. Ltd. Attached hereto as **Exhibit "M"** is a true copy of the Subordination and Standstill Agreement.

56. In consideration for the August 2020 Term Loan, UrtheCast entered into a further agreement with 1262743 B.C. Ltd. (the "**Letter Agreement**") whereby UrtheCast agreed amongst other things to:

- (a) use commercially reasonable efforts to obtain a court order for interim financing (the "**DIP Financing**"), secured by a first priority charge over the assets of UrtheCast and its relevant subsidiaries and affiliates, which DIP financing would be used by UrtheCast to refinance the Loan;
- (b) acknowledge that 1262743 B.C. Ltd. proposes to submit a "stalking-horse" bid of \$10,000 USD per camera for each of the ISS Cameras as part of the CCAA process and to cooperate with the Lender in respect of such bid;
- (c) not to terminate any of the following employees without cause while there are amounts outstanding under the August 2020 Term Loan or DIP financing: Don Osborne, Sai Chu, Wade Larson, David Gebhardt, George Tyc, Peter Duggan, Neil Allyn, and Christopher Rampersad;
- (d) permit 1262743 B.C. Ltd. to appoint one nominee to act as an observer at meetings of the board of directors of UrtheCast.

Attached hereto as **Exhibit "N"** is a true copy of the Letter Agreement.

57. A search of the British Columbia Personal Property Registry ("**PPR**") conducted on August 28, 2020 for UrtheCast shows that three PPSA Security Agreements have been registered against UrtheCast by:

- (a) Royal Bank of Canada which had previously provided a revolving credit facility as condition required per SADI facility but terminated the revolving credit facility following December 31, 2018; the Company maintains Letters of Guarantees with RBC in the amount of \$5,058,500 and \$4,358,350 and equivalent facilities with Export Development Canada related to the completion of OptiSAR Contract.
- (b) Export Development Canada in relation to a funding facility in the approximate amount of \$9,416,850 provided as part of Innovation, Science and Economic Development Canada's Industrial Technologies Office as part of its Aerospace & Defence Initiative (SADI) Program; and
- (c) WO-C2FO SPV, LLC with respect to a facility that is not currently in use.

Attached hereto as **Exhibit "O"** is a true copy of the UrtheCast British Columbia PPR search.

58. On August 31, 2020, an Ontario PPR search was conducted for UrtheCast. It shows that a financing statement has been registered by Export Development Canada. Attached hereto as **Exhibit "P"** is a true copy of the UrtheCast Ontario PPR search.

59. On August 31, 2020, British Columbia PPR searches were conducted for each of Geosys Holding, Inc.; Earth Video Camera Inc.; and Geosys Technology Holding, Inc., they did not show any registrations. Attached hereto as **Exhibit "Q"** are true copies of the British Columbia PPR searches for each of Earth Video Camera Inc.; Geosys Holding, Inc.; and Geosys Technology Holding, Inc.

60. On August 31, 2020, Ontario PPR searches were conducted for Geosys Holding, ULC; Geosys Technology Holding, ULC; UrtheCast USA Inc.; 1185781 B.C. Ltd.; and 1185729 B.C. Ltd. These searches did not reveal any registrations. Attached hereto as **Exhibit "R"** are true copies of the Ontario PPR searches for each of Geosys Holding, ULC; Geosys Technology Holding, ULC; UrtheCast USA Inc.; 1185781 B.C. Ltd.; and 1185729 B.C. Ltd.

61. On August 31, 2020, *Bank Act* searches were conducted pursuant to section 427 of the *Bank Act* with respect to 1185729 B.C. Ltd.; Geosys Holding, ULC; 1185781 B.C. Ltd.; and UrtheCast. These searches did not reveal any registrations. Attached hereto as **Exhibit "S"** are true copies of the *Bank Act* searches.

Intercompany Indebtedness and Guarantees

62. Based on the information that appears on the general ledgers of UrtheCast as of the date of this Affidavit, the intercompany indebtedness:

- (a) owed to UrtheCast from its various subsidiaries is approximately \$21,365,735. This indebtedness relates to funds advanced by UrtheCast to certain of its subsidiaries to fund operations. Certain subsidiaries are offsetting management fees owed to UrtheCast against the intercompany indebtedness;
- (b) owed by UrtheCast to certain of its subsidiaries is approximately \$14,237,393, relating to funds provided to UrtheCast for general operations.

63. UrtheCast Corp. has also provided bank guarantees in relation to the funding facility provided by Export Development Canada, as well as additional guarantees for several of the other secured facilities described in this affidavit.

Litigation

64. On August 9, 2018, AWA Quattro Holdings Inc. and Humberto Aquino filed a civil claim with the Supreme Court of British Columbia naming UrtheCast Corp, UrtheCast International Corp. and UrtheCast Spain as defendants. The claim alleges amongst other things a breach of contract as a result of the termination of certain consulting agreements and a retention contract. Damages in excess of \$750,000 is sought. I am advised by counsel that a Response to Civil Claim and Counterclaim have been filed and that the litigation has not progressed substantially from the pleadings stage.

65. On August 9, 2018, William Holland and Eastwood Capital Corp. (the "**Plaintiffs**"), filed a civil Claim with the Supreme Court of British Columbia naming UrtheCast Corp. and certain of its current and former directors as defendants (the "**Defendants**"). The claim alleges amongst other things a breach of contract under a subscription agreement, misrepresentation and oppression under the Ontario *Business Corporations Act*. The Plaintiffs commenced parallel proceedings in British Columbia and Ontario for \$3,545,500. The Defendants have obtained a permanent stay of the contract claim in the Ontario proceeding and a temporary stay of the oppression claim in the Ontario proceeding pending the outcome of the contract claim. Counsel advises me that both proceedings are still in the pleadings stage.

66. In April 2019, EMN Consulting commenced a claim for breach of contract against UrtheCast Corp. under a Investor Relations services agreement. An arbitration was commenced and EMN Consulting obtained a judgment in the amount of \$41,909. To my knowledge, EMN Consulting has not taken any steps to enforce its award.

ANTICIPATED RESTRUCTURING

67. Should the Initial Order be granted, the UrtheCast Group intends to address its insolvency through a number of steps including: (i) immediately commencing a sale and investment solicitation process (a "**SISP**"), to be overseen by the Monitor, that would seek to monetize core

and non-core assets, (ii) finalizing interim financing arrangements in order to obtain much-needed short term liquidity, (iii) continuing the performance improvement initiatives already commenced to streamline and focus the go-forward operations of the UrtheCast Group, and (iv) pursuing discussions with potential financiers in order to secure long-term funding for the projects that may form the basis of the UrtheCast Group's go-forward business (subject to the SISF), all under the supervision of the Court and with the assistance of the proposed Monitor.

RELIEF SOUGHT

Stay of Proceedings

68. The Petitioners require a stay of proceedings to maintain the status quo and protect and preserve the value of their business for their benefit and the benefit of their creditors and stakeholders while they restructure their affairs and pursue a value maximizing sales process.

Appointment of Monitor

69. The Petitioners seek the appointment of EY as the Monitor in the CCAA Proceedings. EY is qualified and competent to act as Monitor under the CCAA and has consented to act as the Monitor of the Petitioners in the within proceedings, subject to Court approval. A copy of the Consent to Act as Monitor provided by EY is attached as hereto as **Exhibit "T"**.

Cash Management System

70. UrtheCast operates through one primary Canadian dollar bank accounts and one USD currency bank account held with Royal Bank of Canada ("**RBC**"). In addition, UrtheCast also holds four additional Canadian dollar bank accounts, two USD currency bank accounts, one bank account in Euro currency, and one bank account in GBP currency at RBC that are not currently actively used by UrtheCast.

71. 1185781 B.C. Ltd. maintains one active USD currency bank account with RBC, and holds another Canadian dollar bank account that is not currently actively used.

72. UrtheCast USA holds and uses one bank account at US Bancorp.

73. UrtheCast International Corp. holds one Canadian currency and one USD currency banking account with RBC, neither of which are actively used.

74. The UrtheCast Spain entities operate through three banking accounts held at Banco Sabadell in Spain.

75. The Geosys entities operate through several banking accounts, as follows: two banking accounts held with BNP Paribas in France, one bank account held with Credit Agricole in France, two bank account held with HSBC Bank in France, two bank accounts held with NAB Australia Bank in Australia, two bank accounts held at Banco Bradesco in Brazil, two bank account held at Wells Fargo in the United States, two bank accounts held with BNP Paribas in Switzerland, and two bank accounts held with Union Bank of Switzerland in Switzerland.

76. The bank accounts described in paragraph 70 to 75 above comprise the UrtheCast Group's "**Cash Management System**". The Petitioners need to be able to maintain access to their Cash Management System, and to retain the ability to transfer funds among the various bank accounts held by its subsidiaries, throughout its restructuring proceedings. The UrtheCast Group's continued access to its Cash Management System is critical to its ongoing business and its restructuring efforts.

Administration Charge

77. It is contemplated that the proposed Monitor, counsel for the proposed Monitor and counsel to the Petitioners would be granted a first priority Court-ordered charge on the assets, property and undertaking of the Petitioners, in priority to all claims, up to the maximum amount of \$500,000 in respect of their respective fees and disbursements, incurred at standard rates and charges (the "**Administration Charge**").

78. I believe that the Administration Charge is reasonable and necessary to ensure these professionals' continued assistance.

DIP Facility Charge

79. The Cash-Flow Statement contemplates that the Petitioners will require interim financing in order to facilitate an efficient and orderly restructuring. The Petitioners are working with the

proposed Monitor, EY to finalized debtor-in-possession financing in the approximate principal amount of \$5,000,000 USD (the "**DIP Facility**").

80. I am advised by EY that it is expected that the terms of the DIP facility once finalized will require that any funds that are advanced be secured by a second-ranking charge (subordinate only to the proposed Administration Charge) secured against the property of the Petitioners in accordance with the terms of the Initial Order (the "**DIP Facility Charge**").

81. The DIP Facility and the DIP Facility Charge are necessary to facilitate the restructuring activities of the Petitioners in these CCAA proceedings, as access to the funds proposed to be advanced under the contemplated DIP Facility would enhance the prospect of a viable compromise or arrangement being made in respect of the Petitioners.

82. While the Petitioners are working diligently with EY with respect to securing a DIP facility, it is likely that funds will be required prior to the DIP facility becoming available. The Petitioners are in discussions with 1262743 B.C. Ltd. with respect to securing interim funding.

CONCLUSION

83. The Petitioners are currently unable to meet their obligations as they come due, including amounts owing to their secured and unsecured creditors.

84. The Petitioners are seeking a stay of proceedings under the CCAA in order to maintain the status quo and provide the Petitioners with much needed breathing room to explore restructuring opportunities with the assistance of the Monitor.

[remainder of page intentionally left blank]

85. For the reasons outlined in this Affidavit, I believe that this CCAA proceeding is the best means of maximizing the recovery to the Petitioners' creditors and stakeholders.

AFFIRMED BEFORE ME at Vancouver,)
British Columbia, on September 3, 2020.)

A Commissioner for taking affidavits for)
British Columbia)

ALEXANDRA ANDRISOI
Barrister & Solicitor
BENNETT JONES LLP
2500 PARK PLACE - 666 BURNARD STREET
VANCOUVER, B.C. V6C 2X8
TEL: 604.891.5154 FAX: 604.891.5100



SAI CHU