

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
COURT. No.: 500-11-065700-250

SUPERIOR COURT
Commercial Division

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

ENERKEM INC.,

-and-

ENERKEM ALBERTA BIOFUELS G.P. INC.,

-and-

ENERKEM LIMITED (UK),

-and-

ENERKEM CORPORATION (DELAWARE),

-and-

**ENERKEM SPAIN HOLDINGS, SOCIEDAD
LIMITADA (SPAIN)**

-and-

9390-1783 QUÉBEC INC.

Applicants

-and-

ENERKEM ALBERTA BIOFUELS L.P.

Montreal, Quebec.

Mise-en-cause

-and-

DELOITTE RESTRUCTURING INC.

Monitor

**THIRD 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. On May 11, 2025, Enerkem Inc. ("**Enerkem Canada**"), Enerkem Alberta Biofuels Inc. ("**EAB**"), Enerkem Limited UK ("**Enerkem UK**"), Enerkem Corporation (Delaware) ("**Enerkem Delaware**"), Enerkem Spain Holdings, Sociedad Limitada (Spain) ("**Enerkem Spain**") (collectively, "**Enerkem**", the "**Company**" or the "**Applicants**") 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 "**Initial 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 (in such capacity the "**Proposed Monitor**") and various other reliefs.

2. On that same date, 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 Sale and Investment Solicitations process ("**SISP**"), v) the Key Employee Retention Plan ("**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 regarding the relief requested.
3. On May 12, 2025, the Court granted the Initial Application and issued a First Day Initial Order (the "**First Day Order**") which provided for, *inter alia*, i) a stay of proceedings in favour of Enerkem until May 22, 2025 (the "**Stay Period**"), ii) a stay of proceedings in favour of the directors and officers, iii) the appointment of Deloitte as the Monitor under the CCAA (in such capacity 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 (as this term is defined in the SISP Order) attached thereto.
5. On May 21, 2025, Deloitte, then in its capacity as Monitor, issued its second report to the Court (the "**Second Report**") as part of the Debtors' CCAA proceedings (the "**CCAA Proceedings**"). The purpose of the Second Report was 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) the status of the SISP, iv) the modifications sought in the proposed Amended and Restated Initial Order ("**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 regarding the relief requested.
6. On May 22, 2025, the Court granted the ARIO, which, *inter alia*, i) extended the Stay Period until August 22, 2025, ii) increased the Administration Charge to \$1M, and ii) increased the D&O Charge to \$2.0M. The Interim Lender Charge and the KERP Charge were not increased and were maintained in the amounts of \$15M and \$850K, respectively.
7. On July 23, 2025, the Company filed an Application for the Issuance of an Approval and Reverse Vesting Order (the "**RVO Application**"), seeking:
 - a) an Approval and Reverse Vesting Order providing, *inter alia*, the following relief:
 - i) the approval of subscription agreement dated July 22, 2025, executed by Enerkem Canada with Repsol Quimica, S.A., Monarch Alternative Capital LP and ESC Sustainable Solutions Fund, L.P. (collectively, the "**Investors**") (the "**Subscription Agreement**" and the "**Proposed Transaction**") and transactions contemplated thereunder (the "**Transactions**"), including the transfer and vesting to new "residual" corporations to be incorporated (collectively, the "**ResidualCos**") of the excluded assets, excluded contracts and excluded liabilities, as contemplated in the Subscription Agreement, and iii) releases in favour of Enerkem Canada, the Retained Entities¹ and the Investors, as well as certain releases in favour of Enerkem Canada's and the Retained Entities' present and former Directors and Officers;
 - b) an Order for the cancellation of security registrations; and

¹ The term "Retained Entities" is defined in the Subscription Agreement to include Enerkem UK, Enerkem Delaware and Enerkem Spain.

- c) an Order: i) extending the Stay Period until November 14, 2025, ii) releasing, terminating and discharging certain of the charges granted in these CCAA Proceedings, and iii) providing for the enhancement of certain powers of the Monitor with respect to the ResidualCos, and iv) granting certain ancillary relief.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this report are as defined in the previous reports of the Monitor or the RVO Application.

PURPOSE OF THIS REPORT

9. The purpose of the third report of the Monitor (the "**Third Report**") is to update the Court with respect to:
- (i) Enerkem's communications to stakeholders and operations;
 - (ii) The Monitor's activities since the Second Report;
 - (iii) Summary of the SISP;
 - (iv) Monitor's views on the fairness and reasonableness of the SISP;
 - (v) The Proposed Transaction as contemplated in the Subscription Agreement;
 - (vi) Releases;
 - (vii) Independent security review;
 - (viii) The Cash Flow results for the 11-week period ended July 20, 2025;
 - (ix) The Cash Flow Projections;
 - (x) The request for an extension of the Stay Period;
 - (xi) Discharge of certain CCAA Charges;
 - (xii) Enhancement of the powers for the Monitor; and,
 - (xiii) The Monitor's conclusions and recommendations.
10. In preparing the Third 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 Third 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 Third 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 Third 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 the Third Report concerning Enerkem and their business is based on the Information, and not independent factual determinations made by the Monitor.

I. ENERKEM'S COMMUNICATIONS TO STAKEHOLDERS AND OPERATIONS

13. Since the granting of the ARIO, Enerkem continued to have communications with the Company's suppliers and other key stakeholders to explain the current situation and the next steps relating to the CCAA Proceedings and the Company's restructuring (the "**Restructuring**").
14. Enerkem and the Monitor have continued to collaborate with the Interim Lender, the Ad Hoc Committee and Fiera Private Debt Fund IV LP ("**Fiera**"), as agent for the EAB Lenders, including by providing information and documentation.
15. Enerkem has been proactive in responding to the different stakeholders' inquiries relating to the CCAA Proceedings and the Restructuring.
16. Enerkem has also continued to carefully and diligently manage its liquidity and has sought to limit costs when possible and justified.
17. Pursuant to the First Day Order, Enerkem continues to pay its post-filing obligations in the normal course of business.
18. To the Monitor's knowledge, Enerkem has complied and continues to comply with the provisions of the First Day Order, the Interim Facility, the ARIO and the SISP Order.

II. THE MONITOR'S ACTIVITIES SINCE THE SECOND REPORT

CASH FLOW MONITORING OF ENERKEM

19. The Monitor has also been reviewing the receipts and disbursements transacted through Enerkem's bank accounts daily with the full co-operation of Management and has been provided with all requested information in respect of payments made to and by Enerkem since the First Day Order.
20. Pursuant to the terms of the Interim Facility Term Sheet, the Monitor has provided weekly status report for reporting on the budget to actual variances of Enerkem's cash flow to the Interim Lender and Eyre Street Capital and Monarch and provided an updated budget every two weeks.

CCAA PROCEEDINGS AND STATUTORY REQUIREMENTS

21. In accordance with the statutory requirements, on May 21 and 22, 2025, the Monitor posted copies of the Second Report and the Amended and Restated Initial Order on the Monitor's Website.

22. Pursuant to the Initial Order, on May 26, 2025 (for a second time as previously published on May 19, 2025), the Monitor published a notice of the First Day Initial Order and the SISP Order in *La Presse* + (French version) and the *Globe and Mail National Edition* (English version).
23. Since the granting of the First Day Order, the Monitor has continued to assist the Applicants in their discussions with their main suppliers and other key stakeholders, notably including:
 - a) Energem's secured creditors; and,
 - b) Certain unsecured creditors, employees and other stakeholders.
24. More generally, the Monitor, with the assistance of Energem, has been responding to questions and inquiries from various stakeholders in respect of the CCAA Proceedings and the Restructuring.
25. The Monitor is in constant discussions with Management regarding Energem's operations.
26. Since the commencement of the CCAA Proceedings, the Monitor has continued to work with Energem to monitor the Company's activities with a view to reporting its observations and recommendations to the Court.
27. The Monitor also had communications and discussions with the Company regarding the progress of the SISP.

III. SUMMARY OF THE SISP

28. As set out in the First Report, the Company engaged with the Ad Hoc Committee on the principal terms of a comprehensive credit bid restructuring transaction to be implemented pursuant to and in the context of the CCAA Proceedings, the whole as detailed in the Restructuring Term Sheet.
29. The Company has worked with the Ad Hoc Committee to finalize definitive documentation in connection with the Restructuring Term Sheet while conducting, in parallel, with the assistance of the Monitor and Deloitte Corporate Finance ("**Deloitte CF**") and under the supervision of this Court, the SISP, to identify if there was a superior third-party transaction that would provide for the repayment in full in cash of all DIP Facility Claims (as defined in the Restructuring Term Sheet) and claims in respect of the Convertible Notes and Superpriority Notes or an alternative transaction that is otherwise acceptable to the Company and the Ad Hoc Committee (a "**Superior Transaction**").
30. In the context of the SISP, liquidation proposals for the assets of EAB were also solicited. These assets were excluded from the Restructuring Term Sheet and constitute first priority collateral in respect of the EAB Loan (the "**EAB SISP**").

The SISP

31. Since the issuance of the SISP Approval Order and in the accordance with the SISP Procedures, the Monitor, supported by Deloitte CF, advanced the SISP pursuant to the SISP Procedures. The Monitor notes the following in respect of the SISP:
 - a) The SISP targeted a wide range of industry, strategic and financial parties;
 - b) On May 13, 2025, the Monitor, with the support of Deloitte CF, distributed to 182 potential bidders the solicitation letter (the "Teaser") outlining the SISP

and inviting recipients to express their interest pursuant to the SISP, along with non-disclosure agreements ("**NDA**");

- c) The Monitor posted a copy of the Teaser and the SISP Procedures on the Monitor's website;
- d) On both May 19, 2025, and May 26, 2025, the Monitor published a notice of the SISP Order in La Presse + (French version) and the Globe and Mail National Edition (English version);
- e) The Monitor with the assistance of Deloitte CF and Energem followed up on a regular basis with potential interested parties having received the Teaser;
- f) The Monitor and Energem attended numerous discussions and conference calls with potential bidders and their representatives;
- g) The highlights of the SISP can be summarized as follows:
 - i. One hundred eighty-two (182) potential bidders were solicited by the Monitor with the assistance of Deloitte CF and Energem;
 - ii. Eleven (11) interested potential bidders executed an NDA and were granted access to a virtual dataroom; and,
 - iii. Seven (7) potential bidders participated in more serious discussions about the opportunity, but ultimately confirmed before the Phase 1 deadline that they were not interested to further pursue the Opportunity.

32. By the Phase 1 bid deadline on June 19, 2025, at 5:00 pm, there were no Non-Binding Letters of Intent received. A summary of the outreach process is annexed hereto as **Appendix A**.

33. Consequently, as provided for in the SISP Procedures, the SISP did not proceed to Phase 2 and was terminated accordingly.

The EAB SISP

34. As previously reported above, the EAB SISP, which was launched on May 13, 2025, was intended to solicit interest in the specific assets owned by the Company's subdivision EAB in Edmonton.

35. Since the issuance of the SISP Approval Order and following discussion with Energem and Fiera, the Monitor conducted the EAB SISP. The results of the EAB SISP can be summarized as follows:

- i. Seventeen (17) potential bidders were contacted directly by the Monitor with the assistance of Energem;
- ii. Thirteen (13) interested potential bidders executed an NDA and were granted access to a virtual dataroom ("**VDR**");
- iii. Various potential bidders visited the EAB site located in Edmonton; and,
- iv. Multiple proposals were received prior to the Phase 1 Bid Deadline.

36. The proposals received prior to the Phase 1 Bid Deadline were reviewed by the Monitor and the Company. The Monitor organized calls with the bidders and the Company to obtain certain clarifications on the proposals and to ensure comparability of the proposals. Following such meetings and discussions, the Monitor received amended proposals.
37. The Monitor is currently in discussions with Enerkem and Fiera and expects to eventually seek Court approval on this regard.

IV. MONITOR'S VIEWS ON THE FAIRNESS AND REASONABLENESS OF THE SISP

38. The SISP was conducted in accordance with the SISP Procedures and the milestones contemplated therein, as approved by the Court pursuant to the SISP Order.
39. All of Enerkem's assets were made available for sale in the SISP. Details of the solicitation efforts undertaken have been provided to the Court in the First Report, Second Report and in this Third Report.
40. The Monitor, supported by Deloitte CF, was highly engaged throughout the SISP, notably in preparing the SISP materials as well as leading the market solicitation efforts.
41. The Monitor is of the view that the degree of creditor consultation and notification offered in the SISP was appropriate in the circumstances.
42. In the circumstances, the Monitor is of the view that the SISP process was fair, reasonable and appropriate, and provided all interested parties with an adequate opportunity to perform due diligence and to formulate and submit a non-binding bid. Given the considerable efforts to sell Enerkem's assets and the limited level of interest expressed therein, the process confirms that proceeding to execute the Subscription Agreement and implement the Transactions thereunder represent the best outcome for the Company and its stakeholders in the circumstances.

V. THE PROPOSED TRANSACTION AS CONTEMPLATED IN THE SUBSCRIPTION AGREEMENT

Key terms of the Subscription Agreement

43. The Monitor refers the reader to the RVO Application which contains a detailed description of the salient terms of the Subscription Agreement which are incorporated herein by reference.
44. The Subscription Agreement provides for the Investors to acquire Enerkem through a "reverse vesting" transaction structure, the cumulation of which will result in the Investors acquiring all of the issued and outstanding shares of Enerkem Canada, free of any Encumbrances, and subject to the transfer to the ResidualCos of all of the Excluded Assets, Excluded Contracts and Excluded Liabilities (as these terms are defined in the Subscription Agreement). The Proposed Transaction also includes several reorganization steps that are to take place prior to the closing of the Proposed Transaction.
45. The Subscription Agreement provides that Excluded Liabilities, Excluded Contracts and Excluded Assets will be vested out of Enerkem Canada and the Retained Entities pursuant to the Approval and Reverse Vesting Order.
46. The Excluded Contracts are comprised of all the contracts not expressly retained by the Company, as such Retained Contracts are expressly identified in the applicable schedule to the Subscription Agreement, and Excluded Liabilities are comprised of all liabilities that are not Assumed Liabilities.

47. The Assumed Liabilities are comprised of, *inter alia*:

- a) The Retained Pre-Filing Trade Amounts;
- b) The Assumed Retained Contract Amounts;
- c) The Cure Costs;
- d) The Post-Filing Trade Amounts; and,
- e) All obligations of Enerkem Canada and the Retained Entities to Retained Employees.

48. Pursuant to the terms of the Subscription Agreement, the Company and the Investors shall retain the ability to finalize the schedules of Retained Contracts and Excluded Contracts up to the Closing Date. Additionally, for a period of 90 days from the Closing Date the parties may remove any Excluded Contract from the schedule of Excluded Contracts and add such contract to the schedule of Retained Contracts, effective *nunc pro tunc* as of the Closing, the whole subject to the payment of any applicable Cure Costs and required notification process more fully detailed in the Approval and Reverse Vesting Order ("**RVO**").

49. The Subscription Agreement specifically provides that the Technology License Agreement dated December 23, 2020 (as amended), the Corporate Services Agreement dated January 1, 2021 (as amended) and the Secondment Agreement (Biorefinery) dated December 23, 2020 (as amended), each between the Company and Varennes Cellulosic Ethanol LP, shall always be considered Retained Contracts under the Subscription Agreement.

50. The Proposed Transaction provides for the retention of all remaining employees, other than any identified as non-retained employees prior to the Closing Date.

51. In addition, the Investors are providing the Exit Facility as part of the overall transaction which will provide needed liquidity to fund the go forward operations for the benefit of stakeholders.

Consultation with creditors

52. The Monitor is of the view that the degree of creditor consultation and notification in the context of the SISP was appropriate in the circumstances.

53. Given the results of the SISP, no distribution is expected to be made or paid, to pre-filing unsecured creditors (other than those for which Assumed Liabilities are owed, including the Retained Employees). Therefore, no creditor other than the Ad Hoc Committee has any economic interest in the transactions being the object of the Subscription Agreement.

The effect of the Proposed Transaction on creditors and other stakeholders

54. The Monitor believes that the Proposed Transaction provides for the following benefits to the Company's creditors and other stakeholders:

- a) the continuation of Enerkem's business as a going concern and, as a result, the continued employment of Enerkem's current employees; and,
- b) as the Company's operations in Quebec will be maintained and further developed, certain of the Applicants' suppliers will benefit from the continuation of their business relationships with Enerkem.

Comparison with sale in bankruptcy

55. The Monitor has considered whether the Proposed Transaction would be more beneficial to Enerkem's stakeholders generally than a sale or disposition of assets under a bankruptcy.
56. Given the results of the SISP and the nature of Enerkem's assets, the Monitor is of the view that the only realistic alternative option, namely a sale in bankruptcy, is unlikely to result in a better outcome for Enerkem's creditors. Consequently, the Monitor is of the view that the creditors who will suffer a shortfall as a result of the implementation of the Proposed Transaction would not obtain any greater recovery in a sale in bankruptcy.
57. Furthermore, bankruptcy proceedings would:
- a) put an end to the going concern operations of Enerkem including all supplier relationships;
 - b) result in a loss of employment for all remaining employees; and,
 - c) cause additional delays and uncertainty in the realization of Enerkem's assets, and significantly impair their realizable value.
58. Additionally, the Monitor understands that the Proposed Transaction facilitates the implementation of the Ecoplanta Contract, a material project for the Company.
59. Accordingly, it is the Monitor's view that a sale or disposition of the Enerkem's assets in a bankruptcy would not be more beneficial than proceeding with the implementation and closing of the Proposed Transaction.

Reverse vesting order structure

60. As more fully detailed in the Application, the Proposed Transaction is to be implemented in the context of a reverse vesting order for the following reasons:
- a) many of Enerkem's assets are intangibles, such as intellectual property, licenses, permits, certifications and regulatory approvals. These intangible assets are essential to Enerkem's business operation. These assets would have no or limited value if not properly maintained. The reverse vesting order structure allows the Company and the Investors to avoid any potential delays or risks surrounding the transfer of these intangible assets that would be required pursuant to an asset sale structure;
 - b) this structure also preserves the value of the tax attributes for the benefit of the Company going forward;
 - c) the RVO will also avoid any delays or costs associated with the assignment of the Retained Contracts and the Company will satisfy or assume the Cure Costs and the Assumed Retained Contracts Amounts pursuant to the Subscription Agreement;
 - d) the reverse vesting structure does not put stakeholders, including creditors, contractual counterparties, and even shareholders in a worse position than they would have been under an asset sale. Indeed, the SISP has demonstrated that the net realizable value of the business and assets of the Applicants does not exceed the amount of the Applicants' secured debt such that there is no prospect for recovery for any of the Applicants' other creditors, regardless of the structure employed. Moreover, the reverse vesting order structure is supported by the Ad Hoc Committee, the only creditors with any economic interest in the Company; and,

- e) the claims of creditors and stakeholders that are considered Excluded Assets and Excluded Liabilities under the Subscription Agreement will not be in a worse position than they would have been with an asset transaction, save and except for the impugned ability of the employees that were terminated during the restructuring process with provable claims to advance same under the *Wage Earners Protection Program Act* ("**WEPPA**") which issue remains outstanding and pending before the Court of Appeal in the *Re: Valeo Pharma* matter. In this regard, the Monitor understand that the Applicants intend to amend the RVO Application to seek a declaration pursuant to 5(5) of the WEPPA and section 3.2 of its regulation in respect of its terminated employees.
61. Considering the results of the SISP, the Monitor is of the view that the reverse vesting structure contemplated under the Proposed Transaction reflects the importance and value of the intangible assets and is required to maximize value, for the benefit of all stakeholders. More specifically, section 6.2 of the Subscription Agreement provides for a reduction in consideration to be agreed if the transaction were to not proceed by way of a reverse vesting order structure.
62. For reasons set out above, the Monitor is of the opinion that the reverse vesting order structure is reasonable, justified and appropriate in the circumstances. The Monitor is of the view that the proposed reverse vesting order structure is required and necessary in the circumstances.

Monitor's recommendation in respect of the Proposed Transaction

63. The Monitor is of the view that the market was thoroughly and adequately canvassed through the SISP as well as through the efforts made by Enerkem, and the Monitor, prior to the filing of the CCAA.
64. Following the Phase 1 Bid Deadline, the Proposed Transaction was determined to be the best and only option available in the circumstances.
65. The Monitor is further of the view that:
- a) the aggregate consideration provided for under the Subscription Agreement is fair and reasonable in the circumstances and no Superior Transaction resulted from Phase 1 of the SISP, which was the best available indicator of the market value of Enerkem's business and assets; and,
 - b) there is no evidence to suggest that any viable alternative exists that would deliver a better outcome for Enerkem's creditors and other stakeholders.
66. Based on the foregoing, the Monitor considers that Court approval of the Proposed Transaction on the terms set forth in the Subscription Agreement, along with the proposed reverse vesting structure, is in the best interests of the stakeholders generally and the Monitor supports the Applicants' request for the issuance of the orders sought in connection therewith.
67. The Ad Hoc Committee, the Applicants' relevant principal secured creditors, support the approval of the Subscription Agreement and implementation of the Proposed Transaction.

VI. RELEASES

D&O Releases

68. As appears from the Application, Enerkem also seeks the issuance of a release in favour of the present and former directors, officers and retained employees of the Enerkem Canada and the Retained Entities (collectively "**D&O Released Parties**"). As per the terms of the

Subscription Agreement, this release shall not apply to the Investors (any releases by the Investors in favour of any of the D&O Released Parties, as applicable, shall be governed by the Subscription Agreement). Additionally, there shall be no release of any D&O Released Claims (as defined in the RVO) of Enerkem Canada or the Retained Entities against any former directors and officers of Enerkem Canada or the Retained Entities.

69. The Monitor is supportive of such relief, which it considers justified, fair and appropriate, for the reasons summarized below and as detailed in the Application.
70. The D&O Released Parties have been instrumental in the Restructuring and have remained engaged and committed to the direction and management of Enerkem in the months leading up to and since the commencement of the CCAA Proceedings.
71. The D&O Released Parties participated in numerous board meetings in addition to frequent exchanges, informal meetings and phone calls.
72. Significant efforts have been deployed by the D&O Released Parties throughout the Restructuring and they have been fully committed to the best interests of Enerkem with a view to preserving Enerkem as a going concern and maximizing value for all stakeholders.
73. The efforts made by the D&O Released Parties were significant and included:
 - a) steps taken to significantly reduce operating costs;
 - b) efforts to sell non-core assets in order to enhance liquidities;
 - c) negotiations with the senior secured lenders;
 - d) negotiation of interim financing to secure the necessary funding to pursue the CCAA Proceedings and conduct the SISP;
 - e) negotiation of the Restructuring Term Sheet with the Ad Hoc Committee;
 - f) the commencement and conduct of the CCAA Proceedings;
 - g) the conduct of the SISP; and,
 - h) the negotiation of the Proposed Transaction.

74. The scope of the releases is also sufficiently narrow as the releases carve out any claim that is not permitted to be released pursuant to Section 5.1(2) of the CCAA and claims arising from fraud, gross negligence or wilful misconduct.
75. The Monitor believes that the D&O releases are appropriate in the circumstances and an important component of the Proposed Transaction.

Other Releases

76. The Subscription Agreement and the RVO also included certain releases in favour of Enerkem Canada, the Retained Entities, and the Investors.
77. The Monitor understands that these releases are an integral part of the Proposed Transaction and are customary in the context of a reverse vesting order structure.

VII. INDEPENDENT SECURITY REVIEW

78. As indicated in the First Report, counsel to the Monitor, Osler, Hoskin & Harcourt LLP ("**Osler**"), conducted a review of the security by the Company, including, inter alia, the security in favour of the Noteholders and Fiera.

The Noteholders

79. Osler delivered a security opinion ("**Osler Security Opinion**") to the Monitor, subject to the customary qualifications, assumptions and limitations set out therein. The Osler Security Opinion confirms that the security provided by Enerkem for the benefit of Noteholders over Enerkem's assets are valid and opposable against third parties or perfected in accordance with applicable laws.

Fiera

80. Osler delivered the Osler Security Opinion to the Monitor, subject to the customary qualifications, assumptions and limitations set out therein. The Osler Security Opinion confirms that the security provided by Enerkem for the benefit of Fiera over EAB's assets are valid and opposable against third parties or perfected in accordance with applicable laws.

VIII. THE CASH FLOW RESULT FOR THE 11-WEEK PERIOD ENDED JULY 20, 2025

81. The highlights of Enerkem's financial performance for the 11-week period commencing on May 5, 2025, and ending on July 20, 2025 ("**Initial Cash Flow Period**"), are presented in the Actual Cash Flow annexed hereto as **Appendix B**.

82. The table below provides an overview of the cash balances and cash variances during the Initial Cash Flow Period:

Cash Variation For the 11 Weeks Period of May 5 to July 20, 2025 (In 000's CAD)	
Beginning Cash - May 5, 2025	7,378
Net Cash Variation	(2,333)
Ending Cash - July 20, 2025	5,045

83. The Monitor's comments on the financial performance of Enerkem during the Initial Cash Flow Period are set out below:

- a) Compared with the statement of projected cash flow presented to the Court in the First Report dated May 11, 2025 (the "**Cash Flow Statement**"), Enerkem experienced an unfavorable variance of approximately \$55K with respect to the cash inflows. This variance is primarily attributable to:
 - i. Reduced advances under the Interim Facility in an amount of approximately \$2M due to reception of certain unbudgeted receipts and the timing of disbursements;
 - ii. A favorable variance of \$414K results from sales tax refunds. This variance is permanent and results from the receipt of refunds from the Quebec Government. The timing of sales tax refunds may be delayed following the filing of CCAA proceedings and accordingly were not initially budgeted;
 - iii. A favorable variance of \$1M in sales tax refunds received by Enerkem Alberta Biofuels. The timing of sales tax refunds may be delayed following

the filing of CCAA proceedings and accordingly were not initially budgeted; and,

- iv. A favorable variance of \$530K resulting from various receipts. This variance is due to: i) unbudgeted collections for the payment of seconded resources and IT services delivered to VCR (\$402K), ii) receipts related to the Tarragona Project (Ecoplanta) (\$68K), iii) receipts from feasibility and technology sales (\$38K), and iv) accrued interest on bank deposits (\$21K).
- b) Compared with the Cash Flow Statement, Enerkem experienced a favourable variance of \$1.620M in respect of the outflows. The variance is primarily attributable to:
- i. A favorable variance of \$582K in payroll mainly resulting from higher-than-expected payroll cost reductions following layoffs as well as employee departures since the beginning of the CCAA Proceedings;
 - ii. A favorable variance of \$215K in wages and vacation payments. This variance is temporary and due to timing as the balance is expected to be paid in the coming weeks;
 - iii. A favorable variance of \$125K in tax equalization payments. This variance is temporary and due to timing and should be disbursed in the coming weeks;
 - iv. A favorable permanent variance of \$100K in payments to be made under the KERP. This permanent reduction is due to reduced amounts owing under the KERP, resulting from certain unforeseen resignations and fringe benefits being lower than initially estimated;
 - v. A favorable variance of approximately \$1M representing expense reductions put in place by Enerkem, including contractors fees (\$442K), R&D expenses (\$143K), consultant fees (\$111K) and administrative expenses (\$367K); and,
 - vi. An unfavorable variance of \$602K in professional fees. This variance is primarily due to timing, as the total budgeted amount of professional fees were allocated through to the end of Phase II of the SISP (\$2.7M). Given that there was no Phase II of the SISP, professional fees relating to the Proposed Transaction have been incurred earlier than initially anticipated.
- c) In summary, compared with the Cash Flow Statement, Enerkem experienced a net favorable variance of approximately \$1.565M.

84. As of the date of this Third Report, all post-filing expenses incurred by Enerkem have been or will be paid in the normal course of business.

IX. THE CASH FLOW PROJECTIONS

85. Enerkem, with the assistance of the Monitor, prepared the statement of projected cash flow (the “**17-Week Cash Flow Statement**”) for the 17-week period starting July 21, 2025, to November 16, 2025 (the “**17-Week Cash Flow Period**”) for the purpose of forecasting the Applicants’ (as same will be constituted post-closing of the Proposed Transaction) estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Statement is provided in **Appendix C (under seal)** of this Third Report.

86. The Cash Flow Statement has been prepared by the Monitor and Enerkem using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.
87. The Monitor's review of the 17-Week 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 them were limited to evaluating whether they were consistent with the purpose of the 17-Week Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the 17-Week Cash Flow Statement.
88. 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 17-Week Cash Flow Statement;
 - (ii) As at the date of this Third Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of Enerkem or do not provide a reasonable basis for the 17-Week Cash Flow Statement, given the hypothetical assumptions; or,
 - (iii) The 17-Week Cash Flow Statement does not reflect the probable and hypothetical assumptions.
89. Since the 17-Week 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 17-Week 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 Enerkem's statutory obligations with regard to projected payments to be made in accordance with the 17-Week Cash Flow Statement, *inter alia* the payment of wages, the government remittances and the payroll deductions to be made by Enerkem.
90. The 17-Week Cash Flow Statement has been prepared solely for the purpose described in the Notes to the 17-Week Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.
91. The key assumptions used in the 17-Week Cash Flow Statement are based on the Company's most recent sales and costs trends.
92. The 17-Week Cash Flow Statement provides a breakdown of the operating cash flow for Enerkem during week 1 and week 2. Thereafter, the 17-Week Cash Flow Statement is based on the assumption that the Proposed Transaction has closed. Accordingly, the 17-Week Cash Flow Statement reflects the cash flow activities of the remaining Applicants during the wind down phase being from week 3 to week 17.
93. The Monitor notes that the Subscription Agreement provides for the creation and funding of an Administrative Reserve of \$400,000 in order to fund the completion of these CCAA Proceedings.
94. Management has advised the Monitor that it believes that the forecast reflected in the 17-week Cash Flow Statement is reasonable.

X. THE REQUEST FOR AN EXTENSION OF THE STAY PERIOD

95. The current Stay Period expires on August 22, 2025, and the Company is requesting an extension of the Stay Period up to and including November 14, 2025.
96. The Applicants are seeking an extension of the Stay Period until November 14, 2025, to close the Proposed Transaction and allow the Monitor sufficient time to bring the Restructuring to completion, including the liquidation of the EAB assets, if so determined.
97. The Monitor is informed that the Applicants intend to continue to pay their trade creditors for services rendered and goods supplied in the normal course of business during the CCAA Proceedings.
98. The Monitor is of the opinion that the Applicants have acted in good faith and continue to act in good faith in these CCAA Proceedings.
99. As described in this Third Report, the Cash Flow Statement indicates that the Applicants should have sufficient liquidity to continue to meet their obligations in the ordinary course of business up to November 14, 2025.

XI. DISCHARGE OF CERTAIN CCAA CHARGES

100. In the context of the Application, the Applicants are seeking the discharge, termination and release of the Interim Lender's Charge, the KERP Charge and the Directors and Officers Charge effective upon of the Monitor's Certificate.
101. Indeed, upon closing of the Transactions, all amounts owing under the Interim Financing Term Sheet will be assumed as part of the Exit Facility as part of the Investors' credit bid. Consequently, the Interim Lender's Charge will become moot.
102. Additionally, upon closing of the Proposed Transaction, all amounts secured by the KERP Charge have been paid in full.
103. Following the closing of the Proposed Transaction, the remaining debtors will no longer have any employees or directors or officers.
104. Given the foregoing, the Monitor supports the release, termination and discharge of the Interim Lender's Charge, the KERP Charge and the D&O Charge.

XII. ENHANCEMENT OF THE POWERS FOR THE MONITOR

105. The Monitor also understands that the Applicants are asking the Court to grant an enhancement of the powers previously granted to the Monitor as part of the Initial Order, which enhanced powers shall be effective upon the issuance of the Monitor's Certificate, if approved by the Court. Such powers shall include, *inter alia*:
 - a) controlling the receipts and disbursements of the Excluded Entities, ResidualCo1 and ResidualCo2;
 - b) opening bank accounts for and on behalf of the Excluded Entities ResidualCo1 and ResidualCo2; and,
 - c) assigning the Excluded Entities, ResidualCo1 and ResidualCo2 into bankruptcy and acting as trustee thereto.
106. The Monitor is supportive of such relief, which it considers to be necessary in the circumstances for the following reasons:

- a) following implementation of the Proposed Transaction, if approved by the Court, the only remaining debtor companies under the CCAA Proceedings shall be Excluded Entities, ResidualCo1 and ResidualCo2;
- b) in the absence of any remaining directors, management or employees of the Applicants such powers are required to ensure all of the remaining steps in the CCAA Proceedings can be completed, which will include dealing with any post-closing items that may be required under the Subscription Agreement; and,
- c) the additional powers will facilitate the orderly completion of the CCAA Proceedings, including the liquidation of EAB, the whole for the benefit of all of the Debtors' stakeholders.

107. The Applicants are also seeking customary protections in favour of the Monitor with respect to any environmental liabilities, if any, associated with the EAB assets in Alberta.

XIII. THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

108. Considering the foregoing, the Monitor is of the view that:

- a) the approval of the Proposed Transaction on the terms set forth in the Subscription Agreement is in the best interests of the Company and its stakeholders;
- b) the extension of the Stay Period up to November 14, 2025, sought by the Applicants is required to close the Proposed Transaction, complete the Restructuring for the benefit of all its stakeholders and to allow time for the liquidation of EAB;
- c) the discharge, termination and release of the Interim Lender's Charge, the KERP Charge and the Directors and Officers Charge is appropriate in the circumstances; and,
- d) the additional Monitor powers are necessary and required following the closing of the Proposed Transaction for the reasons set forth above.

109. It is the Monitor's view that the continuation of the CCAA Proceedings is beneficial to Enerkem's creditors, employees and stakeholders.

110. Given the foregoing, the Monitor supports the RVO Application and relief sought therein.

111. The Monitor is advised that the RVO Application and certain related materials were notified to all parties on the Service List as well as to contractual counterparties of the Retained Contracts and other stakeholders in Canada.

112. The Monitor respectfully submits to the Court its Third Report.

DATED AT MONTREAL, this 25th day of July 2025.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of the
Applicants



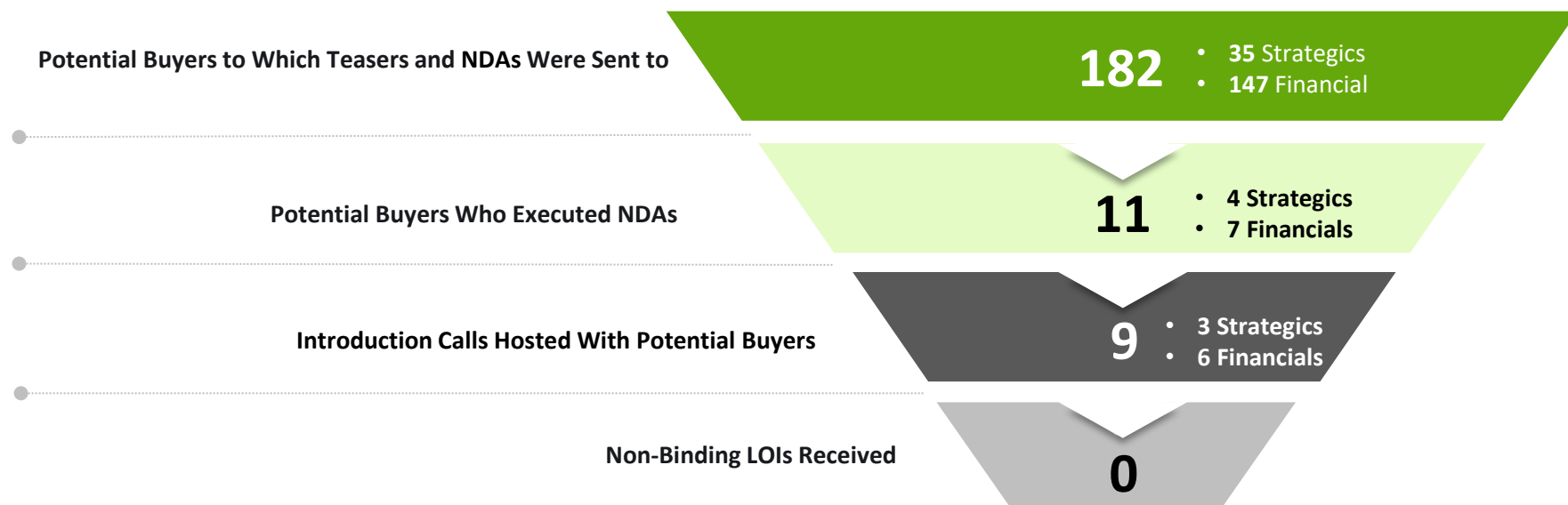
Benoit Clouâtre, CPA, CIRP, LIT
Senior Vice President



Jean-François Nadon, CPA, CIRP, LIT
President

APPENDIX A

Summary of the Marketing Process as of June 20, 2025



- Deloitte approached a total of **182 potential buyers** through an initial outreach, resulting in **no offers for the company** as of Friday, June 20th, 2025, the Phase 1 bid deadline outlined in the information memorandum previously provided.
- Deloitte thereafter hosted **nine introduction calls** with interested parties to gather questions and discuss the opportunity.
- Furthermore, **11 potential buyers executed NDAs** to which the company's corporate presentation and data room access were provided to dig into the opportunity.
- Fireside chats with Enerkem's management team were offered to all parties who executed NDAs to gather questions and discuss the opportunity, which ended up taking place with two parties.
- After making an initial outreach on Tuesday, May 13th, 2025, Deloitte made **four subsequent follow-ups** to potential buyers which had not yet responded by expressing interest or declining the opportunity to maximize the opportunity's market reach and traction.

APPENDIX B

APPENDIX B

Enerkem Inc. Consolidated**Budget-to-Actual Analysis for the period ended July 20, 2025***In 000's CAD*

	For the 11-week period ended July 20, 2025				<u>Notes</u>
	<u>Actual</u>	<u>Budget</u>	<u>Var. (\$)</u>	<u>Var. (%)</u>	
<u>Receipts</u>					
DIP Financing	6,000	8,000	(2,000)	-25%	Note 1
Sales taxes refund	414	-	414	0%	Note 2
Sales taxes refund (EAB)	1,001	-	1,001	0%	Note 3
Other receipts	530	-	530	0%	Note 4
Total receipts	7,945	8,000	(55)	-1%	
<u>Disbursements</u>					
Payroll	(4,218)	(4,800)	582	12%	Note 5
Wages/Vacation payout	(260)	(475)	215	45%	Note 6
Tax equalization	(38)	(163)	125	77%	Note 7
KERP	(741)	(841)	100	12%	Note 8
Project Delivery	(47)	(60)	13	22%	
Contractors	(53)	(495)	442	89%	Note 9
R&D	(132)	(275)	143	52%	Note 9
Rent	(209)	(206)	(3)	-1%	
IT licences, security and others	(1,135)	(1,015)	(120)	-12%	
Consultants	(164)	(275)	111	40%	Note 9
Professional fees	(2,502)	(1,900)	(602)	-32%	Note 10
Travel	(130)	(139)	9	6%	
Administrative	(495)	(862)	367	43%	Note 9
DIP Financing costs	(50)	(64)	14	22%	
Contingency	(106)	(330)	224	68%	
Total Disbursements	(10,278)	(11,900)	1,620	14%	
Net cash flow	(2,333)	(3,900)	1,565	40%	
Net cash (Shortfall) - Beginning	7,378	7,378	-	0%	
Net cash (Shortfall) - End	5,045	3,478	1,565	45%	

APPENDIX B (con't)
Enerkem Inc. Consolidated
Budget-to-Actual Notes
For the 11-week period ended July 20, 2025

Note 1	DIP financing	Reduced advances under the Interim Facility in an amount of approximately \$2M due to reception of certain unbudgeted receipts and the timing of disbursements.
Note 2	Sales taxes refund	A favorable variance of \$414K results from sales tax refunds. This variance is permanent and results from the receipt of refunds from the Quebec Government. The timing of sales tax refunds may be delayed following the filing of CCAA proceedings and accordingly were not initially budgeted.
Note 3	Sales taxes refund (EAB)	A favorable variance of \$1M in sales taxes refunds received by Enerkem Alberta Biofuels. The timing of sales tax refunds may be delayed following the filing of CCAA proceedings and accordingly were not initially budgeted.
Note 4	Other receipts	A favorable variance of \$530K resulting from various receipts. This variance is due to: i) unbudgeted collections for the payment of seconded resources and IT services delivered to VCR (\$402K), ii) receipts related to the Tarragona Project (Ecoplanta) (\$68K), iii) receipts from feasibility and technology sales (\$38K), and iv) accrued interest on bank deposits (\$21K).
Note 5	Payroll	A favorable variance of \$582K in payroll mainly resulting from higher-than-expected payroll cost reductions following layoffs as well as employee departures since the beginning of the CCAA Proceedings.
Note 6	Wages/Vacation payout	A favorable variance of \$215K in wages and vacation payments. This variance is temporary and due to timing as the balance is expected to be paid in the coming weeks.
Note 7	Tax equalization	A favorable variance of \$125K in tax equalization payments. This variance is temporary and due to timing and should be disbursed in the coming weeks.
Note 8	KERP	A favorable permanent variance of \$100K in payments to be made under the KERP. This permanent reduction is due to reduced amounts owing under the KERP, resulting mainly from certain unforeseen resignations and fringe benefits being lower than initially estimated.
Note 9	Contractors, R&D, Consultants and Administrative	A favorable variance of approximately \$1M representing expense reductions put in place by Enerkem, including contractors fees (\$442K), R&D expenses (\$143K), Consultant fees (\$111K) and Administrative expenses (\$367K).
Note 10	Professional fees	An unfavorable variance of \$602K in professional fees. This variance is primarily due to timing, as the total budgeted amount of professional fees were allocated through to the end of Phase II of the SISP (\$2.7M). Given that there was no Phase II of the SISP, professional fees relating to the Proposed Transaction have been incurred earlier than initially anticipated.

The detail paid by professional For the 11-week period ended July 20, 2025 is presented below :

Firm	Role	Amount paid
Stikeman Elliot LLP	Enerkem legal counsel	493
Bennet Jones LLP	Dip lender legal counsel	458
Goodmans LLP	Noteholders legal counsel	379
Deloitte Restructuring	Monitor	308
RPA Advisors	Noteholders financial advisors	296
Osler	Monitor's legal counsel	205
Deloitte Transaction Services	SISP manager	198
KPMG	Dip lender financial advisors	164
Total		2,502

APPENDIX C
UNDER SEAL