# Earth Alive Clean Technologies Inc.

*Management's Discussion and Analysis*

*For the Three and Six months ended June 30, 2014*
*(As of August 27, 2014)*

# MANAGEMENT DISCUSSION AND ANALYSIS
# OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
## For the three and six months ended June 30, 2014

The following Management Discussion and Analysis ("Management's Discussion and Analysis" or "MD&A") should be read in conjunction with the Financial Statements and the related notes for the quarter ended June 30, 2014 that were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and do not contain all the information required for financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other matters may occur which could affect the Company in the future. Unless stated otherwise, all dollar amounts are expressed in Canadian dollars. Except as otherwise indicated, all financial information contained in this discussion and analysis and in the Financial Statements has been prepared in accordance with IFRS.

This MD&A was reviewed and approved by the Company's Board of Directors and is effective as of August 27, 2014.

As used in this Management's Discussion and Analysis, the terms "EACT", "Earth Alive", "the Company", "we" , "us" , "its" or "our", mean Earth Alive Clean Technologies Inc., unless the context indicates otherwise. Additional information about the Company can be obtained on SEDAR at www.sedar.com and at www.cnsx.ca under the stock symbol EAC.

### Forward Looking Statements

Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of EACT's business model; future operations, products and services; the impact of regulatory initiatives on EACT's operations; the size of and opportunities related to the markets for their products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this Management Discussion and Analysis are subject to various risks and uncertainties, most of which are difficult to predict and are generally beyond the control of EACT. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

### Description of Company and overall performance

Earth Alive Clean Technologies Inc. and its subsidiary ("Company") ("EACT") are focused on formulating and manufacturing niche products destined for a variety of industries, using the latest innovations in microbial technology, which, once blended with a host of other proprietary natural ingredients, allow the Company to formulate and patent innovative environmentally sustainable products that can deal with difficult industrial challenges without the use of environmentally harmful chemicals and additives.

Earth Alive exports its products to various world regions to clients such Barrick Gold, Areva S.A, Dundee Precious Metals, Southern Peru Copper Corporation, Sol Melia and Iberostar Hotels, Caterpillar Corporation, the Montreal Biôdome, and others.

Earth Alive Resources was founded in 2001 with a mission to develop a clean and low-cost fertiliser alternative for third world countries. Over the next 10 years, several patents and formulations of various microbial products were developed. The management of Earth Alive Resources subsequently sold all of its assets in the spring of 2011 to a Company formed on February 2, 2011 named 7751524 Canada Inc. and subsequently changed to EACT on April 7, 2011. The Company has since refocused the Company's technology development and market penetration of the two sectors of agriculture and dust control, resulting in the development of new patents for both markets, as well as the opening of new sales channels.

The Company was founded on February 2, 2011 with the issuance of 850 Class A shares for proceeds of $8.50. A further 150 Class A Shares were issued on March 15, 2011 for proceeds of $1.50.

On January 16, 2012 the Company issued 133,334 common shares as a payment against the outstanding Shareholder loan in the amount of $200,000. On August 14, 2012, the Company converted all outstanding common shares into 660,288 Class A

shares and issued a further 839,712 Class A shares as a payment against the outstanding Shareholder loan in the amount of $254,474. On August 15, 2012, the Company also issued 500,000 Class B shares for $500,000 in cash.

On July 12, 2013, the Company issued convertible debentures in the amount of $500,000. The convertible debentures have a maturity of 2 years, carry interest at a rate of 10% in the first year and 12% in the second year; it has a prepayment option and is mandatorily convertible into a variable number of shares upon the occurrence of a listing transaction. The convertible debentures have two embedded derivatives, the prepayment option which was determined to be closely related to the host contract and therefore was not accounted for separately and the conversion feature which was determined to be a derivative liability and was accounted for as a liability at fair value. Fair value was estimated based on the terms of the listing agreement taking into consideration the fact that the transaction was negotiated amongst unrelated parties based on market terms (see note 17). As required by IAS 32 Financial Instruments: Presentation the embedded derivatives were initially measured at fair value with the remaining amount allocated to the convertible debenture. The convertible debenture is also being accreted to its redemption amount based on its expected life as required by IAS 39 Financial Instruments using the effective interest method.

In November 2013, the Company signed a letter of intent to enter into a listing transaction scheduled to take place in 2014. The Company planned to enter into an amalgamation with Treegenic Gold Corporation ("Treegenic") by way of an amalgamation which constituted a reverse takeover of Treegenic, a company listed on the TSX Venture Exchange (the "Amalgamation").

On April 10, 2014, the Company completed the Amalgamation ("Transaction"). The former holders of Treegenic and Earth Alive became shareholders of the amalgamated corporation ("Amalco"), a company under the Canada Business Corporations Act, and receive common shares of Amalco, hereinafter referred to as Common shares, on a one-for-one basis. The amalgamated corporation ("Amalco") changed its name to will pursue the Earth Alive Clean Technologies Inc. and will pursue its business on closing as a publicly traded company on the Canadian Securities Exchange (CSE).

Upon closing, the following transactions took place:

- each Treegenic shareholder exchanged Treegenic Shares for Common shares on the basis of one Common share for each Treegenic Share, resulting in 6,105,500 Common shares being issued to Treegenic shareholders;
- each Earth Alive shareholder exchanged their Earth Alive Shares for Common shares on the basis of 21.4285715 Common shares for each Earth Alive Share, resulting in 42,857,143 Common shares being issued to Earth Alive shareholders;
- 400,000 outstanding Treegenic warrants were exchanged for 400,000 warrants of Amalco. These warrants grant the holders to acquire one Common share per warrant at a price of $0.25 per share. The warrants expire on December 4, 2014; and
- the holders of Earth Alive Debentures (see Note 9) converted their Earth Alive Debentures into Common shares on the basis of $500,000 principal amount of Earth Alive Debentures for 7,142,857 Common shares.
- 4,150,000 stock options were issued at an exercise price of $0.10 and are exercisable until the date that is three years from the listing date.

In conjunction with the Amalgamation, on April 10, 2014, the Company completed a private placement of Common shares of the Company, issuing 13,985,000 Common shares at a price of $0.10 per share for an aggregate amount of $1,398,500.

On June 4, 2014, the Company completed a second private placement (together with the private placement of April 10, 2014, the "Private Placements") of Common shares of the Company, issuing 7,300,000 Common shares at a price of $0.10 per share for an aggregate amount of $730,000.

In addition, 1,172,500 broker warrants were issued at an exercise price of $0.10 and are exercisable until April 11, 2016 whose estimated fair value was determined using the Black-Scholes option pricing model which takes into account the value of the underlying Common shares which would be issued upon exercise of the options. The Company also issued 2,000,000 Common shares to an advisor to the Company for the Transaction.

On May 20, 2014, the Company signed a letter of intent to acquire Montreal-based and privately owned LFP Solutions Inc. ("LFP"), a leading Canadian manufacturer and distributor of organic agriculture fertilizers and inputs which are sold at the retail level in Canadian stores, as well as on the commercial and industrial levels in Canada and abroad. All of LFP's proprietary products are specialty products directed to the organic gardening and farming sectors.

On June 4, 2014, the Company acquired 100% of the shares of LFP for $849,000 in cash and Common shares of the Company. The acquisition of LFP is in line with the Company's strategy to expand its presence in Agriculture. LFP has been fully consolidated from the date of acquisition.

Selected financial information:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| In dollars | 2014 | 2013 | 2014 | 2013 |
| Revenue | 160,830 | 36,079 | 266,485 | 360,776 |
| Interest in earnings of joint venture | - | (122,275) | - | 31,218 |
| Net income (loss) | (1,533,187) | (240,687) | (1,763,666) | 806 |
| Per share – basic and diluted [1] | (0.021) | (0.006) | (0.031) | - |
| Total assets | 2,495,591 | 467,824 | 2,495,591 | 467,824 |
| Current liabilities | 532,246 | 72,847 | 532,246 | 77,847 |
| Shareholders' equity | 1,698,345 | 389,977 | 1,698,345 | 389,977 |

[1] Shares outstanding have been adjusted to reflect the consolidation ratio of 21.4285715 to 1, which took place concurrent the reverse takeover described in Note 4.

## Quarterly Results

### Comparison of the three and six months ended June 30, 2014 and 2013

During the three months ended June 30, 2014, EACT incurred a net loss of $1,533,187 compared to a net loss of $240,687 for the same period last year. Total operating expenses for the period stood at $675,461 compared to $148,277 for the same period in 2013.

During the six months ended June 30, 2014, EACT incurred a loss of $1,763,666 compared to a net income of $806 for the same period last year. Total operating expenses for the period stood at $945,064 compared to $236,857 for the same period in 2013.

### Revenues

Revenues increased from $36,079 in the three months ended June 30, 2013 to $160,830 for the same period in 2014.

Revenues declined from $360,776 in the six months ended June 30, 2013 to $266,485 for the same period in 2014. Revenues in the first quarter of 2013 included sales to Earth Tech Dust Solutions LLC (see below) amounting to approximately $100,000 and approximately $98,000 to ESI Ventures, LLC which were not replaced in the first quarter of 2014.

### Expenses

*General and administrative*

General and administrative expenses increased by approximately $142,899 to $200,532 compared to $57,633 in the second quarter of 2013.

For the six months ended June 30, 2014, General and administrative expenses stood at $287,808, an increase of $191,033 compared to $96,775 for the same period last year.

For both the three months and six months ended June 30, 2014, general and administrative expenses included $48,057 in stock based compensation due to options issued in the second quarter as well as $40,570 in costs associated with the acquisition of LFP. Approximately $50,000 in professional fees, of which $40,000 were incurred in the first quarter, related to the amalgamation transaction and related private placement described in the Overview section above. Legal and accounting fees increased by approximately $30,000 in the second quarter as resources were added in order to comply with requirements associated with the Company being listed on the CSE.

*Sales and marketing*

Sales and marketing expenses increased by approximately $250,099 to $335,649 compared to $85,550 in the second quarter of 2013.

For the six months ended June 30, 2014, sales and marketing stood at $476,358, an increase of $345,043 compared to $131,314 for the same period last year.

The Company has been investing in sales and marketing for the first half of the year in order to increase visibility and produce marketing material geared towards revenue generation. Incremental costs incurred in the first half over the same period last year include Stock based compensation of $28,826 and compensation costs of approximately $128,000. In addition, approximately $41,900 was incurred for sales and marketing consulting services and $71,200 for advertising and promotion activities. Lastly, travel and living costs for the same period increased by $43,400 over those incurred in the first half of Fiscal 2013.

*Research and development*

Research and development costs increased to $139,280 in the quarter compared to $5,094 for the second quarter of 2013 as the Company continues to focus on technology development of its product offering targeting environmentally sustainable industrial solutions for mining and agriculture. During the quarter the Company concluded a patent co-ownership agreement with Novozymes to allow both companies to begin exploring avenues of joint collaboration for the worldwide deployment and commercialisation of the microbial technology to control airborne dust particles that emanate from the soil.

For the six months ended June 30, 2014. Research and development costs increased to $180,898 from $8,768 for the same period last year for the same reasons indicated above. The stock based compensation charge for the quarter and the half amounted to $76,334. Test costs incurred in the six month period amounted to $17,300 and consulting fees paid to a director and officer of the Company responsible for Research and Development totalled $50,100.

*Financial expenses*

Financial expenses, excluding foreign exchange gains and losses, for the second quarter increased by $938,206 from $Nil for the same period last year. The increase comes from interest and bank charges of $2,568, the accretion cost of $2,958 as well as an interest expense of $1,622, both related to the Convertible debenture issued in July 2013. This debenture was converted into equity on April 10, 2014 as part of the amalgamation transaction mentioned in the Overview above. In addition, the Company incurred a listing expense of $930,601 related to the reverse takeover mentioned in the Overview above and in Note 4 to the Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2014.

*Joint venture*

The Company entered into a joint venture agreement with ESI Ventures, LLC to foster further cooperation in Dust Control for the mining industry through a jointly held company named Earth Tech Dust Solutions LLC in late fiscal 2012 through to June 19, 2013. This joint venture generated $762,748 in revenues from dust control in the six months ended June 30, 2013 (Note 8 to the Condensed Consolidated Interim Financial Statements). There was no contribution from joint venture earnings in the second quarter and six month period ended June 30, 2014, while for the three months ended June 30, 2013, the Company's interest in the joint venture earnings was a loss of $122,275 (income of $31,218 for the six months ended June 30, 2013).

## Liquidity and Capital Resources

At June 30, 2014, EACT had a working capital of $990,212 compared to working capital deficiency of $551,172 at December 31, 2013. The increase is largely due to net proceeds from private placements and the conversion of the Convertible Debenture to Common shares. This was partially offset but the addition of the portion of the Purchase consideration payable for the acquisition of LFP which is due within one year. Cash stood at $1,163,559 as at June 30, 2014, compared to cash of $170,785 at December 31, 2013.

The cash used in operating activities during the six-month period ended June 30, 2014 amounted to $601,062, an increase of $558,018 from the $43,044 used in the comparative six months of 2013. The increase was primarily due to the increased net cash loss of $739,590 which included cash listing expenses of approximately $148,000 and costs associated with the Acquisition of LFP amounting to $40,570. These amounts were partially offset by cash generated from variations in working capital items of $138,528 which includes a balance of purchase for the LFP acquisition of $259,000 which is due on the first anniversary of the acquisition date.

The cash used in investing activities during the six-month period ended June 30, 2014 was $841,863 as compared to cash used of $39,618 during the same period of 2013. The increase was primarily associated with the acquisition of LFP which was partially financed by shares issued in the amount of $250,000 and a balance of purchase consideration payable of $265,000 due on the second anniversary of the acquisition date. The cash provided by financing activities during the six-month period ended June 30, 2014 was $2,435,699 compared to $Nil for the same period last year, which included the $415,000 associated with the LFP acquisition in investing activities. The Company issued shares for net proceeds after share issue costs of $1,920,699.

## Capital Resources

EACT's main objectives in managing its capital resources are to ensure liquidity and to have funds available for working capital, capital asset purchases or other investments to support the business. Our capital resources consist of cash, borrowings and share capital. Following the amalgamation, public listing, and concurrent private placements, management does not foresee future financing requirements in the short term and will be focused on sales activities to reach a positive cash flow position.

There is no assurance that EACT will achieve a positive cash flow position before it requires additional funding and will be able to raise sufficient capital to fund its operations through the sale of its securities or debt obligations on terms favourable to it.

## Commitments

The Company does not have any significant commitments other than its office space lease as described in note 13 of the Condensed Consolidated Interim Financial Statements for the period ended June 30, 2014.

## Related Party Transactions

Compensation of Key Management Personnel – The Company considers its directors and executives to be key management personnel. Key management personnel compensation for the three and six months ended June 30, consisting of stock based compensation, consulting fees, salaries and benefits as well as advances are as follows:

| In dollars | Three months ended June 30, 2014 | Three months ended June 30, 2013 | Six months ended June 30, 2014 | Six months ended June 30, 2013 |
|---|---|---|---|---|
| Salaries and benefits | 59,424 | 25,430 | 153,329 | 56,098 |
| Sales Commissions | - | - | 11,308 | 31,975 |
| Consulting Fees | 41,395 | 6,825 | 79,852 | 6,825 |
| Stock based Compensation | 100,002 | - | 100,002 | - |
| | 200,821 | 32,255 | 344,491 | 94,898 |
| Advances | 46,435 | 37,901 | 46,435 | 72,077 |
| Total | 247,256 | 70,156 | 390,925 | 166,975 |

## Financial Instruments

Financial instruments of EACT consist of cash, trade and other payables, accrued liabilities and borrowings. EACT has determined that the carrying value of its short-term financial assets and liabilities approximates their fair value due to the short-term maturity of these financial instruments.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value, with changes in fair value recognized in the statement of operations and comprehensive loss.

The Company does not have any financial assets or financial liabilities that are classified at fair value through profit or loss.

ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. The company does not have any financial instruments designated as available for sale.

iii) Held-to-maturity financial assets: Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are initially recognized at fair value plus transaction costs and are subsequently carried at amortized cost using the effective interest method less impairment.

iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Any changes in value are recognized in the earnings or loss.

v) Financial liabilities measured at amortized cost: Other liabilities are initially recognized at fair value, net of any transaction costs incurred. Subsequently, other liabilities are measured at amortized cost using the effective interest method. Any changes in value are recognized in the statement of operations and comprehensive loss. Other liabilities include trade and other payables and borrowings. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities. The Company has designated accounts payable as "financial liabilities measured at amortized cost".

## SELECTED QUARTERLY FINANCIAL DATA

The following table sets out selected unaudited financial information of the Company for the last six quarters:

| | Three months ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2014 | March 31, 2014 | December 31, 2013 | September 30, 2013 | June 30, 2013 | March 31, 2013 |
| Revenue | 160,830 | 105,655 | 671 | - | 36,079 | 324,697 |
| Gross Margin | 89,394 | 74,016 | 671 | - | 26,512 | 168,222 |
| Operating Expenses | 675,461 | 269,603 | 299,656 | 232,012 | 148,277 | 88,580 |
| Financial Expenses | 947,120 | 34,893 | 140,047 | 110,191 | (3,353) | (8,358) |
| Interest in earnings of joint venture | - | - | - | 472 | (122,275) | 153,493 |
| Net Income (loss) and Comprehensive income (loss) | (1,533,187) | (230,480) | (439,032) | (344,124) | (240,687) | 241,493 |

### Critical Accounting Policies and Estimates

*Use of Estimates*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of choosing and applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2 of the financial statements.

The following are significant areas requiring the use of estimates and judgments that management has made in applying the Company's accounting policies.

a. The estimated useful life for property and equipment used to calculate depreciation and amortization is based on the period over which the assets are expected to be available for use based on internal technical evaluation and experience with similar assets.

b. The estimated useful life for intangible assets used to calculate depreciation and amortization is based on the period over which the assets are expected to be available for use based on experience with similar assets.

c. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by

management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

d. The use of estimates for volatility in order to determine the fair value of options issued by the Company given its short trading history

e. Whether the Company will achieve its projected targets and be able to continue as a going concern.

*Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sales of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a. the Company has transferred to the buyer the significant risks and rewards of ownership;

b. the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c. the amount of revenue can be measured reliably;

d. it is probable that the economic benefits associated with the transaction will flow to the Company; and

e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Functional currency*

Items included in the consolidated financial statements of each consolidated entity of EACT are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The functional currency for EACT's Joint Venture in the United States is the US dollar. EACT's functional currency is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

*Impairment of Assets*

Non-current assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment. Non-current assets with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Once an impairment indicator is identified, impairment testing compares the carrying values of the assets or 'cash generating units' being tested with their recoverable amounts (recoverable amounts being the greater of the assets or 'cash-generating units' values in use or their fair values less costs to sell). Impairment losses are immediately recognized to the extent that the asset or 'cash-generating unit' carrying values exceed their recoverable amounts. Should the recoverable amounts for previously impaired assets or 'cash-generating units' subsequently increase, the impairment losses previously recognized (other than in respect of goodwill) may be reversed such that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

## Accounting standards

### a. Changes in Accounting policies

Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventory is comprised of raw materials. The cost of inventory is determined using the weighted average method. Net realizable value is calculated as the difference between the estimated selling price and estimated costs to complete processing into a saleable form.

Goodwill

Goodwill acquired in a business combination has an indefinite useful life that are is not amortized but systematically tested for impairment annually in the fourth quarter or earlier if there is an indication of impairment.

Trademarks

Trademarks with finite useful lives acquired in a business combination are measured at fair value at the time of the acquisition. They are amortized on a straight-line basis over their useful life of 5 years, and an impairment loss is recognized in the statement of operations and comprehensive loss when their recoverable amount is less than their net carrying value.

Employment and non-competition agreement

Employment and non-competition agreement will have a term of two years and will include an engagement not to compete with the Company for a period of two years in the event that employment ceases prior to the expiry of the agreement. The fair value of this agreement is amortized on a straight line basis over the two year term.

Stock based Compensation

A share-based compensation plan has been granted by the Company to its directors, officers, employees and consultants. Share-based compensation expense is measured based on the fair value at the grant date and recognized over the period that the optionee unconditionally becomes entitled to the awards with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

Seasonality

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. The Company does not expect seasonality to be a material factor in future quarterly results.

## b. Standards issued but not yet effective

### IFRS 9 Financial Instruments (effective October 1st, 2015)

IFRS 9, Financial Instruments, was issued in November 2009. It addresses classification and measurement of financial assets and financial liabilities. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 Financial Instruments (2013). The new standard removes the January 1, 2015 prior effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized. The mandatory effective date is not yet determined; however, early adoption of the new standard is still permitted. In February 2014, a tentative decision established the mandatory effective application for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of adoption of IFRS 9, and does not intend to early adopt IFRS 9 in its consolidated financial statements.

### Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- The meaning of "currently has a legally enforceable right of set-off"
- That some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after October 1st, 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Company's consolidated financial statements from these Amendments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

### IFRS 2 Share-based payment

The Amendments to IFRS2, issued in December 2013 clarify the definition of "vesting conditions" and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

### IFRS 3 Business combinations

The amendments to IFRS 3, issued in December 2013, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014.

### Current Outlook and business risk factors

EACT is still in the early stages of commercialization, and is focused on securing additional clients for its dust control product through the performance of product tests with various mining clients throughout the world. Field and laboratory results are very positive, and the near to mid-term outlook for substantial product orders are favorable. EACT's agriculture product is in its final phase of protocol validation, and definitive laboratory performance verifications are also positive.

As with all early commercialisation efforts, inherent risks still exists as to management's ability to get its products to market quickly enough, and in large volumes.

To date, EACT has no net earnings and negative operating cash flows, which are expected to continue at least for the near term. Our ability to continue as a going concern and accomplish all of our future strategic plans is dependent upon obtaining additional financing or executing other strategic options, however, there is no assurance that the Company will achieve these objectives. There can be no assurance that we will be successful in raising additional investment capital, realizing assets, or achieving revenue to generate sufficient cash flows to continue as a going concern. As a result, there is significant risk regarding our ability to continue as a going concern.

EACT has relied on external sources of debt and equity to fund operations to date. Our ability to continue as a going concern will depend on management's ability to successfully execute its business plan and obtain additional financing until it achieves profitability and positive cash flow from operating activities.

EACT is subject to risks, events and uncertainties, or "risk factors", associated with being an enterprise with projects in the research and development stage. Such risk factors could cause reported financial information to not necessarily be indicative of future operating results or of future financial position. Management of EACT cannot predict all of the risk factors, nor can it assess the impact, if any, of such risk factors on their business or the extent to which any factor, or combination of factors, may cause future results or financial position to differ materially from either those reported or those projected in any forward-looking statements. Accordingly, historical financial information and forward-looking statements should not be relied upon as a prediction of future results.

Development companies face many and varied risks, many of which are the same industry risks faced by companies in the commercialization of biotechnology products. While EACT strives to manage such risks to the extent possible and practical, risk management cannot completely eliminate risk. The following specific risk factors are those the Company's management believes are most important in the context of the Company's business.

*The Market Price of the Common Shares May Be Subject to Wide Price Fluctuation* The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of EACT, divergence in financial results from expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, changes in raw material sources or resource estimates, legislative changes, and other events and factors outside of EACT's control. In addition, stock markets have, from time to time, experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

*Capitalization and Commercial Viability*

The Corporation may not have sufficient funds upon closing of the Offering to carry out the completion of all proposed activities, and may have to obtain other financing or raise additional funds. The Corporation has limited financial resources, and there is no assurance that additional funding will be available to the Corporation to carry out the completion of all proposed activities. Although the Corporation has been successful in the past in obtaining financing through the sale of securities, there can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of its business plan.

*Lack of Operating History*

The Corporation has a very limited history of operations and must be considered a start-up. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues.

*Return on Investment*

There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

*Dilution*

Issuance of additional securities pursuant to future financing will result in dilution of the equity interests of persons who become shareholders of the Corporation under the Offering.

*Tax Issues*

Income tax consequences in relation to the Common Shares will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers prior to subscribing to the Offering.

*Dividends*

The Corporation has not declared any dividends on the Common Shares since incorporation and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Payment of any future dividends will be at the discretion of the Corporation's board of directors.

*Issuance of Debt*

From time to time, EACT may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase EACT's debt levels above industry standards. Neither EACT's articles nor its by-laws limit the amount of indebtedness that they may incur. The level of EACT's indebtedness from time to time could impair their ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

*Development Stage Business*

EACT has only a limited history upon which an evaluation of its prospects and future performance can be made. EACT has a limited operating history, has never operated at a profit and there can be no assurance of its ability to operate at a profit. EACT's proposed operations are subject to all business risks associated with new enterprises. The likelihood of EACT's success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the expansion of a business, operation in a competitive industry, and the performance of its customers. There is a possibility that EACT could continue to sustain losses in the future. If EACT is unable to generate revenues or profits, investors might not be able to realize returns on their investment or keep from losing their investment.

*Inadequacy of Funds*

EACT has negative operating cash flow at December 31, 2012, and will continue to have negative operating cash flow until revenues increase. EACT currently has inadequate funds to fully develop its business and needs additional debt financing or other capital investment to fully implement their business plans. There is no assurance that such debt financing or other capital investment can be secured. Failure to obtain such financing on a timely basis could result in EACT being unable to fully develop its business and reduce or terminate its operations.

*Dependence on Management*

EACT's business is significantly dependent on their management team including outside management advisors and consultants. The loss of the Company's Directors or senior officers, other employees, advisors, or consultants could have a material adverse effect on EACT.

*Product Liability*

Marketing any of EACT's current or potential future products may expose EACT to liability claims arising from the use of these products. EACT cannot ensure that its current or future liability insurance, together with indemnification rights under any potential future license agreements and other collaborative arrangements, will be adequate to protect it against any claims and resulting liabilities. As EACT's business expands, it may be unable to obtain additional insurance on commercially reasonable terms.

EACT may be subject to product liability lawsuits, and its insurance may be inadequate to cover potential damages. Therefore, EACT's financial condition and its reputation could be adversely affected if a product liability claim or recall exceeds insured amounts.

*Inability to Manage the Potential Growth of the Business*

EACT's potential growth may place significant demands upon its personnel, management, and financial resources. There is no assurance that its current or proposed personnel, systems, procedures, and controls will be adequate to support its future operations, that EACT will be able to train, retain, motivate, and manage necessary personnel, or that its management will be able to identify, manage and exploit existing and potential strategic relationships and market opportunities. If EACT is unable to effectively manage any future growth, its business and financial condition could be adversely affected.

*Challenges to Commercial Production*

EACT's sales objectives for the coming years will require significant demand on raw materials to produce its various product formulations. Variations in commodity prices at several levels of its production chain may affect EACT's ability to meet product demand in multiple global markets.

*Competition*

If EACT fails to compete effectively against larger, more established companies with greater resources, then its business may suffer. Competition in the market for EACT products is intense from larger, more established global players in the marketplace. Factors affecting competition include financial resources, research and development capabilities, and manufacturing and market expertise and resources. Competitors are expected to include major pharmaceutical, food processors, and chemical and specialized biotechnology companies. Many of these companies will have financial, technical, and marketing resources greater than EACT's. These organizations may commercialize products that could compete directly or indirectly with EACT's products on their own or through joint ventures. In addition, EACT may be unaware of technologies or technologies that may be developed in the future that could adversely affect our perceived technical and competitive advantage.

*Key Personnel*

EACT's success depends, in part, on its ability to attract and retain key scientific, technical, management, and operating personnel, including consultants and members of its Board of Directors. EACT needs to develop sufficient expertise and add skilled employees or retain consultants in areas such as research and development and marketing in order to successfully execute its business plan. EACT may be unable to attract and retain qualified personnel or develop the expertise needed in these areas. If EACT fails to attract and retain key personnel it may be unable to execute its business plan, or its business could be adversely affected.

*Government Regulation*

If EACT is unable to comply with current or future government regulations of its products and production activities, EACT may be forced to discontinue production of current or future products. EACT is subject to federal, state, local, and foreign laws and regulations governing its products and production activities. Each product that is developed, produced, marketed, or licensed presents unique regulatory problems and risks. The problems and risks depend on the product type, its uses, and method of manufacture. For products used in human nutrition, EACT will be required to adhere to requirements published by the Canadian Food Inspection Agency regulations, United States Food and Drug Administration, ISO standards as required in Europe, and any other applicable standards. If it is unable to comply with these practices and procedures, EACT may be unable to produce its current or future products.

*No Assurances of Protection for Patents, Proprietary Rights, or Trade Secrets*

EACT relies on patents and trade secrets, which it has developed, licensed or acquired, or may develop in the future, to protect its proprietary technology and processes and maintain its competitive position. There can be no assurances that secrecy obligations will be honoured or that others will not independently develop similar or superior technology. The protection of proprietary technology through patents or claims of trade secret status has been the subject of increasing claims and litigation by various companies both in order to protect proprietary rights as well as for competitive reasons even where proprietary claims are unsubstantiated. The prosecution of proprietary claims or the defence of such claims is costly and uncertain given the uncertainty and rapid development of the principles of law pertaining to this area. EACT, in common with other firms, may also be subject to claims by other parties with regard to the use of technology information and data, which may be deemed proprietary to others.

*Buyers' Preference & Spending Trends; Possible Fluctuations in Operating Results*

EACT's operating results may fluctuate significantly from period to period as a result of a variety of factors, including purchasing patterns of its customer, competitive pricing, and general economic conditions. There is no assurance that EACT will be successful in marketing any of its products, or that the revenues from the sale of such products will be significant. Consequently, EACT's revenues may vary by quarter, and their operating results may experience fluctuations.

*Unanticipated Obstacles to Execution of the Business Plan*

EACT's business plans may change significantly. EACT believes that its chosen activities and strategies are achievable in light of current economic and legal conditions with the skills, background, and knowledge of its principals, advisors, and consultants. EACT reserves the right to make significant modifications to any of EACT's stated strategies depending on future events.

*Future Litigation*

EACT may be subject to litigation arising out of its operations, although there currently are no such lawsuits. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact the Company's business, results of operations, or financial condition. While EACT will assess the merits of any lawsuit and defend itself accordingly, it may be required to incur significant expense or devote significant financial resources to defending itself against such litigation. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Company's business.

## Outstanding Securities data

The company has the following securities outstanding as at June 30, 2014 and August 27, 2014:

| | As at June 30, 2014 | As at August 27, 2014 |
|---|---|---|
| Common shares | 81,890,500 | 81,890,500 |
| Stock Options | 4,250,000 | 4,250,000 |
| Warrants | 1,572,500 | 1,572,500 |

The Company has an incentive stock option plan (the "Plan") that was approved by the shareholders on April 10, 2014. The Plan provides that the Board of Directors of the Company, from time to time, in its discretion, and in accordance with CSE requirements, grant to directors, officers, employees, and consultants of the Company, non-transferable options to purchase Common shares, provided that the number of Common shares reserved for issuance will not exceed 10% of the issued and outstanding Common shares of the Company at the time of grant.

The company has the following options outstanding as at June 30, 2014 and August 27, 2014:

| | Number of Options | Weighted Average Exercise Price ($) | Weighted Average remaining contractual term (Years) |
|---|---|---|---|
| Outstanding as at December 31, 2013 | - | - | - |
| Granted | 4,298,300 | $0.101 | 4.80 |
| Exercised | - | - | - |
| Forfeited and Expired | - | - | - |
| Outstanding at June 30, 2014 | 4,298,300 | $0.101 | 4.80 |
| Exercisable at June 30, 2014 | 1,831,633 | $0.101 | 4.80 |

The Company issued 400,000 warrants which grant the holders the right to acquire one Common share per warrant at a price of $0.25 per share. The warrants expire on December 4, 2014.

The company has the following share purchase warrants outstanding as at June 30, 2014 and August 27, 2014:

| | Number of share purchase warrants | Average exercise price |
|---|---|---|
| Balance December 31, 2013 | - | - |
| Issued, | 400,000 | $0.25 |
| Exercised | - | - |
| Expired / Forfeited | - | - |
| Balance outstanding | 400,000 | $0.25 |

The Company granted options to an agent pursuant to a brokered private placement which are exercisable (in whole or in part) until April 13, 2016 and which gives the agent the right to acquire up to 1,172,500 common shares of the Company with an exercise price of $0.10.

The company has the following agent options outstanding as at June 30, 2014 and August 27, 2014:

| | Number of agent options | Average exercise price |
|---|---|---|
| Balance December 31, 2013 | - | - |
| Issued, | 1,172,000 | $0.10 |
| Exercised | - | - |
| Expired / Forfeited | - | - |
| Balance outstanding | 1,172,000 | $0.10 |

## Off-balance sheet arrangements

There are no off-balance sheet arrangements as of June 30, 2014.

## Other Information

Additional information about the Company is available on SEDAR at www.sedar.com

## Certification

This Management Discussion and Analysis was approved by the board of directors.

*(s) Steve Perrone, CFO*

Steve Perrone, CFO

August 27, 2014