

NO. S115028
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 THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44

AND

IN THE MATTER OF PAKIT INC.

PETITIONER

AFFIDAVIT

I, Dwayne Yaretz, businessman, of 2250-1050 West Pender Street, Vancouver, SWEAR (OR AFFIRM) THAT:

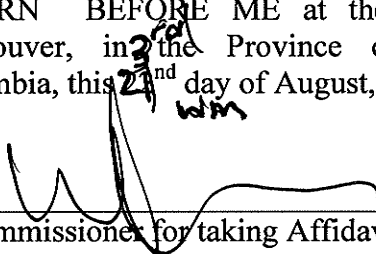
1. I am the President of the Petitioner, and as such I have direct knowledge of the facts and matters hereinafter deposed to, except where stated to be on information and belief, and where so stated I verily believe them to be true.
2. I am authorized to make this affidavit on behalf of the Petitioner in support of an application to extend the initial order.

3. During the period since the initial order was made herein, the Petitioner has been diligently seeking to stabilise its cash flow so that it can sustain its operation and put forward a plan for its creditors.
4. The company requires approximately \$601,000 per month (plus professional fees of approximately \$150,000) to maintain its operations during the restructuring period. Eventually, the company hopes to achieve that level of income and more from the sale of its machines and related products and services, but the process of converting machine sales into revenue has taken longer than anticipated.
5. The projected (consolidated) cash flow that was relied upon to obtain the initial order anticipated that the Petitioner would receive operating funds over the coming month from several sources including further cash investments (\$470,000 (USD 500,000) in weeks 2 and 3 and \$500,000 in week 4) and further payments totalling \$641,000 from its customer Grupo San Cayetano ("Cayetano") following commissioning of the facility in which the machines that have already been purchased and delivered are being housed.
6. The Petitioner did receive \$457,000 from the investor between weeks 2 and 3 although this was made as a loan directly to me and I loaned the money in turn to the Petitioner.
7. The remaining funds from the investors have been delayed. The Petitioner now expects to receive those funds several weeks behind schedule. I understand this to be due to the need for the investors to liquidate other investments in the market in order to free up the necessary funds to make the investment in the Petitioner. This process was complicated over the last month due to unanticipated turmoil in the markets. I understand from the investor and verily believe that second US\$500,000 has now been liquidated and will be paid to the Petitioner in the week of September 2, 2011.
8. The Petitioner has also obtained subscription agreements for additional equity investments of approximately \$143,000 from several shareholders which are being held in trust to be received if the Petitioner obtains an extension to the initial order of at least 20 days on this application.

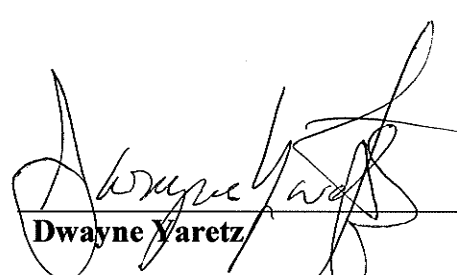
9. With respect to Cayetano, 60% of the purchase price for the machines it has purchased has already been paid and a further 30% was supposed to be made in week 5 (by August 26). This payment will not be made on schedule. The problem is that Cayetano refuses to make the payment until the machines are operating to certain specifications in the facility that has been built for them. This has not happened because a cooling tower in the facility was not installed properly by a third party contractor. The Petitioner is working with the contractor responsible for the cooling tower in an effort to get it operating properly so that the anticipated payments from Cayetano can resume as projected.
10. Within the last 24 hours, Cayetano sent a letter to the Petitioner repudiating the sales contracts on the basis of alleged problems with the machines. The Petitioner is urgently working with Cayetano to resolve the issues raised in the letter.
11. The Petitioner has in the past week made further progress towards a sale with another customer who has signed a letter of intent to purchase five machines in this calendar year, which, if such sales proceed, will result revenues in excess of \$15 million. The customer is expected to pay a deposit of \$100,000 to reserve a production slot for the first machine in the near future.
12. A third customer who has provided a letter of intent to purchase several machines has in the last two weeks engaged an engineering firm to perform a site analysis to construct a new facility to house the machines, with an initial purchase anticipated of 8-12 machines.
13. A fourth customer has signed a letter of intent anticipating ordering two machines in September, 2011.
14. The Petitioner has also been seeking to restructure its business to reduce costs. The Petitioner has been identifying costs that can be reduced on a go-forward basis. That process is underway and will continue to be pursued over the coming weeks.

15. Attached and marked as Exhibit A to this my affidavit is an updated cash flow that has been prepared assuming that the issues raised in the last 24 hours by Cayetano are resolved so that the anticipated payments for the purchased machines are received in the coming weeks. I believe that the projections in the attached cash flow are reasonable and can be achieved, provided the problems with Cayetano are resolved in the near future.

SWORN BEFORE ME at the City of)
Vancouver, in the Province of British)
Columbia, this 2nd day of August, 2011.)
WM

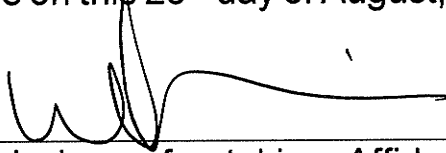

A Commissioner for taking Affidavits for
British Columbia)

WARREN B. MILMAN
Barrister & Solicitor
1300 - 777 DUNSMUIR STREET
VANCOUVER, B.C. V7Y 1K2
(604) 643-7104


Dwayne Varetz)

1

This is Exhibit "A" referred to in the Affidavit of DWAYNE YARETZ made before me on this 23rd day of August, 2011.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

A Commissioner for taking Affidavits in
British Columbia

Pakit Inc.
CONSOLIDATED Weekly Cash Flow Forecast (Note 1)
For the 13-week period ending October 21, 2011
(\$'000's)

	July		August		September								October		Notes
	Week 1 Actual 29-Jul	Week 2 Actual 5-Aug	Week 3 Actual 12-Aug	Week 4 Actual 19-Aug	Week 5 Forecast 26-Aug	Week 6 Forecast 2-Sep	Week 7 Forecast 9-Sep	Week 8 Forecast 16-Sep	Week 9 Forecast 23-Sep	Week 10 Forecast 30-Sep	Week 11 Forecast 7-Oct	Week 12 Forecast 14-Oct	Week 13 Forecast 21-Oct	Week 13 Total	
Receipts															
Customer collections	-	-	-	-	100	-	728	-	641	-	-	-	2,956	4,424	2
Funding	-	152	306	-	595	-	-	-	-	-	-	-	-	595	3
Other receipts	84	79	-	4	-	86	107	-	-	80	-	-	-	168	
Total Receipts	84	231	306	4	695	86	835	-	641	80	-	-	2,956	5,292	5,917
Disbursements															
Raw materials and production	-	-	2	-	16	140	-	22	-	16	-	-	219	413	4
Payroll, benefits and payroll taxes	112	94	30	54	4	199	15	152	138	61	-	167	211	947	5
Research and development costs	-	3	-	-	-	12	-	18	12	18	-	-	12	73	
Other general and administrative costs	7	2	2	2	-	50	-	16	21	22	-	-	21	130	75
Rent	-	17	6	53	-	24	-	98	-	82	-	-	-	204	142
Consulting fees	-	-	8	-	15	21	-	15	7	-	6	-	22	86	280
Professional fees	61	22	44	5	95	20	40	30	72	5	40	10	90	402	94
Taxes (Sweden VAT)	-	-	-	-	-	-	-	227	-	-	113	-	-	340	6
Pre-filing liabilities - Pakit Inc.	-	79	16	-	-	-	-	-	-	-	-	-	-	95	7
Other liabilities pre July 12, 2011 (Pakit International and PIT)	-	15	238	103	-	321	152	-	8	-	72	-	18	570	8
Contingency	8	(5)	(0)	0	10	-	-	-	-	-	-	-	-	33	
Total Disbursements	188	227	345	217	140	786	207	578	258	205	232	177	612	3,195	
Net Cash Flow	(103)	4	(39)	(212)	555	(700)	629	(578)	382	(125)	(232)	(177)	2,343	4,171	
Intercompany inflow/(outflow)															
Pakit Inc.	(36)	-	-	-	-	(475)	-	-	-	-	45	71	120	(239)	
Pakit International	36	-	-	-	-	66	(152)	(450)	(164)	(92)	(158)	(162)	(375)	(1,450)	
PIT	-	-	-	-	-	409	152	450	164	92	113	91	255	1,725	
Total Intercompany	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Cash Flow Post Intercompany	(103)	4	(39)	(212)	555	(700)	629	(578)	382	(125)	(232)	(177)	2,343	1,746	
Cash Position															
Opening Cash Position	726	622	626	587	375	930	229	858	280	662	537	306	129	375	726
Closing Cash Position	622	626	587	375	930	229	858	280	662	537	306	129	2,472	2,472	

Estimated Minimum Cash Balance Required

Notes:

- The purpose of these cash flow forecasts is to set out the liquidity requirements of the Pakit Companies during the CCAA proceedings. Since projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.
- Customer collections primarily relate to collection from one customer based in Spain. The customer has provided a letter to Pakit repudiating the contracts with Pakit and the related contract payments. Management assumes they can reach a negotiated settlement resulting in the collection of the receipts as shown above. A non-related customer deposit of \$100,000 is also forecast to be received in Week 5.
- A number of investors have submitted subscription agreements for the purchase of shares for approximately \$100,000 in Week 5. In addition, an investor group has signed a subscription agreement for an equity investment of US\$500,000 (CAD\$495,000) to be received in Week 5.
- Raw materials and production costs have been forecast based on estimated costs to complete units and prototypes for delivery in the period.
- Operating disbursements including rent, payroll and other operating costs have been forecast generally based on the current run-rates of the associated expenses.
- Other general and administrative expenses include travel, insurance and office costs.
- Professional fee disbursements have been forecast based on projected costs by professional services firms relating to the restructuring.
- Pre-filing amounts generally relate to credit card cancellation, which were cash collateralized.
- Other liabilities relate to amounts owed by Pakit International Trading Company Inc. ("Pakit International") and Packaging International Technology Sweden AB ("PIT") prior to the Pakit Inc. filing date and are assumed to be paid in order to support the ongoing operations of these entities and related receipts. These payments include PIT payroll taxes of \$200,000 (\$120,000 paid to date), VAT of \$215,000 (\$135,000 paid to date), payments to suppliers required to complete machines for completion in the forecast period of \$341,000 (\$40,000 paid to date) and patent related legal fees of \$170,000 (\$15,000 paid to date).

Pakit Inc.
Non-Consolidated Weekly Cash Flow Forecast (Note 1)
For the 13-week period ending October 21, 2011
(\$000's)

	July		August		September		October		Week 1 to Week 4 Actual		Week 5 to Week 13 Forecast		Week 13 Total		Notes
	Week 1 Actual	Week 2 Actual	Week 3 Actual	Week 4 Actual	Week 5 Forecast	Week 6 Forecast	Week 7 Forecast	Week 8 Forecast	Week 9 Forecast	Week 10 Forecast	Week 11 Forecast	Week 12 Forecast	Week 13 Forecast	Week 13 Total	
	29-Jul	5-Aug	12-Aug	19-Aug	26-Aug	2-Sep	9-Sep	16-Sep	23-Sep	30-Sep	7-Oct	14-Oct	21-Oct	Total	
Receipts															
Customer collections	-	-	-	-	-	-	88	-	-	-	-	-	-	88	2
Funding	-	-	-	-	595	-	-	-	-	-	-	-	-	595	3
Other receipts	-	79	-	-	-	-	-	-	-	-	-	-	-	79	
Total Receipts	-	79	-	-	595	-	88	-	-	-	-	-	-	762	
Disbursements															
Raw materials and production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Payroll, benefits and payroll taxes	75	-	6	54	4	61	-	61	-	61	-	61	-	250	4
Research and development costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other general and administrative costs	6	2	1	2	-	44	-	-	-	21	-	-	-	65	4
Rent	-	17	-	-	-	18	-	-	-	18	-	-	-	36	4
Consulting fees	-	-	5	-	15	5	-	15	-	-	5	-	15	55	4
Professional fees	61	22	44	5	95	5	40	30	65	5	40	10	85	375	5
Pre-filing liabilities	-	79	16	-	-	-	-	-	-	-	-	-	-	95	
Contingency	8	(5)	(2)	0	10	-	-	-	-	-	-	-	-	32	
Total Disbursements	151	115	70	61	124	133	40	106	65	106	45	71	120	811	
Net Cash Flow	(151)	(36)	(70)	(61)	(471)	(133)	(48)	(106)	(65)	(106)	(45)	(71)	(120)	(445)	
Intercompany															
Intercompany inflow/(outflow) - Pakit	(36)	-	-	-	-	(425)	-	-	-	-	45	71	120	(239)	
International	(187)	(36)	(70)	(61)	(471)	(608)	(48)	(106)	(65)	(106)	(0)	-	-	(366)	
Net Cash Flow Post Intercompany															
Cash Position															
Opening Cash Position	720	533	497	427	366	838	229	277	171	106	0	-	-	366	
Closing Cash Position	533	497	427	366	838	229	277	171	106	0	-	-	-	-	

Notes:

1. The purpose of this cash flow forecast is to set out the liquidity requirements of Pakit Inc. during the CCAA proceedings. Since projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.
2. The \$88,000 receipt in Week 7 relates to an amount due from Pepsico under a research agreement.
3. A number of investors have submitted subscription agreements for the purchase of shares for approximately \$100,000 in Week 5. In addition, an investor group has signed a subscription agreement for an equity investment of US\$500,000 (CAD\$495,000) to be received in Week 5.
4. Operating disbursements including rent, payroll and other operating costs have been forecast generally based on the current run-rates of the associated expenses. Other general and administrative costs include travel, insurance and office costs. These disbursements include the cost of one employee employed in Pakit USA.
5. Professional fee disbursements have been forecast based on projected costs by professional services firms relating to the restructuring.

Pakit International Trading Company Inc.
Non-Consolidated Weekly Cash Flow Forecast (Note 1)
For the 13-week period ending October 21, 2011
(\$000's)

	July	August			September			October			Week 1 to Week 4 Actual Total	Week 5 to Week 13 Forecast Total	Week 13 Total	Notes
	Week 1 Actual 29-Jul	Week 2 Actual 5-Aug	Week 3 Actual 12-Aug	Week 4 Actual 19-Aug	Week 5 Forecast 26-Aug	Week 6 Forecast 2-Sep	Week 7 Forecast 9-Sep	Week 8 Forecast 16-Sep	Week 9 Forecast 23-Sep	Week 10 Forecast 30-Sep	Week 11 Forecast 7-Oct	Week 12 Forecast 14-Oct	Week 13 Forecast 21-Oct	
Receipts														
Customer collections	-	-	-	-	100	-	641	-	641	-	-	-	2,956	2
Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other receipts	84	-	-	-	86	107	-	-	-	80	-	84	-	
Total Receipts	84	-	-	-	100	86	747	-	641	80	-	-	2,956	
Disbursements														
Raw materials and production	-	-	-	-	16	124	-	22	-	-	-	-	203	3
Payroll, benefits and payroll taxes	36	-	12	-	-	10	15	-	10	-	-	15	-	
Sales and marketing costs	-	-	-	-	-	-	-	-	-	-	-	-	-	
Research and development costs	-	3	-	-	12	-	-	-	12	-	-	-	12	
Other general and administrative costs	-	0	0	-	-	6	-	-	5	1	-	-	5	
Rent	-	-	6	-	-	6	-	-	-	6	-	-	-	
Consulting fees	-	-	3	-	-	1	-	-	-	-	1	-	-	
Professional fees	-	-	-	-	-	13	-	-	2	-	-	-	-	
Other liabilities (pre July 12, 2011)	-	15	41	-	-	70	-	-	-	-	72	-	18	4
Contingency	-	-	1	0	-	-	-	-	-	-	-	-	-	
Total Disbursements	37	18	63	0	16	244	15	22	29	7	73	15	238	
Net Cash Flow	47	(18)	(63)	(0)	84	(158)	732	(22)	612	73	(73)	(15)	2,718	
Intercompany														
Intercompany inflow/(outflow) - Pakit Inc.	36	-	-	-	-	475	-	-	-	-	(45)	(71)	(120)	
Intercompany inflow/(outflow) - PIT	-	-	-	-	-	(409)	(152)	(450)	(164)	(92)	(113)	(91)	(255)	
Net Cash Flow Post Intercompany	84	(18)	(63)	(0)	84	(92)	581	(472)	447	(19)	(232)	(177)	2,343	
Cash Position														
Opening Cash Position	6	89	71	8	8	92	-	581	109	556	537	306	129	
Closing Cash Position	89	71	8	8	92	-	581	109	556	537	306	129	2,472	

Notes:

1. The purpose of this cash flow forecast is to set out the liquidity requirements of Pakit Inc. during the CCAA proceedings. Since projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.
2. Customer collections primarily relate to collection from one customer based in Spain. The customer has provided a letter to Pakit repudiating the contracts with Pakit and the related contract payments. Management assumes they can reach a negotiated settlement resulting in the collection of the receipts as shown above. A non-related customer deposit of \$100,000 is also forecast to be received in Week 5.
3. Raw materials and production costs have been forecast based on estimated costs to complete units and prototypes for delivery in the period.
4. Other liabilities relate to amounts owed by Pakit International prior to the Pakit Inc. filing date and are assumed to be paid in order to support the ongoing operations and related receipts. These payments include \$95,000 for legal fees for the patent attorneys (\$15,000 paid to date), \$120,000 (\$40,000 paid to date) for a supplier that is required to perform further work to complete the machines shipped in Week 13.

Packaging International Technology Sweden AB
Non-Consolidated Weekly Cash Flow Forecast (Note 1)
For the 13-week period ending October 21, 2011
(\$000's)

	July	August			September							October			Week 1 to Week 4 Actual Total	Week 5 to Week 13 Forecast Total	Week 13 Total	Notes
	Week 1 Actual 29-Jul	Week 2 Actual 5-Aug	Week 3 Actual 12-Aug	Week 4 Actual 19-Aug	Week 5 Forecast 26-Aug	Week 6 Forecast 2-Sep	Week 7 Forecast 9-Sep	Week 8 Forecast 16-Sep	Week 9 Forecast 23-Sep	Week 10 Forecast 30-Sep	Week 11 Forecast 7-Oct	Week 12 Forecast 14-Oct	Week 13 Forecast 21-Oct					
Receipts																		
Customer collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Funding	-	152	306	-	-	-	-	-	-	-	-	-	-	457	4	-	-	
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Receipts	-	152	306	4	-	-	-	-	-	-	-	-	-	462		-	462	
Disbursements																		
Raw materials and production	-	-	2	-	-	16	-	-	-	16	-	-	16	2	-	48	50	
Payroll, benefits and payroll taxes	-	94	13	-	-	128	-	91	128	-	-	91	211	107	-	648	754	
Sales and marketing costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Research and development costs	-	-	-	-	-	-	-	18	-	18	-	-	-	-	37	37	-	
Other general and administrative costs	-	-	0	0	-	-	-	16	16	-	-	16	16	0	-	48	48	
Rent	-	-	-	53	-	-	-	98	-	58	-	-	-	53	-	156	209	
Consulting fees	-	-	-	-	-	14	-	-	7	-	-	-	7	-	29	29	-	
Professional fees	-	-	-	-	-	-	-	-	5	-	-	-	-	-	10	10	-	
Taxes (Sweden VAT)	-	-	-	-	-	-	227	-	-	-	113	-	-	-	340	340	-	
Other liabilities (pre July 12, 2011)	-	-	197	103	-	251	152	-	8	-	-	-	-	300	710	410	340	
Contingency	-	-	0	0	-	-	-	-	-	-	-	-	-	0	-	-	0	
Total Disbursements	-	94	212	156	-	409	152	450	164	92	113	91	255	462	-	1,725	2,187	
Net Cash Flow	-	58	94	(152)	-	(409)	(152)	(450)	(164)	(92)	(113)	(91)	(255)	(0)	-	(1,725)	(1,725)	
Intercompany																		
Intercompany inflow/(outflow) - Pakit International	-	-	-	-	-	409	152	450	164	92	113	91	255	-	-	1,725	1,725	
Net Cash Flow Post Intercompany	-	58	94	(152)	-	-	-	-	-	-	-	-	-	(0)	-	-	-	
Cash Position																		
Opening Cash Position	-	-	58	152	-	-	-	-	-	-	-	-	-	-	-	-	-	
Closing Cash Position	-	58	152	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Notes:

- The purpose of this cash flow forecast is to set out the liquidity requirements of Pakit Inc. during the CCAA proceedings. Since projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Bank of Canada exchange rate for Swedish krona to Canadian dollars as at August 23, 2011 plus expected spread of \$0.005 per krona.
- Operating disbursements including rent, payroll and other operating costs have been forecast generally based on the current run-rates of the associated expenses.
- VAT payments due post July 12, 2011 are assumed to be paid during the forecast period.
- Rent and utilities payments are assumed to be made on a monthly basis to be applied to oldest outstanding invoice. As at August 16, 2011 there is approximately \$415,000 arrears outstanding.
- Other liabilities relate to amounts owed by PIT prior to the Pakit Inc. filing date including payroll tax of \$200,000 (\$120,000 paid to date), VAT tax of \$215,000 (\$135,000 paid to date), income tax of \$18,000 (\$9,000 paid to date), payments to suppliers required to complete machines of \$221,000 as well as \$55,000 (\$27,000 paid to date) to suppliers required to support ongoing operations including telephones and CAD systems.