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C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
COURT. No.: 500-11-061483-224
OFFICE No.:

S U P E R I O R C O U R T
Commercial Division

**IN THE MATTER OF A PLAN OF
ARRANGEMENT OR COMPROMISE OF:**

**XEBEC ADSORPTION INC.
XEBEC RNG HOLDINGS INC.
COMPRESSED AIR INTERNATIONAL INC.
APPLIED COMPRESSION SYSTEMS LTD.
XEBEC HOLDING USA INC.
ENERPHASE INDUSTRIAL SOLUTIONS INC.
CDA SYSTEMS, LLC
XEBEC ADSORPTION USA INC.
THE TITUS COMPANY
NORTEKBELAIR CORPORATION
XBC FLOW SERVICES – WISCONSIN INC.
CALIFORNIA COMPRESSION, LLC
- and -
XEBEC SYSTEMS USA, LLC**

Debtors / Petitioners

- and -

DELOITTE RESTRUCTURING INC.

Monitor

**SECOND REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR
(Companies' Creditors Arrangement Act)**

INTRODUCTION

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
2. Unless otherwise stated, the Debtors/Petitioners in the Application are collectively referred to herein as the "**Petitioners**" or the "**Debtors**".
3. The Petitioners and the other material direct or indirect subsidiaries of Xebec Adsorption Inc. ("**Xebec Inc.**"), which are not currently parties in the CCAA Proceedings (as defined below), are collectively referred to herein as the "**Xebec Group**" or the "**Company**".
4. On September 29, 2022, the Petitioners filed an *Application for the Issuance of a First Day Initial Order, a Deemed Extension of the Stay Period and a Bidding Procedures Order* (the "**Initial Application**") under the *Companies' Creditors Arrangement Act* ("**CCAA**").
5. On September 29, 2022, Deloitte Restructuring Inc., then in its capacity as Proposed Monitor, issued its first report to the Court (the "**First Report**") as part of the Debtors' CCAA proceedings (the "**CCAA Proceedings**"). The purpose of the First Report was to provide information to the Court with respect to I) the business, financial affairs and financial results of Xebec Group; II) the Petitioners' main creditors; III) the proposed restructuring process; IV) the proposed sale and investment solicitation process; V) charges sought in the proposed "First Day Initial Order"; VI) payments to Critical Suppliers; VII) overview of the Cash Flow Projections as of the date of the First Report; VIII) Deloitte's qualification to act as Monitor; IX) Recognition Proceedings in the United States; and X) the Proposed Monitor's conclusions and recommendations.
6. Capitalized terms not otherwise defined herein are as defined in the First Report.
7. On September 29, 2022, the Superior Court of Québec, Commercial Division (the "**Court**"), granted the Initial Application and rendered the First Day Initial Order and the Bidding Procedures Order which provided for, inter alia, (i) a stay of proceedings against the Petitioners until and including October 9, 2022 (the "**Stay Period**"); (ii) a stay of proceedings against the Directors and Officers; (iii) the appointment of Deloitte Restructuring Inc. as the monitor under the CCAA ("**Deloitte**" or the "**Monitor**"); (iv) entitlement to pay Critical Suppliers up to a maximum aggregate amount of \$700K, (v) an Administration Charge of \$250K, a D&O Charge of \$2.2M and a Transaction Charge of \$975K, and (vi) approval of the SISP.
8. On October 4, 2022, the Petitioners notified to the Service List and filed with the Court an *Application for an Extension of the Stay of Proceedings*, seeking an extension of the First Day Initial Order until October 20, 2022.
9. The purpose of this second report of the Monitor (the "**Second Report**") is to provide information to the Court with respect to:
 - I. Update regarding Xebec Group's communications and operations;
 - II. The Monitor's activities since the First Report;
 - III. Recognition Proceedings in the United States;
 - IV. Update on the SISP;
 - V. Payments to Critical Suppliers;
 - VI. Actual receipts and disbursements;

- VII. Overview of the Cash Flow Projections;
 - VIII. The request for an extension of the Stay Period; and
 - IX. The Monitor's conclusions and recommendations.
10. In preparing the Second Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, the Petitioners' books and records and financial information prepared by the same and discussions with management ("**Management**") of the Petitioners (collectively, the "**Information**"). Except as described in this Second Report in respect of the Debtors' Cash Flow Statement (as defined below):
- (i) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - (ii) Some of the information referred to in this Second Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.
11. Future oriented financial information referred to in this Second Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
12. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Second Report concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Monitor.
13. The Information that was analyzed does not include the extent of the impact of Coronavirus ("**COVID-19**") on the Petitioners' operations. At the time of the Second Report, the situation is continuing to evolve, and many uncertainties remain as to the effect the COVID-19 crisis has had and may continue to have on the Petitioners and the broader domestic and global economies.
14. The Monitor relied, in part, on publicly available information, Management forecasts and other information provided by Management in relation to the effect COVID-19 has had and may continue to have on the Petitioners.

I. UPDATE REGARDING XEBEC GROUP'S COMMUNICATIONS AND OPERATIONS

15. Early on September 29, 2022, prior to opening of markets and prior to the hearing on the Initial Application, the Company had issued a press release advising that the Petitioners were seeking protection under the CCAA and that trading of the shares of Xebec Inc. was expected to be halted, which was confirmed prior to opening of markets.

16. Following this press release, on September 29, 2022, the Company held calls with all its employees, in French for its employees located in Québec and in English for its employees located elsewhere in Canada and in the United States. Management also contacted the local management teams of each of the Xebec Group's entities worldwide as well as certain key stakeholders on that day, to advise them of the situation and of the intent to initiate the CCAA Proceedings.
17. Later on September 29, 2022, the Company issued another press release advising namely that the First Day Initial Order was issued by the Court, that Deloitte had been appointed as Monitor and that the Court had also issued the Bidding Procedures Order authorizing the Company to conduct the SISP with the assistance of NBF, as financial advisor, and the Monitor.
18. Since the First Day Initial Order, the Company has had many communications with all its main customers, suppliers and other key stakeholders to explain the current situation and the next steps relating to the Restructuring Process.
19. The Company has pursued its ongoing discussions with its secured lenders, EDC and NBC, in view of securing interim financing. Since the First Day Initial Order, several meetings and exchange of information took place.
20. The Company and the Monitor have continued to collaborate with EDC and its financial advisor Richter, including by providing their representatives with requested information and documentation relating to the Restructuring Process.
21. The Company and the Monitor have continued to collaborate with NBC and its financial advisor PwC, including by providing their representatives with requested information and documentation relating to the Restructuring Process.
22. The Company has also engaged in discussions with NBC in order to extend the forbearance agreement until October 20, 2022.
23. The Company and the Monitor have had several discussions and exchange of information with the Petitioners' key customers in order to:
 - a) optimize working capital on key projects; and
 - b) ensure the continuation and viability of key contracts.
24. The Company has been proactive in responding to the different stakeholders' inquiries relating to the CCAA Proceedings and the Restructuring Process.
25. The Company remained careful and vigilant in managing its liquidities. The Company focused on limiting disbursements until a clear path has been established with respect to the financing of its operations during the Restructuring Process.
26. To the Monitor's knowledge, the Company remained in compliance with the provisions of the First Day Initial Order and the Bidding Procedures Order since their issuance.

II. THE MONITOR'S ACTIVITIES SINCE THE FIRST REPORT

27. On September 30, 2022, the Monitor posted a copy of the CCAA Proceedings' application materials, the First Report of the Proposed Monitor, the First Day Initial Order, the Bidding Procedures Order and the service list on the Monitor's website at www.insolvencies.deloitte.ca/Xebec (the "Monitor Website").

28. The Monitor has also provided a dedicated email address (xebec_ccaa@deloitte.ca) and a phone number (514-393-6722) to allow interested parties to contact the Monitor directly if they have questions with respect to the Restructuring Process and the CCAA Proceedings.
29. On October 3, 2022, the Monitor sent, by prepaid ordinary mail, a notice to all Petitioners' known creditors having a claim against the Debtors of more than \$1,000 based on the contact information provided by Management of such known creditors. The notice included information about the CCAA Proceedings, the Monitor's email address and the Monitor's Website (the "**Notice to Creditors**"). Approximately 602 creditors were sent a Notice to Creditors which was also posted on the Monitor's Website.
30. On October 3, 2022, the Monitor sent, by prepaid ordinary mail, based on the contact information provided by Management, a notice to all known current employees of the Petitioners, which included information about the CCAA Proceedings, the Monitor's email address and the Monitor Website (the "**Notice to Employees**"). Approximately 406 employees were sent the Notice to Employees.
31. On October 5, 2022, the Monitor published a notice of the First Day Initial Order in La Presse+ (French version) and in the Globe and Mail National Edition (English version).
32. The Monitor filed the first and second forms (Form 1 and 2) with respect to the granting of the First Day Initial Order and certain information as required by the Office of the Superintendent of Bankruptcy.
33. The Monitor assisted the Petitioners in their discussions with their main customers, suppliers and other key stakeholders. The Monitor has participated in meetings with several stakeholders since the First Day Initial Order, including with:
 - a) the Company's secured lenders, NBC and EDC, and their respective financial advisors, PwC and Richter;
 - b) one of the Company's unsecured lenders, FSTQ;
 - c) some of the Company's main customers; and
 - d) the Company's employees.
34. More generally, the Monitor, with the assistance of the Petitioners, has been responding to questions and inquiries of various stakeholders in relation to the CCAA Proceedings and the Restructuring Process.
35. Since the First Day Initial Order, the Monitor worked with the Company to develop and implement procedures to monitor the Company's activities in view of reporting to the Court.
36. The Monitor has had multiple communications and discussions with NBF and the Company regarding the launching and progress of the SISP.
37. The Monitor is also holding regular discussions with the Company and remained apprised, daily, on:
 - a) the Petitioners' operations;
 - b) the Petitioners' efforts to secure an interim financing facility which would allow for maximization of the value of the Company, for the benefit of all stakeholders; and
 - c) any other issues the Petitioners encountered.
38. The Monitor implemented a daily review of the Petitioners bank accounts' receipts and disbursements. Since the First Day Initial Order, daily requests for payment of goods or services supplied to the Petitioners were presented to the Monitor by the Company. The Monitor received full cooperation from Management.

39. The Monitor has continued to assist the Company in establishing a Petitioners' revised cash flow projections and modeling the different scenarios regarding the funding of its operations until early February 2023.

III. RECOGNITION PROCEEDINGS IN THE UNITED STATES

40. As mentioned in the First Report, immediately following the issuance of the First Day Initial Order, the Debtors filed petitions seeking recognition of the CCAA Proceedings as foreign main proceedings in the United States and recognition of Xebec Inc. as foreign representative of the Debtors, with the objective to obtain the issuance of a recognition order and other relief, the whole under Chapter 15 of the US Bankruptcy Code.
41. On September 30, 2022, the Debtors obtained an order granting provisional relief pursuant to section 1519 of the Bankruptcy Code. A recognition hearing has been scheduled by the United States Bankruptcy Court for the District of Delaware for November 1, 2022.
42. Copies of the US proceedings and orders have been posted on the Monitor Website.

IV. UPDATE ON THE SISP

43. Since the issuance of, and pursuant to the Bidding Procedures Order, the Petitioners undertook the SISP intended to solicit interest in sales in respect of Xebec Group's businesses through one or multiple transactions; and/or an investment, recapitalization, refinancing or other form of reorganization transaction(s) (collectively, the "**Opportunity**"). The SISP is being conducted by the Company, with the assistance of NBF, and under the oversight of the Monitor.
44. As provided in the "**Bidding Procedures**" forming part of the Bidding Procedures Order:
- a) a letter describing the Opportunity (the "**Solicitation Letter**") outlining the SISP and inviting recipients of the Solicitation Letter to express their interest pursuant to the SISP is being sent by NBF to potential bidders; and
 - b) certain non-disclosure agreements ("**NDAs**") have been received by NBF or are in the process of being executed potential bidders in order to participate in the SISP and obtain access to confidential information.
45. As of the afternoon of October 4, 2022, NBF had sent approximately 199 Solicitation Letters and NDAs by email to targeted potential bidders, and was continuing its work to reach out to both strategic and financial potential bidders worldwide. A copy of the teaser is attached as Appendix A to this report.
46. The Company, NBF and the Monitor have received several inquiries relating to the SISP from parties who were informed of the initiation of the CCAA Proceedings.
47. Since the First Day Initial Order, the Company, with the assistance of NBF and in consultation with the Monitor, has been working on a draft of the confidential information memorandum providing additional information considered relevant to the Opportunity, which should be finalized by October 6, 2022.
48. NBF has worked actively with the Company to add all relevant information to the confidential virtual data room (the "**VDR**") in relation to the Opportunity. Such information is extensive and complex as it relates to all of the Xebec Group entities, which are operating in many jurisdictions, and includes documents in several different languages. NBF will continue adding information to the VDR throughout the SISP.

V. PAYMENTS TO CRITICAL SUPPLIERS

49. The First Day Initial Order provides that the Petitioners shall be entitled, with the prior consent of the Monitor, to pay amounts owing for goods or services actually supplied to the Petitioners prior to the First Day Initial Order by third party suppliers up to a maximum aggregate amount of \$700,000, if, in the opinion of the Petitioners and of the Monitor, the supplier is critical to the business and continued operation (the "**Critical Suppliers**").
50. As of October 5, 2022, the Petitioners have not made any payments to any Critical Suppliers.
51. As mentioned in the First Report, the opportunity and extent of payments to Critical Suppliers will namely depend on the ongoing discussions with secured creditors in order to secure interim financing and the discussions with customers regarding the terms of their contracts, which discussions will impact the measures and steps of the Restructuring Process.
52. The Petitioners are still of the view that such payments to Critical Suppliers will be kept to a minimum until a better understanding of the source of financing of the Petitioners' operations is obtained in the near term.

VI. ACTUAL RECEIPTS AND DISBURSEMENTS

53. The Petitioners remained careful and vigilant in managing the Company's liquidities and limited incurring obligations until the Company has a better understanding of the source(s) of financing available to the Petitioners' operations.
54. Although it is too early to report on the actual receipts and disbursements compared to the Cash Flow Statement presented in the First Report, the Monitor understands that the cash position as at October 1, 2022 was \$11.7M compared to an amount of approximately \$8.1M as budgeted in the Cash Flow Statement.
55. As anticipated in the First Report, since the First Day Initial Order, intercompany funding has been required between entities of the Xebec Group in order to preserve value and maintain going concern operations.
56. The Petitioners have initiated and are projecting certain intercompany transfers between Petitioners, including to cover each Petitioner's allocated share of the restructuring costs and reimbursements of payroll expenses. The allocation is currently being reviewed in consultation with the Monitor, and could be adjusted from time to time. The Monitor will provide information on intercompany transfers in a subsequent report.
57. As of the date of this Second Report, all post-filing expenses incurred by the Petitioners have been or will be paid in the normal course of business out of the existing working capital of the Petitioners, including its different bank accounts, as described in the First Report.

VII. OVERVIEW OF THE CASH FLOW PROJECTIONS

58. The Company, with the assistance of the Monitor, has prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 4-week period from October 1, 2022 to October 29, 2022 (the "**Cash Flow Period**") for the purpose of projecting the Company's estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Statement is attached as Appendix B to this report.
59. The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement attached as Appendix C to this report.

60. The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to these assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the documents provided by Management in support of the probable assumptions, and the preparation and presentation of the Cash Flow Statement.
61. Based on the Monitor's review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:
- (i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
 - (ii) As at the date of this First Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or
 - (iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.
62. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no opinion as to whether the projections in the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report or, relied upon in preparing this report. Neither does the Monitor express any opinion as to the performance of the Company's statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, inter alia the payment of wages, the government remittances and the payroll deductions to be made by the Debtors.
63. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.
64. As mentioned above, the key assumptions used in the Cash Flow Statement are based on the Petitioners' most recent sales and costs trends prior to the First Day Initial Order. The Petitioners' consolidated cash balance as at October 1, 2022 is estimated to be \$11.7M. As mentioned in the First Report, the liquidity level will not be sufficient to fund the current level of operations during the Restructuring Process without access to interim financing. The Monitor will file a report prior to the comeback hearing including an extended cash flow statement which will vary depending on whether the Company secures interim financing in the meantime. Based on a preliminary review, in either case, the Company would have sufficient liquidity to fund operations during the period of the SISF, it being understood that in the scenario without interim financing, the operations would need to be greatly reduced, as mentioned in the First Report.
65. Management anticipates more restrictive payment terms for purchases from suppliers following the announcement of the CCAA proceedings. As such, Management has anticipated certain "cash on delivery" purchases and payment of deposits to certain supply providers.

66. As appears from the Cash Flow Statement and the Application, Xebec Group intends to continue to pay its trade creditors for services rendered and goods supplied in the normal course of business during these CCAA proceedings, but also, with the permission from this Court and exceptionally, for services rendered and goods supplied in the normal course of business before the present CCAA proceedings with respect to the Critical Suppliers (as described above).
67. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
68. This being said, the Cash Flow Statement of the Company for the Cash Flow Period and for the period subsequent to same will depend in particular on the ongoing discussions with the Company's secured creditors and its customers in respect to their contracts.
69. As such, prior to the comeback hearing, the Petitioners intend to prepare a revised and updated cash flow (based on the above-mentioned developments and negotiations), which shall be projected until the end of January 2023 and will be included in a subsequent report to be filed by the Monitor.

VIII. THE REQUEST FOR AN EXTENSION OF THE STAY PERIOD

70. In view of holding the "comeback" hearing, the Debtors are seeking an extension of the Stay Period until October 20, 2022, to pursue discussions in order to secure interim financing, continue the ongoing SISP and prepare alternative scenarios should the Company be unable to secure interim financing.
71. The Monitor is informed that the Petitioners intend to continue to pay its trade creditors for services rendered and goods supplied in the normal course of business during the CCAA Proceedings.
72. As described in this Second Report, the Cash Flow Statement indicates that the Petitioners should have sufficient liquidity to continue to meet its obligations in the ordinary course of business with access to its current liquidities and existing working capital.

IX. THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

73. The Monitor believes that the Petitioners should be granted the continued benefit of the protection available pursuant to the CCAA in the form of the proposed Order Extending the Stay of Proceedings.
74. As noted above, the current Stay Period expires on October 9, 2022. The extension of the Stay Period sought by the Petitioners is required to continue the Restructuring Process.
75. It is the Monitor's view that the continuation of the Restructuring Process is beneficial to its creditors and stakeholders as a whole.
76. The Monitor also believed that the Petitioners have acted, and are acting, in good faith and with due diligence and that the extension of the Stay Period is appropriate.
77. The Monitor will file a new report prior to the comeback hearing in order to present its views and recommendations regarding such further relief that will be sought in the Amended and Restated Initial Order, depending on the developments that will occur by then.

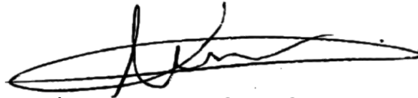
DATED AT MONTREAL, this 6th day of October 2022.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of the
Petitioners



Jean-François Nadon, CPA, CIRP, LIT



Julie Mortreux, CPA, CIRP, LIT

Appendix A
Teaser



Project Eagle

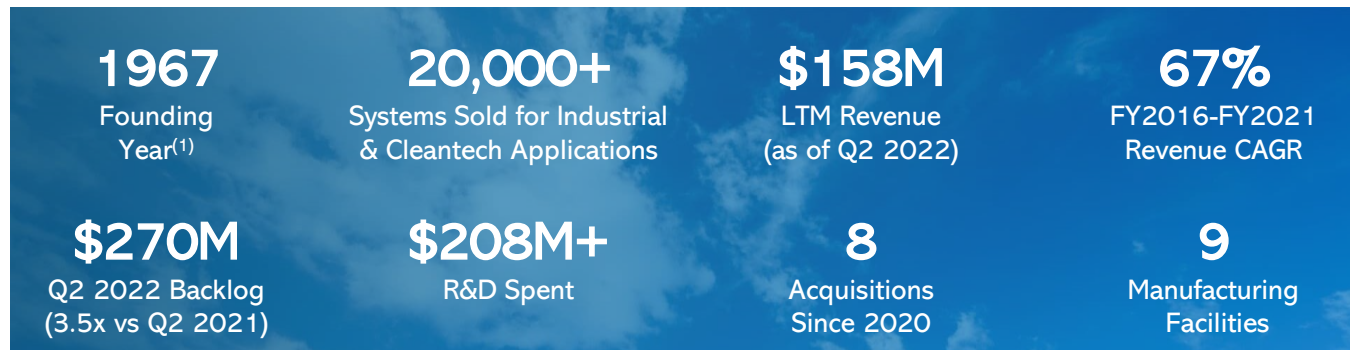
Investment Teaser
Strictly Private & Confidential
September 2022



Transition to a low-carbon future by accelerating the development of renewable and low carbon gases

At-a-Glance

- Global provider of sustainable gas solutions in energy, mobility and industry applications
- Deploys a portfolio of proprietary technologies for the distributed production of hydrogen, renewable natural gas ("RNG"), oxygen, and nitrogen



Investment Highlights

Opportunity to Invest in a Leading Decarbonization Platform

- Corporate net-zero emissions targets on the rise
- Renewable and low carbon gases play a highly important role in global decarbonization efforts

Rapidly Growing Backlog Driving Revenue Growth With Path to Increasing Profitability

- Revenue CAGR of 67% from FY2016 to FY2021, three-year target continues aggressive revenue growth rate
- Management executing on objective to achieve target of 8 - 10% EBITDA margins

Services Driving Higher Proportion of Recurring Revenues

- Broad base of industrial and new cleantech systems to drive further service and support opportunities
- Rapidly approaching near-term target of 50% of revenues from higher margin recurring services

Well Positioned in Renewable Natural Gas Market

- Second generation BGX Biostream™ systems positioned to be a leader position in distributed, standardized RNG market
- RNG has a highly competitive advantage in carbon reduction in numerous industries, including transportation

Worldwide Leader in Distributed Hydrogen Systems

- HyGear positioned Xebec as a leader in the on-site production and distribution of hydrogen used in industrial processes
- Significant opportunity with deployment of decentralized production hubs ("DPH") to support growing demand for gas-as-a-service ("GaaS") offering

Select Segment Overview

Xebec's PSA Technology

~\$30M Run-rate Revenue⁽²⁾

- Xebec's PSA units with proprietary rotary valve technology provides customers with a more reliable and cost-effective solution
- Various applications for Xebec's PSAs including biogas upgrading, carbon capture, hydrogen generation, and gas purification

Industrial Service & Support

~\$100M Run-rate Revenue

- Supporting the cleantech OEM business with ancillary services (installation, commissioning, maintenance, etc.), creating a significant recurring revenue base
- Legacy industrial business in air and gas drying equipment

Renewable Natural Gas

~\$120M Run-rate Revenue⁽²⁾

- Xebec's PSA units are sold to 3rd party RNG producers for use in their biogas upgrading systems, providing tangible cost savings
- BGX Biostream™ second generation containerized biogas upgrading systems designed for distributed scale applications

Hydrogen

~\$30M Run-rate Revenue



- On-site systems for hydrogen generation using steam methane reforming and electrolysis methods
- Decentralized production hubs to create more local supply for filling and refueling stations

Carbon Capture & Sequestration

~\$80M Run-rate Revenue

- Equipment for the removal of CO2 from assorted gas streams and compression of CO2 for transport
- Leverages proprietary technology such as PSA units and years of CNG compressors knowledge

Nitrogen & Oxygen

~\$25M Run-rate Revenue



- Manufacturing of nitrogen and oxygen generators for on-site gas production
- PSA technology ensures continuous production of nitrogen and/or oxygen at the highest purity levels

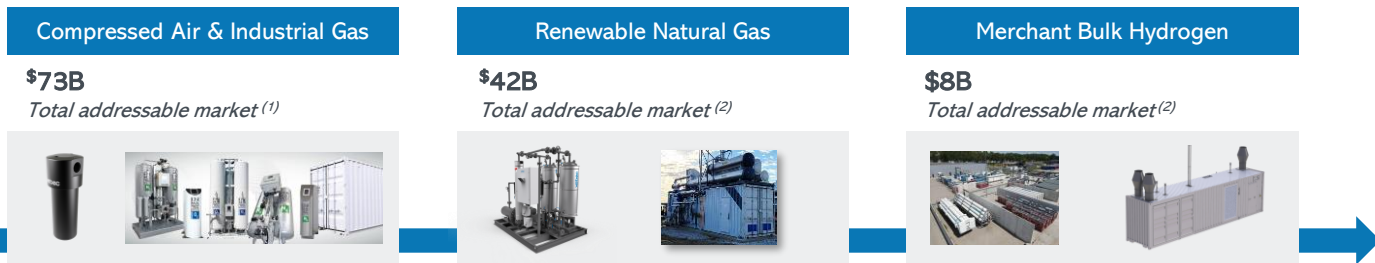
Notes: All figures expressed in C\$ unless otherwise noted.

1. Xebec Absorption Inc. became an independent entity through a Management Buyout from Parker-Hannifin Corp. in 2004.

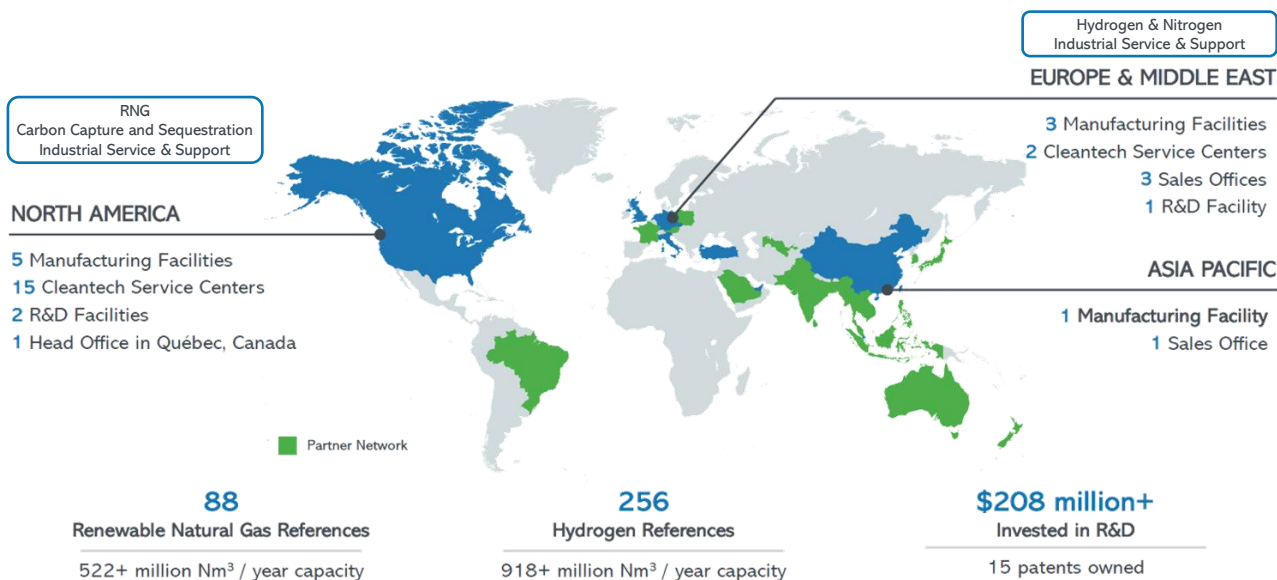
2. Includes revenues of PSAs to 3rd parties for use in biogas upgrading systems.

Sources: Company data, unless otherwise indicated.

Significant TAM Opportunities



Global Footprint to Tackle a Global Issue



Process Overview & Contacts

Important Notice: Non-binding letter of intent submission deadline is 5:00 p.m. (Eastern time) on November 11, 2022

- On September 29, 2022, Xebec filed for an application with the Superior Court of Quebec (the “Court”) for an initial order (the “Initial Order”) under the Companies’ Creditors Arrangement Act (the “CCAA”) and on September 30, 2022, sought recognition of the Initial Order in the United States under Chapter 15 of the Bankruptcy Code
- The Initial Order allows Xebec to implement further restructuring initiatives and initiate a Court-approved sale and investment solicitation process (“SISP”) to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the assets and business operations of the Corporation and its subsidiaries
- The SISP shall be conducted by National Bank Financial Inc, under the supervision of the monitor, Deloitte Restructuring Inc.
- Offers considered pursuant to the SISP may include one or more of an investment, restructuring, recapitalization, refinancing or other form of reorganization of the Business as a going concern, a sale, or partial sale, of all, or certain parts of the Business, or a combination thereof
- Additional non-public information regarding the Company will be provided upon the execution of a Confidentiality Agreement which will govern the rules of usage and disclosure of any information concerning the Company obtained in connection with the proposed opportunity

<p>Thomas Bachand Managing Director Investment Banking (514) 268 3917 thomas.bachand@nbc.ca</p>	<p>Andrew Armstrong Managing Director Mergers & Acquisitions (416) 456 3814 andrew.armstrong@nbc.ca</p>	<p>Aziz Moussallier Managing Director Head of Financial Sponsors (647) 330 2892 aziz.moussallier@nbc.ca</p>	<p>Alexander Banks Director Investment Banking (514) 531 6867 alexander.banks@nbc.ca</p>
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Notes: All figures expressed in C\$ unless otherwise noted.

1. Aruvan, Analyzing the Global Market for Industrial Gases, 2019.

2. Company Estimates.

3. Hydrogen Council, Hydrogen scaling up, 2017.

Sources: Company data, unless otherwise indicated.

Appendix B

Appendix B
Cash-flow statement

Consolidated - North America
Weekly cash flow transactions

For the week ending In 000 CAD - Week #	1-Oct-22 1	8-Oct-22 2	15-Oct-22 3	22-Oct-22 4	Total W1 - W4
Collections					
Sales from operation	-	-	-	9,737	9,737
Opening accounts receivable collection	3,658	1,187	1,396	798	7,039
Sales taxes - Collection	-	326	-	-	326
DIP Financing - Collection	-	-	-	-	-
Transfer from related party - Collection	151	500	-	-	651
Collections - Total	3,809	2,013	1,396	10,534	17,753
Disbursements					
Payroll	1,719	1,687	897	897	5,199
Trade payable	2,467	2,528	2,807	9,208	17,010
Trade payable - Critical suppliers pre-filing amounts	-	250	250	250	750
Suppliers deposits	-	526	375	375	1,276
Obligation under capital leases	285	-	-	-	285
Professional fees	747	928	251	218	2,144
CAPEX	25	20	20	20	85
Transfer to related party - Disbursements	151	578	-	-	729
Debt reimbursements and interests	134	-	-	-	134
Disbursements - Total	5,529	6,516	4,600	10,968	27,612
Net cash flow	(1,720)	(4,503)	(3,203)	(433)	(9,859)
Net cash (Shortfall) - Beginning	13,466	11,747	7,244	4,040	13,466
Net cash (Shortfall) - End	11,747	7,244	4,040	3,607	3,607

Appendix B

Notes to the Cash-flow statement

NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of the Petitioners during the CCAA proceedings.

NOTE B

The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

The Proposed Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

NOTE C - DEFINITIONS

(1) CASH-FLOW STATEMENT:

In respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the Act based on Probable and Hypothetical Assumptions that reflect the Company's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS:

Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Company's judgment, but are consistent with the purpose of the Cash-Flow Statement.

(3) PROBABLE ASSUMPTIONS:

Means assumptions that:

- (i) The Company believes reflect the most probable set of economic conditions and planned courses of action, **Suitably Supported** that are consistent with the plans of the Company; and
- (ii) Provide a reasonable basis for the Cash-Flow Statement.

(4) SUITABLY SUPPORTED:

Means that the Assumptions are based on either one or more of the following factors:

- (i) The past performance of the Company;
- (ii) The performance of other industry/market participants engaged in similar activities as the Company;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each Assumption, will vary according to circumstances and will be influenced by factors such as the significance of the Assumption and the availability and quality of the supporting information.

Appendix B (cont.)

Notes to the Cash-flow statement

NOTE C - ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
Opening cash balance	Based on current bank balances.	X	
Forecast cash receipts:			
Sales from operation	Based on the latest forecasts available prepared by Management.	X	
Opening accounts receivable	Based on the accounts receivable as of August 29, 2022 and Petitioners' historical collection days data.	X	
Financing	The source of such financing will depend on ongoing discussions with secured creditors and upcoming discussion with major customers. As mentioned, the outcome of such discussions will materially affect this cash flow forecast and the subsequent one.	X	X
Forecast cash disbursements:			
Payroll	Based on Petitioners' historical payroll reports and on budgeted number of employees.	X	
Trade payable and Trade payable Interco	Based on the latest forecasts available prepared by Management.	X	
Trade payable – Critical suppliers	Based on Management's knowledge of potential payments to critical suppliers.		X
Supplier deposits	Based on Management's knowledge and historical deposits' trend to secure orders and utilities.		X
Obligation under capital leases	Based on lease agreements.	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor, financial advisors and legal services.		X
CAPEX	Estimate of disbursements required based on Management's knowledge on equipment to be replaced or repaired.		X
Transfer to related party	Management estimate of funds to be transferred to Petitioners and Xebec Group non-Petitioners.		X
Debt reimbursement and interest	Interest payments to the secured lenders as per their respective credit agreements.	X	