



**Deloitte Restructuring Inc.**  
1190, avenue des Canadiens-de-  
Montréal  
Suite 500  
Montreal, QC H3B 0M7  
Canada

Tel: 514-393-7115  
Fax: 514-390-4103  
www.deloitte.ca

C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
COURT. No.: 500-11-065700-250

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:**

**ENERKEM INC.**, a corporation incorporated pursuant to the laws of Canada, having its registered and head office at 1130 Sherbrooke Street West, Suite 600, Montreal, Quebec.

**ENERKEM ALBERTA BIOFUELS G.P. INC.**, a corporation incorporated pursuant to the laws of Alberta, having an office at 1130 Sherbrooke Street West, Suite 600, Montreal, Quebec.

**ENERKEM LIMITED (UK)**, a private limited company incorporated pursuant to the laws of England and Wales, having its registered office at c/o Stikeman Elliott LLP, 36 Cornhill, London, England EC3V 3NG.

**ENERKEM CORPORATION (DELAWARE)**, a corporation incorporated pursuant to the laws of the State of Delaware, having its registered office at c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801.

**ENERKEM SPAIN HOLDINGS, SOCIEDAD LIMITADA (SPAIN)**, a company incorporated under the laws of Spain, having its registered office at calle Muntaner, number 292, 4o-2a, 08021 Barcelona.

**9390-1783 QUÉBEC INC.**, a corporation incorporated under the laws of the Province of Quebec, having its registered office at 1130 Sherbrooke Street West, Suite 600, Montreal, Quebec.

**Applicants**

-and-

**ENERKEM ALBERTA BIOFUELS L.P.**, a limited partnership formed pursuant to the laws of Alberta, having an address at 1130 Sherbrooke Street West, Suite 600, Montreal, Quebec.

**Mise-en-cause**

-and-

**DELOITTE RESTRUCTURING INC.**, a corporation incorporated pursuant to the laws of Canada, having a place of business at 1190 Avenue des Canadiens-de-Montréal, suite 500, Montreal, Quebec.

**Monitor**

**SECOND REPORT TO THE COURT  
SUBMITTED BY DELOITTE RESTRUCTURING INC.  
IN ITS CAPACITY AS MONITOR**

*(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)*

**INTRODUCTION**

1. Enerkem Inc. ("**Enerkem Canada**"), Enerkem Alberta Biofuels Inc. ("**EAB GP**"), Enerkem Limited UK ("**Enerkem UK**"), Enerkem Corporation (Delaware) ("**Enerkem Delaware**"), Enerkem Spain Holdings, Sociedad Limitada (Spain) ("**Enerkem Spain**") and 9390-1783 Quebec Inc. ("**9390**") (collectively, "**Enerkem**", the "**Company**" or the "**Applicants**") have filed an *Application for the Issuance of an Initial Order, an Amended and Restated Initial Order and an Order approving a Sale and Investment Solicitation Process* (the "**Application**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**"), before the Superior Court of Quebec (the "**Court**") seeking the appointment of Deloitte Restructuring Inc. ("**Deloitte**") as the CCAA monitor in these proceedings (the "**Proposed Monitor**") and various other relief.
2. On May 11, 2025, Deloitte, then in its capacity as Proposed Monitor, issued its first report to the Court (the "**First Report**"). The purpose of the First Report was to provide information to the Court with respect to i) Deloitte's qualifications to act as Monitor, ii) the business, financial affairs and financial results of Enerkem, iii) the proposed restructuring process, iv) the SISP, v) the KERP, vi) Enerkem's cash flow forecast, vii) the Interim Facility, viii) the charges sought in the Proposed First Day Initial Order and the Proposed Initial Order, and ix) the Proposed Monitor's conclusions and recommendations.
3. On May 12, 2025, the Superior Court of Quebec, Commercial Division (the "**Court**") granted the Application and issued a First Day Initial Order (the "**First Day Order**") which provided for, *inter alia*, i) a stay of proceedings against Enerkem until May 22, 2025 (the "**Stay Period**"), ii) a stay of proceedings against the directors and officers, iii) the appointment of Deloitte as the Monitor under the CCAA (the "**Monitor**"), iv) the approval of the Interim Facility of \$12.5M, and v) the granting of various charges including an Administration Charge of \$0.2M, a D&O Charge of \$1.4M, an Interim Lender Charge of \$15M, and a KERP Charge of \$850K (as each of these defined terms are defined in the First Day Order).
4. On May 12, 2025, the Court also granted a SISP order (the "**SISP Order**") which provided for, *inter alia*, the approval of the SISP and the SISP Procedures.
5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Terms used but not defined herein are as the meaning ascribed to them in the First Report, the Initial Order of the SISP Order, as applicable.

**PURPOSE OF THIS REPORT**

6. The purpose of this second report of the Monitor (the "**Second Report**") is to provide information to the Court with respect to:
  - (i) Enerkem's communications to stakeholders and operations;

- (ii) The Monitor's activities since the First Report;
  - (iii) Update on the SISP;
  - (iv) The modifications sought in the ARIO;
  - (v) The cash flow results for the two-week period ended May 18, 2025;
  - (vi) The cash flow projections until August 22, 2025;
  - (vii) The request for an extension of the Stay Period; and,
  - (viii) The Monitor's conclusions and recommendations.
7. In preparing the Second Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, Enerkem's books and records and financial information prepared by Enerkem and discussions with management ("**Management**") of Enerkem (collectively, the "**Information**"). Except as described in this Second Report in respect of the Applicants' 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.
8. 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.
9. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in the Second Report concerning Enerkem and their business is based on the Information, and not independent factual determinations made by the Monitor.

#### **ENERKEM'S COMMUNICATIONS TO STAKEHOLDERS AND OPERATIONS**

10. On May 12 and May 13, 2025, Enerkem proceeded with the permanent lay-off of 17 employees, reducing its workforce to approximately 115 employees. These lay-offs were determined by the Company to be necessary to reduce the operational expenses while the Restructuring (as defined in the Initial Order) is ongoing.
11. Since the First Day Order, Enerkem has had communications with many of the Company's suppliers and other key stakeholders to explain the current situation and the next steps relating to the Restructuring.
12. Enerkem and the Monitor have continued to collaborate with the Interim Lender, the Ad Hoc Committee and Fiera, including by providing all requested information and documentation relating to the Restructuring.

13. Enerkem has been proactive in responding to the different stakeholders' inquiries relating to the CCAA Proceedings and the Restructuring.
14. Enerkem has also continued to carefully and diligently manage its liquidities and has sought to limit costs when possible and justified.
15. Pursuant to the First Day Order, Enerkem continues to pay its remaining employees in the normal course of business and has taken steps in coordination with the Monitor to inform employees of the commencement of the CCAA Proceedings and address any questions employees may have.
16. To the Monitor's knowledge, Enerkem has complied and continues to comply with the provisions of the First Day Order and the SISP Order.

#### **THE MONITOR'S ACTIVITIES SINCE THE FIRST REPORT**

17. On May 12, 2025, the Monitor posted a copy of the Application and its exhibits, the First Report, the First Day Order and the SISP Order on the Monitor's website at [www.insolvencies.deloitte.ca/enerkem](http://www.insolvencies.deloitte.ca/enerkem) (the "**Monitor's Website**").
18. The Monitor has also created a dedicated email address ([enerkem\\_ccaa@deloitte.ca](mailto:enerkem_ccaa@deloitte.ca)) to allow interested parties to contact the Monitor directly should they have questions with respect to Enerkem's restructuring or the CCAA Proceedings.
19. 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.
20. On May 15, 2025, the Monitor, with the support of Enerkem, sent an email notice to all current employees of Enerkem, providing, among other things, information relating to the CCAA Proceedings, the Monitor's email address and the Monitor's Website (the "**Notice to Employees**"). The Notice to Employees was posted on the Monitor's Website.
21. On May 16, 2025, the Monitor sent, by ordinary mail and email, a notice to all 223 known creditors having a claim against the Debtors of more than \$1,000 to the last known address of such known creditors provided by the Management, which notice includes information on the CCAA Proceedings, the Monitor's email address and the Monitor's Website (the "**Notice to Creditors**"). A copy of the Notice to Creditors was posted on the Monitor's Website.
22. On May 19, 2025, the Monitor published a notice with respect to the First Day Order and the SISP Order in *La Presse Plus* and the national edition of *The Globe and Mail*.
23. Since the issuance of the First Day Order, the Monitor has issued a *Notice of Stay of Proceedings* to twenty (20) different parties who had begun enforcement measures or other proceedings against Enerkem or who were attempting to proceed with such measures.
24. The Monitor assisted Enerkem in its discussions and negotiations with suppliers, on request by Enerkem.
25. The Monitor, with the assistance of Enerkem, has been responding to questions from various stakeholders as to the status of the CCAA Proceedings.
26. The Monitor is in constant discussions with Management about Enerkem's operations.
27. The Monitor has also been reviewing the receipts and disbursements transacted through Enerkem's bank accounts on a daily basis with the full co-operation of Management and has been provided with all requests for payment of services provided to Enerkem since the First Day Order.

28. The Monitor reported on the budget to actual variances of the cash flow of Enerkem to the Interim Lender as required pursuant to the terms of the Interim Facility Term Sheet.

#### **UPDATE ON THE SISP**

29. Following the issuance by the Court of the First Day Order and the SISP Order, the Monitor, with the support of Deloitte CF and Enerkem, continued preparations to launch the SISP in accordance with the timeline set forth in the SISP Order and SISP Procedures.
30. On May 13, 2025, the marketing materials (including the Teaser, form of NDA and CIM) were finalized by the Monitor with the support of Enerkem, and in consultation with counsel to the Interim Lender and the Ad-Hoc Committee. The VDR was also established and populated with relevant information for potential bidders.
31. On May 13, 2025, the SISP was officially launched, and the Monitor with the assistance of Deloitte CF commenced the distribution of the Teaser and the NDA to potential bidders. As of the date of the Second Report, these documents were distributed to a total of 173 potential bidders and there are currently discussions with certain of these potential bidders to have them sign NDAs and access the VDR. In addition, further communications will be sent on a case-by-case basis to parties who directly approach the Monitor or the Company, even if they were not initially included in the distribution list, to ensure that the market will be thoroughly canvassed in the context of the SISP.

#### **THE MODIFICATIONS SOUGHT IN THE ARIO**

32. Further to the issuance of the First Day Order and as reported by the Monitor in the First Report, Enerkem seeks the issuance of the ARIO, which provides for the following adjustments to the CCAA Charges:
- (i) An increase in the Administration Charge to the total amount of \$1M. The increased amount will be the result of professional fees incurred during the proposed extension to the Stay Period;
  - (ii) An increase in the D&O Charge to a total amount of \$2M. The increased amount results from the restructuring measures implemented or to be implemented and relates mainly to the increase in accrued vacations owing to the employees, as illustrated in Appendix C of the First Report.
33. The Monitor believes that the proposed increases to the Administration Charge and the D&O Charge are required and reasonable in the circumstances.
34. The priorities of the CCAA Charges established by the ARIO remain unchanged from the First Day Order.

#### **THE CASH FLOW RESULTS FOR THE TWO-WEEK PERIOD ENDED MAY 18, 2025**

35. Since the First Day Order, Enerkem's financial performance for the period commencing on May 5, 2025, and ending on May 18, 2025, has been favorable in comparison with the Initial Cash Flow Statement. The highlights relating to Enerkem's financial performance for the relevant period are presented in **Appendix A**. The Monitor's comments on Enerkem's financial performance during this period are as follows:
- i) Compared with the Initial Cash Flow Statement presented to the Court on May 11, 2025 (the "**Initial Cash Flow Statement**"), Enerkem experienced a favorable variance of \$586K in cash outflows:

- A favorable temporary variance of \$475K in wages/vacation pay as the payment originally budgeted to be paid during the week ended May 11, 2025, will instead be paid in the coming weeks;
  - A favorable variance of \$178K in tax equalization, project delivery, contractors, IT licenses and consultants. These variances are temporary and due to timing as disbursements were limited during the first two weeks of the budget.; and,
  - An unfavorable variance of \$142K in professional fees. This negative variance is temporary and should reverse in the coming weeks, and relates mainly to the work done preparing for the CCAA proceedings, including the negotiation of the Restructuring Term Sheet and the Interim Financing.
36. As of the date of this Second Report, all post-filing expenses incurred by Enerkem have been or will be paid in the normal course of business out of the existing working capital of Enerkem or through a draw of additional funds from the amounts made available under the Interim Facility, as described in the First Report.

#### **THE CASH FLOW PROJECTIONS UNTIL AUGUST 22, 2025**

37. The Monitor confirms that there are no significant variances in the cash flow submitted in the First Report. Therefore, the Monitor will continue to report on the Cash Flow Statement.
38. As described in the First Report, the Cash Flow Statement indicates that Enerkem should have sufficient liquidity to continue to meet its obligations during the proposed extension of the Stay Period with access to the Interim Facility.
39. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is still reasonable.

#### **THE REQUEST FOR AN EXTENSION OF THE STAY PERIOD**

40. The Stay of Proceedings currently expires on May 22, 2025.
41. The Company is seeking to extend the Stay Period to and including August 22, 2025, in order to implement the Restructuring, and more notably, to complete the SISP. Should no Superior Transaction results of the Phase 1 of the SISP, Enerkem may be back to the Court prior to August 22, 2025, to seek approval of the Restructuring Transaction.
42. The Monitor is informed that Enerkem intends to continue to pay its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings.
43. As described in the Second Report, the Cash Flow Statement indicates that Enerkem should have sufficient liquidity to continue to meet its obligations with access to the Interim Facility in the ordinary course of business.

#### **THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS**

44. The Monitor believes that Enerkem should be granted the continued benefit from the protection available pursuant to the CCAA in the form of the ARIO, including the modifications to the First Day Order and the adjustments to the amounts of the CCAA Charges provided therein, since this will provide Enerkem with the opportunity to implement a successful restructuring of its operations, namely through the Restructuring Term Sheet and the SISP.

45. As noted above, the Stay of Proceedings currently expires on May 22, 2025. The Monitor agrees that the extension of the Stay Period sought by the Applicants is required and appropriate to enable the Company to advance its restructuring efforts pursuant the SISP and the Restructuring Transaction.
46. It is the Monitor's view that a successful restructuring of Enerkem's operations, as contemplated by the Restructuring, is beneficial to Enerkem's creditors, employees and stakeholders as a whole.
47. The Monitor also believes that Enerkem has acted and continues to act in good faith and with due diligence and that an extension of the Stay Period is appropriate in the circumstances.
48. Accordingly, the Monitor recommends that the Stay Period be extended to August 22, 2025, and that the other relief sought by the Company in the ARIO be granted.
49. The Monitor respectfully submits to the Court its Second Report.

DATED AT MONTREAL, this 21<sup>st</sup> day of May 2025.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Court-Appointed Monitor of the  
Petitioners



Benoit Clouâtre, CPA, CIRP, LIT  
Senior Vice President



Jean-François Nadon, CPA, CIRP, LIT  
President

## **APPENDIX A**

### **ACTUAL CASH FLOW STATEMENT**



**Energem Inc. Consolidated****Budget-to-Actual Analysis ("BTA") for the 2-week period ended May 18, 2025***In 000's CAD*

For the 2-week period ended May 18, 2025					
	Actual	Budget	Var. (\$)	Var. (%)	Notes
<b><u>Receipts</u></b>					
DIP Financing	-	-	-	0%	
Other receipts	1	-	1	0%	
<b>Total receipts</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>0%</b>	
<b><u>Disbursements</u></b>					
Payroll	(784)	(800)	16	2%	
Wages/Vacation payout	-	(475)	475	100%	1
Tax equalization	-	(38)	38	100%	2
Project Delivery	-	(10)	10	100%	2
Contractors	(53)	(90)	37	41%	2
R&D	(45)	(50)	5	10%	
IT licences, security and others	(149)	(208)	59	28%	2
Consultants	(16)	(50)	34	68%	2
Professional fees	(712)	(570)	(142)	-25%	3
Travel	(15)	(24)	9	38%	
Administrative	(287)	(274)	(13)	-5%	
Contingency	-	(60)	60	100%	
Other disbursements	(2)	-	(2)	0%	
<b>Total Disbursements</b>	<b>(2,063)</b>	<b>(2,649)</b>	<b>586</b>	<b>22%</b>	
<b>Net cash flow</b>	<b>(2,062)</b>	<b>(2,649)</b>	<b>587</b>	<b>22%</b>	
<b>Net cash (Shortfall) - Beginning</b>	<b>7,378</b>	<b>7,378</b>	<b>-</b>	<b>0%</b>	
<b>Net cash (Shortfall) - End</b>	<b>5,316</b>	<b>4,729</b>	<b>587</b>	<b>12%</b>	

**Enerkem Inc. Consolidated**  
**Budget-to-Actual Notes**  
*For the 2-week period ended May 18, 2025*

**Note 1**                      **Wages/Vacation payout**                      The favorable variance of \$475K in Wages and Vacation payout is temporary and mainly due to timing. A disbursement of \$475K related to Wages and Vacation payout was budgeted to be paid during the week ended May 11, 2025 will be instead paid in the coming weeks.

**Note 2**                      **Tax equalization, Project Delivery, Contractors, IT licences and Consultants**                      Disbursements were limited during the first 2 weeks of the filing resulting in favorable variances totaling \$178K in tax equalization, project delivery, contractors, IT licenses and consultants. These variances are temporary and due to timing.

**Note 3**                      **Professional fees**                      Professional fees paid were higher than the budgeted amount by \$142K. This negative variance is temporary and should be reversed in the coming weeks. The negotiations, more important than anticipated, related to the Interim Financing and the Restructuring Term Sheet in the weeks before the CCAA Proceedings resulted in this temporary difference. Detail by professional is presented below:

<b>Firm</b>	<b>Role</b>	<b>Amount paid</b>
Stikeman Elliot LLP	Enerkem legal counsel	259
RPA Advisors	Noteholders financial advisors	199
Goodmans LLP	Noteholders legal counsel	222
Others	Tax advisory, patents & others	32
<b>Total</b>		<b>712</b>