

August 26, 2013

To the creditors of Grantech Engineering International Inc. ("Grantech"):

Re: Notice of Intention to Make a Proposal – Material Adverse Change

On August 9, 2013, Grantech filed a Notice of Intention to Make a Proposal (the "NOI") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act* (the "BIA"). Subsequently, on August 19, 2013, Grantech filed a statement of projected cash flow pursuant to Section 50.4(2) of the BIA (the "Cash Flow").

Attached is the Report of the Trustee on Material Adverse Change in Financial Circumstances, filed on August 26, 2013. As stated therein, the Trustee is of the opinion that certain events have occurred since the filing of both the NOI and the Cash Flow, which represent a material adverse change in Grantech's financial circumstances and could prevent Grantech from continuing its operations and from being able to file a proposal to its creditors.

Should you have any questions, please contact the undersigned at the above listed number.

Yours truly,

**DELOITTE RESTRUCTURING INC.,
formerly Deloitte & Touche Inc., in
its capacity as Proposal Trustee of
Grantech Engineering International Inc.
And not in its personal capacity**



Per: Vanessa A. Grant, B. Comm, CIRP
Vice President

District of : Calgary
Division No. 02-Calgary
Court No. 25-094384
Estate No. 25-094384

**GRANTECH ENGINEERING INTERNATIONAL INC.
REPORT OF THE TRUSTEE ON MATERIAL ADVERSE CHANGE IN FINANCIAL
CIRCUMSTANCES
(PARAGRAPH 50.4(7)(B) OF THE *BANKRUPTCY AND INSOLVENCY ACT*)**

Re: Grantech Engineering International Inc. ("Grantech") - Notice of Intention to Make a Proposal (the "NOI")

We, Deloitte Restructuring Inc., of the city of Calgary, in the province of Alberta, the Proposal Trustee acting under the NOI of Grantech, an insolvent person, hereby report to the Official Receiver and to the Court as follows:

1. THAT Grantech did, on August 9, 2013, file with us a NOI under Section 50.4(1) of the *Bankruptcy and Insolvency Act* (the "BIA").
2. THAT Grantech's management ("Management") advised that they encountered financial difficulty after Neptune Gas Technologies Inc. ("Neptune"), a related company, was unable to collect a significant account receivable, which is now the subject of litigation. As a result, Neptune was unable to pay Grantech in a timely manner for an account receivable due to Grantech, which as of the date of the NOI was estimated at \$1,125,564 (the "Neptune Receivable").
3. THAT CIBC is owed approximately \$337,700 and has security over all of Grantech's present and after-acquired property and that Management's initiated the NOI with the stated intention of having an investor purchase CIBC's security.
4. THAT Grantech listed additional unsecured creditors with claims totaling approximately \$2,488,335 and that Management initiated the NOI with the stated intention of restructuring its business operations and continuing as a going concern by making a proposal to its unsecured creditors.
5. THAT on August 19, 2013, pursuant to Section 50.4(2) of the BIA, Grantech filed with the Official Receiver a statement of projected cash flow for the eight week period from the week ended August 18, 2013 to the week ended October 6, 2013 (the "Cash Flow",

the "Forecast Period"). The Cash Flow was accompanied by a report on the reasonableness of the Cash Flow signed by the Trustee. It was also accompanied by a report containing prescribed representations by Management on the preparation of the Cash Flow.

6. THAT during the Forecast Period, Management estimated total receipts of approximately \$1,368,030, of which \$750,000 was anticipated to be generated by a non-refundable client deposit related to a Jamaican compressed natural gas feed study (the "Feed Study") and of which \$500,000 was anticipated to be generated by the collection of the Neptune Receivable.
7. THAT Management anticipated that Neptune would have sufficient funds to repay \$100,000 of the Neptune Receivable during the week ended August 25, 2013 and \$392,300 of the Neptune Receivable during the week ended September 8, 2013, based on the receipt of certain non-refundable deposits related to the sale of Neptune's shares.
8. THAT Management indicated that the same party who was purchasing Neptune's shares had also commissioned the Feed Study.
9. THAT during the week ended August 25, 2013, Management estimated that they would collect receipts totaling approximately \$123,800 consisting of third-party accounts receivable of \$23,800 and \$100,000 of the Neptune Receivable.
10. THAT Management advised that they collected third party accounts receivable of only \$12,299 during the week ended August 25, 2013 and that Neptune was unable to pay any of the \$100,000 of the Neptune Receivable forecast during the week ended August 25, 2013.
11. THAT Management was unable to provide confirmation as to when Neptune would be in a position to repay the Neptune Receivable.
12. THAT Grantech was unable to meet its post-NOI payroll obligations due on August 23, 2013.
13. THAT the Proposal Trustee has not received confirmation as to the timing or collectability of either the Neptune Receivable or the deposit due under the Feed Study and that Management has indicated that they are presently unable to meet their obligations related to operations for the period following the filing of the NOI.

Accordingly, the Proposal Trustee is of the opinion that these events represent a material adverse change in Grantech's financial circumstances, which could prevent Grantech from continuing its operations and from being able to file a proposal to its creditors.

All of which is respectfully submitted this 26th day of August, 2013.

DELOITTE RESTRUCTURING INC., formerly Deloitte & Touche Inc., in its capacity as Proposal Trustee of Grantech Engineering International Inc. and not in its personal capacity



700 Bankers Court, 850 – 2nd Street SW
Calgary, AB T2P 0R8
Phone: (403) 298-5955 Fax: (403) 260-4077