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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL
Division No.:
Court N°:
Estate N°:

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

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED OF:

LITHION TECHNOLOGIES INC., a legal person having its elected domicile at 2500-1 Place Ville-Marie, in the city and judicial district of Montréal, H3B 1R1

\- and -

LITHION SAINT-BRUNO INC., a legal person having its elected domicile at 2500-1 Place Ville-Marie, in the city and judicial district of Montréal, H3B 1R1

\- and -

LITHION INTERNATIONAL INC., a legal person having a place of business at 9388 Golf Blvd., in the city and judicial district of Montréal, H1J 3A1

<u>Debtors/Applicants</u>

-and-

KPMG INC. a legal person having a place of business at 600 De Maisonneuve Blvd. West, in the city and judicial district of Montréal, H3A 0A3

<u>Proposed Monitor</u>

PRE-FILING REPORT TO THE COURT SUBMITTED BY KPMG INC., IN ITS CAPACITY AS PROPOSED MONITOR

A. INTRODUCTION

1 On October 27, 2025, Lithion Technologies Inc. ("**LTI**"), Lithion Saint-Bruno Inc. ("**LSB**") and, Lithion International Inc. ("**LII**") (collectively , **"Lithion"** or the "**Debtors**") filed before the Superior Court of Quebec (Commercial Division) (the "**Court**") an *Application for the Issuance of an Initial Order, an Amended and Restated Initial Order and a SISP Order* (the "**Application**") pursuant to the *Companies Creditors Arrangement Act*, RSC 1985, c C-36 (the **CCAA**).

2 This pre-filing report ("**Pre-Filing Report**") has been prepared by KPMG Inc., in its capacity as proposed monitor to the Debtors ("**KPMG**" or the "**Proposed Monitor**"), to provide information to this Court with respect to the Debtors' financial situation and certain reliefs sought as part of the Application, and, more specifically, the proposed Initial Order sought thereunder.

3 More specifically, the purpose of this Pre-Filing Report is to inform the Court on the following:

a. The qualifications of KPMG to act as Monitor (**section C**);

b. The state of the business and affairs of the Debtors and the causes of their financial difficulties and insolvency (**section D**);

c. The proposed restructuring efforts to be conducted during the CCAA Proceedings (**section E**);

d. The reliefs sought as part of the Initial Order (**section F**);

e. The Debtors' weekly cash-flow forecast for the period starting October 25, 2025, and ending February 6, 2026 (the "**Cash Flow Forecast**"); and

f. The Proposed Monitor's recommendations with respect to the proposed Initial Order sought by the Debtors as part of the Application.

4 Should the Court grant the proposed Initial Order sought by the Debtors as part of the Application, KPMG intends to submit to the Court, in advance of the "*comeback hearing*", a further report with respect to the remainder of the reliefs sought by the Debtors as part of the Application.

B. RESTRICTIONS AND SCOPE LIMITATIONS

5 In preparing this Pre-Filing Report, the Proposed Monitor has relied upon unaudited financial information of the Debtors, the Debtors' books and records, certain financial information prepared by the Debtors and discussions with various parties (the "**Information**").

6 Except as otherwise described in this Pre-Filing Report:

a. The Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and

b. The Proposed Monitor has not examined or reviewed financial forecasts and projections referred to in this Pre-Filing Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

7 The Proposed Monitor has prepared this Pre-Filing Report solely for the purpose of providing the Court with information in relation with the reliefs sought by the Debtors as part of the proposed Initial Order, and this Pre-Filing Report should not be relied on for any other purpose.

8 Future oriented financial information reported or relied on in preparing this Pre-Filing Report is based on discussions with certain members of the management of the Debtors (“**Management**”) and is based on assumptions regarding future events; actual results may vary from forecasts and such variations may be material.

9 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings given to them in the Initial Application.

C. KPMG’S QUALIFICATION TO ACT AS MONITOR

10 KPMG is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as monitor, as set out in section 11.7(2) of the CCAA.

11 KPMG is a wholly owned subsidiary of KPMG LLP, a Canadian professional services firm providing, among other things, audit, tax and advisory services. KPMG LLP is the Canadian member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English limited guarantee.

12 In February 2025, KPMG was retained by Investissement Quebec (“IQ”) to conduct an assessment of the reasonableness of the Debtors’ financial forecasts in connection with a potential bridge financing contemplated by a group of lenders, including IQ. The contemplated bridge financing did not materialize in time; as a result, the Debtors’ shareholders, along with IQ, provided emergency financing, of which IQ contributed approximately 50% of the total funding.

13 In the context of this emergency financing, KPMG’s engagement evolved to include monitoring the Debtors’ receipts and disbursements from April to October 2025. During this period, KPMG has gained significant and valuable information regarding, *inter alia*, the Debtors’ business and operations, certain of their personnel, key issues the Debtors and key stakeholders are currently facing. In recent weeks, KPMG has been working more closely with the Debtors with a view to assess their restructuring alternatives.

14 On October 27, 2025, following a confirmation that the Debtors' board of directors had signed a resolution authorizing the filing of the Application on a consensual basis with IQ, KPMG formally terminated its prior engagement with IQ in order to act as the Monitor in the context of these proceedings commenced pursuant to the CCAA (the "**CCAA Proceedings**"), subject to the issuance by the Court of the Initial Order sought by the Debtors.

15 Should KPMG be appointed as Monitor to the Debtors, KPMG will, among other things, oversee the Debtors' restructuring efforts and work with EY Orenda Corporate Finance Inc. (the "**SISP Agent**") to implement a formal sale and investment solicitation process (the "**SISP**") of the shares and/or business, property and assets of the Debtors, the whole as set forth in the Application and described more fully below.

16 KPMG confirms that it has consented to act as monitor in these proceedings should the Court grant the proposed orders.

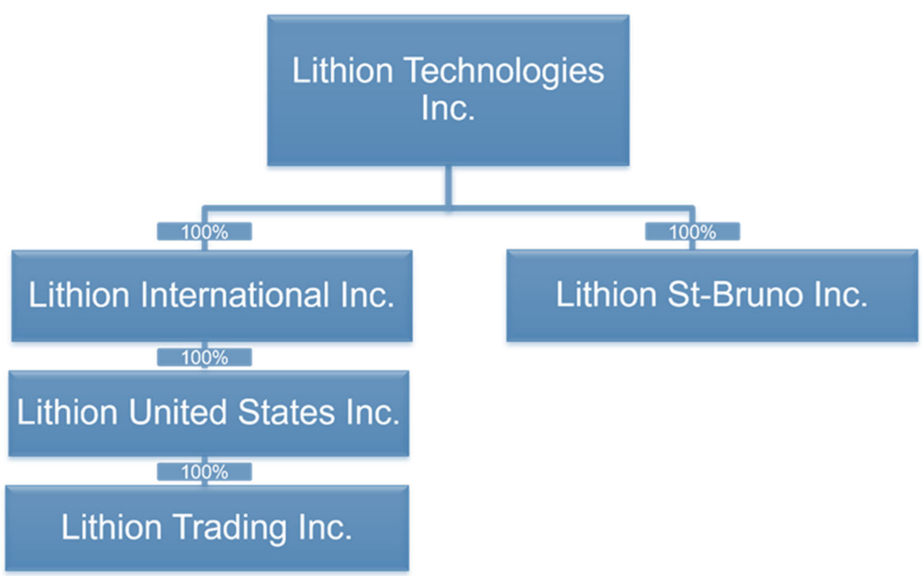
17 The senior KPMG representatives with carriage of this matter are experienced Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees, who have acted as monitor in several restructurings and CCAA matters in Québec.

18 The Proposed Monitor has retained Stikeman Elliott LLP to act as its independent counsel in these CCAA proceedings, who also has significant in-depth experience in similar restructuring proceedings.

D. THE DEBTORS' BUSINESS AND AFFAIRS AND FINANCIAL DIFFICULTIES

<u>The "Lithion Group" Corporate Structure</u>

19 The "Lithion Group" is comprised of three (3) operating entities located in Canada and two (2) entities incorporated and located in the U.S. (State of Delaware) as appears from the organizational chart below. The ultimate shareholders of the Lithion Group include the Private Investors or related corporations, IQ, a senior member of the management of the Debtors as well as individuals:



Lithion Technologies Inc.

20 LTI is a privately held corporation and is incorporated under the *Canadian Business Corporations Act*, L.R.C. (1985), c. C-44. LTI's operations located in Anjou, Montreal, include research, development, laboratory services, commercialization and the sale of technologies to recycle lithium-ion batteries.

Lithion St-Bruno Inc.

21 LSB, located in St-Bruno, is a privately held corporation incorporated in 2022 under the Canadian Business Corporations Act, L.R.C. (1985), c. C-44, and wholly owned by LTI.

22 LSB is the principal operating company of the Lithion group of companies. LSB's operations focus on the production of black mass from end-of-life lithium-ion batteries and providing support to the commercialization of technologies.

Lithion International Inc.

23 LII is a privately held corporation incorporated in 2024 under the Canadian Business Corporations Act, L.R.C. (1985), c. C-44, and is wholly owned by LTI.

24 LII is also the sole owner of Lithion United State Inc., which is the sole owner of Lithion Trading Inc. These two (2) entities incorporated in the United States.

25 The Proposed Monitor understands that while LII was established, it has never been operational and has no assets or liabilities.

Lithion United States Inc. and Lithion Trading Inc.

26 These two (2) American entities are incorporated in the state of Delaware and have no operations, no employees and no indebtedness. Accordingly, the Debtors have not included them in these CCAA Proceedings.

The Debtors' Business and Affairs

27 Lithion processes end-of-life electric vehicle batteries to produce black mass, which Lithion sells to some of its customers. Lithion's technology and facility also enable the production of black mass from waste generated during the manufacturing process of electric vehicle batteries. The production of black mass represents the first step in Lithion's business model, which is focused on delivering a comprehensive solution in the repurposing and recovery of materials from electric vehicle batteries.

28 A black mass is a toxic black powder created during the recycling of lithium-ion batteries. It consists of a mixture of the cathode and anode materials from the batteries. The extracted black mass contains valuable metals such as cobalt, nickel, lithium, and graphite. The black mass can be processed further to recover these valuable components for reuse purposes in new batteries.

29 Lithion first began producing black mass in June 2024 upon the completion of its operating facility in Saint-Bruno-de-Montarville, Quebec (the **Saint-Bruno Black Mass Facility**).

30 Lithion's operations required, and continue to require, substantial capital, not only to construct the facilities needed to operate the business at a scale that would be sufficient to be profitable, but also to support ongoing research and development efforts. Significant investments were, and remain, essential to ensure that both infrastructure and innovation can meet the demands of Lithion's business strategy.

31 To date, over $100 million has been invested in the Debtors' business, mainly through equity, underscoring the magnitude of Lithion's commitment to advancing battery recycling technologies and building out its operational capabilities.

32 However, due to Lithion's financial constraints faced while attempting to raise capital, Lithion was required to scale back its research and development related to the extraction of chemical components in black mass and instead focus its efforts on black mass extraction.

Employees

33 At the date of this Pre-Filing Report and following the lay-off of certain employees in previous months, Lithion employs an aggregate of 45 non-unionized employees, with 24 employees being employed by LTI and 21 by LSB.

34 The Proposed Monitor understands that the current plan includes a gradual mothballing of operations which would result in a progressive reduction of the workforce, in both office and manufacturing roles.

35 As will be further discussed below, as part of these CCAA Proceedings, the Debtors, with the assistance of the Proposed Monitor and the proposed Sale Agent, intend to implement a SISP with a view to solicit offers from a variety of potentially interested parties, including parties interested pursing the Debtors' business as a going concern and, ultimately, preserving the jobs of their employees.

The Debtors' Assets as at August 31, 2025

36 As at August 31, 2025, the Debtors' assets are comprised of the following: based on the unaudited consolidated financial statements for the five-month period ended August 31, 2025, are presented below.

Assets	Amounts
Accounts receivable	$ 673,244
Inventory	$ 1,350,519
Grants receivable	$ 14,510
Property, plant and equipment	$ 51,596,915
Intangible assets	$ 109,339
Guarantee deposits	$ 335,766
Other assets (cash and cash equivalents, bank investments and prepaid expenses)	$ 7,827,992
Total	**$ 61,908,285**

37 The assets are mainly comprised of cash as well as specialized property plant and equipment relating to the production of black mass and SR&ED.

38 The property, plant and equipment are comprised of highly specialized equipment retrofit to the facilities (which facilities are not own, but leased by the Debtors). Therefore, the value of such property, plant and equipment could potentially be significantly negatively impacted in the context of a bankruptcy liquidation, where the Debtors' assets would be sold piecemeal, outside of a going concern scenario.

The Debtors' Indebtedness as at August 31, 2025

39 As at August 31, 2025, the Debtors' liabilities are comprised of the following:

Liabilities	Amounts
Accounts payable and accrued liabilities	$ 2,082,766
Short-term secured debt	$ 9,257,632
Short-term unsecured debt	$ 246,952
Total current liabilities	*$ 11,587,509*
Long-term debt Secured	$ 61,806
Long-term debt unsecured	$ 170,620
Long-term debt – EDC	$ 86,452
Obligation under capital leases	$ 96,869
Lease inducement	$ 511,815
Total non-current liabilities	*$ 927,562*
Total liabilities	**$12,515,071**

Secured creditors

40 As at August 31, 2025, Lithion's debt to secured creditors is summarized as follows (the creditors in the table below are hereinafter and collectively defined as "**Secured Creditors**")

Lithion	
PME MTL Est-de-l'Île	$61,806
Investissement Québec	$ 4,459,925
Construction Seneca Inc.	$ 521,781
IMM Investment Hong Kong Holdings Limited	$ 2,137,963
General Motors Ventures LLC	$ 2,137,963
Total	$9,319,438

41 Should KPMG be appointed by the Court as the Debtors' monitor, KPMG intends to mandate its independent counsel to proceed with an independent review of the validity and enforceability of the security registered by the secured creditors listed in the table above.

a. PME Est-de-l'Île

42 Lithion entered into a Term Loan of $125,000 ("**PME Loan**"), and a grant of $25,000 totalling $150,000 with PME MTL Est-de-L'Île ("**PME**") on December 15, 2020. The Term Loan and grant were entered by Lithion Recycling Inc, the predecessor of LTI.

b. Investissement Quebec

43 On April 11, 2025, IQ entered a Term Loan ("**IQ Term Loan**") in the amount of $4.3 million, with both LTI and LSB, with a maturity date of September 30, 2025. The IQ Term Loan was to be used for the recapitalization of Lithion to continue its mass production activities at its Saint-Bruno Black Mass Facility while continuing their efforts to raise capital and additional financing.

44 The IQ Term Loan is secured by a movable hypothec on the universality of all movable property of LTI and LSB.

45 On October 27 2025, a notice of default, support, and forbearance was concluded between LTI, LSB, and IQ, in which the latter confirmed its support for the Proposed Restructuring (as defined below), subject to compliance with certain conditions.

c. Private Investors

46 Concurrently with the IQ Term Loan, on April 11, 2025, IMM Investment Hong Kong Holdings Limited ("**IMM**"), General Motors Ventures LLC ("**General Motors**"), Construction Seneca Inc. ("**Seneca**") (collectively, the "**Private Investors**") also entered into a loan agreement with LTI and LSB (the "**Private Investors Term Loan"**). Under the Private Investors Term Loan, the Private Investors agreed to provide a loan, available in two (2) tranches, of US$ 3.0 million and CAD$ 500,000. Based on the Proposed Monitor's understanding, the Private Investors Term Loan has matured (the IQ Term Loan and the Private Investors Term Loan are herein referred to as the "**Emergency Funding**").

47 Similar to the IQ Term Loan, the Private Investors Term Loan was to be used for the recapitalization of Lithion to continue its mass production activities at its Saint-Bruno Black Mass Facility while continuing their efforts to raise capital and additional financing.

48 The obligations of LTI and LSB under the Private Investor Term Loan are secured by movable hypothecs granted to each of the Private Investors on the universality of all movable property of LTI and LSB.

49 The IQ Term Loan and the Private Investors Term Loan rank amongst them on a *pari passu* basis.

d. Other Secured Creditors

50 In addition to the registered conventional hypothecs listed above, LSB also entered certain leasing agreements with certain registered rights on leased equipment. The lease agreements are primarily in favor of Meridian OneCap Credit Corp., Meridian OneCap Limited Partnership and Crown Credit (Canada) Corporation.

Unsecured trade and other payables and Employee related payables

51 As of August 31, 2025, the Accounts payable and accrued liabilities are composed mainly of trades payable, overhead and other expenses, which total approximately $2M.

52 As of the date hereof, the Debtors are current in their source deductions and other GST/QST payable obligations.

53 As appears from the Cash Flow Forecast, amounts owing in respect of services rendered/products supplied after the issuance of the Initial Order (as well as related GST/QST obligations) shall be paid in the normal course of business.

Employee related payables

54 As of this **Pre-Filing Report**, the Debtors are current in the payment of employee salaries and related source deductions, and the amount of accrued vacation for such employees is approximately $322,000 in the aggregate. As appears from the Cash Flow Forecast, this outstanding amount is expected to be paid during the contemplated CCAA Proceedings.

Financial Difficulties and pre-filing restructuring efforts

55 Given the significant capital needed to develop and grow its business, Lithion has incurred significant losses since its inception in 2017 a result, in April 2025, Lithion undertook a series of workforce reductions, leading to the layoff of 16 employees. Following these layoffs, Lithion experienced several additional resignations, most of which have not been subsequently filled.

56 Concurrently with the above, LTI and LSB obtained the Emergency Funding, which was advanced in two (2) equal instalments, with the first instalment in April 2025 and with the second instalment in July 2025. As of the date hereof, the Emergency Funding has matured, and the Debtors are unable to repay the totality of the amounts owing thereunder.

57 As a result of the afore-mentioned challenges, the Debtors are now facing a severe liquidity crisis at their current utilization of cash in operating activities and anticipate completely running out of cash by no later than the next few months, if the *status quo* is maintained. By then, it is expected that the Debtors will not have sufficient liquidities to run any sale process.

E. THE PROPOSED RESTRUCTURING EFFORTS TO BE CONDUCTED DURING THE CCAA PROCEEDINGS

58 The Proposed Monitor understand that during the CCAA Proceedings, the Debtors' management intends to implement, *inter alia*, the following restructuring measures:

a. implement cost-cutting measures by transitioning Care and Maintenance over a period of approximately four (4) weeks, which will be necessary even outside a going concern scenario. Lithion intends to incrementally reduce its workforce, retaining only key personnel to complete required Care and Maintenance of equipment and to complete the SISP (as defined hereinafter). It is anticipated that the commencement of the Care and Maintenance will start approximately on November 15, 2025;

b. collect the outstanding accounts receivable; and

c. implement and conduct the SISP in accordance with the SISP Procedures (as defined hereinafter), which the Debtors will seek approval from the Court at the "*comeback hearing*";

(collectively, the **Proposed Restructuring**).

59 As noted above, Lithion's operations are cash-flow negative and in order to bring its operations to profitability, Lithion requires substantial additional capital investments.

60 The Proposed Monitor was informed that IQ does not intend to provide additional financing and understands from its conversations with the Debtors that the Private Investors also do not intend to provide any further financing either.

61 As Lithion's liquidity is limited, it has become urgent to commence the SISP in order to maximize the possibility of receiving offers to purchase the assets or business and restart operations.

F. THE RELIEFS SOUGHT AS PART OF THE INITIAL ORDER, AND THE PROPOSED MONITOR'S RECOMMENDATIONS THEREON

The Stay of Proceedings

62 Notwithstanding the significant efforts of management, as the Debtors will run out of liquidity in the near term, the Debtors are currently insolvent, with limited and depleting cash resources to pay liabilities as they become due.

63 The CCAA stay will preserve the *status quo* and permit the Debtors to implement its Proposed Restructuring.

64 At the comeback hearing, the Debtors will request a further extension of the Stay Period until January 30, 2026, to allow for the completion of the SISP.

65 Notwithstanding the foregoing, the Debtors agree that IQ, as key partner in the Proposed Restructuring and in its capacity as a secured creditor, shall remain and be treated at all times and in all circumstances as an unaffected creditor in the current CCAA proceedings, including with respect to the stay of proceedings.

The Proposed Sale and Investment Solicitation Process (the "SISP")

66 The Debtors with the assistance of the SISP Agent, the Proposed Monitor and IQ, intend to conduct a SISP as follows (the "**SISP Procedures**") subject to this Court's approval thereof, which approval will be sought at the "*comeback hearing*".

67 The SISP and related SISP Procedures will contemplate a two-phase bidding process according to the following timeline (subject to any extensions and modifications that may be made pursuant to the SISP Procedures, with the prior written approval of IQ and the Proposed Monitor):

Event	Date
Phase 1	
1. Distribution of solicitation letter to a reviewed list of interested parties	By no later than November 10, 2025, at 5:00 p.m. (prevailing Eastern Time)
2. Establishment of a virtual data room (**VDR**) for all parties having executed a non-disclosure agreement	By no later than November 10, 2025, at 5:00 p.m. (prevailing Eastern Time)
3. Phase 1 Bid Deadline (submission of non-binding letters of intent (**LOIs**))	By no later than December 8, 2025, at 5:00 p.m. (prevailing Eastern Time)
4. Identification of Qualified Phase 1 LOIs	By no later than December 12, 2025, at 5:00 p.m. (prevailing Eastern Time)

Event	Date
Phase 2	
5. Phase 2 Bid Deadline (submission of definitive offers)	By no later than January 16, 2026, at 5:00 p.m. (prevailing Eastern Time)
6. Selection of Successful Bid(s)	By no later than January 21, 2026, at 5:00 p.m. (prevailing Eastern Time)
7. Approval Hearing	By no later than January 30, 2026, at 5:00 p.m. (prevailing Eastern Time)
8. Closing	By no later than February 2, 2026, at 5:00 p.m. (prevailing Eastern Time)

68 The timeline and modalities for the SISP have been discussed with the SISP Agent, the Proposed Monitor, the Debtors and IQ and are established based on the most up-to-date information to ensure that the process is effectively tailored towards maximizing the receipts of LOIs and binding offer (s) to obtain the best value for the assets, considering the limited timeline due to the current circumstances of the Debtors, including their limited liquidity.

69 The limited timeline does not allow for the SISP Agent to postpone his preparation to implement the SISP and therefore in order to be ready once and if the Court approves the SISP Order, Lithion has instruct the SISP Agent to prepare the solicitation material and be ready to implement the SISP immediately if the Court grants the SISP Order at the comeback hearing.

70 It is respectfully submitted that authorizing the Proposed Restructuring, for which the implementation of the SISP is the cornerstone, is necessary and appropriate in order to achieve the rehabilitation of Lithion's business for the ultimate benefit of its stakeholders.

71 The Proposed Monitor is of the view that the SISP being conducted and the SISP Procedures are reasonable and appropriate in the circumstances.

Approval of Other CCAA Charges

a. Administration Charge

72 The Administration Charge ("**Administration Charge**") will be in favour of Proposed Monitor (KPMG), the counsel to the Proposed Monitor (Stikeman Elliott LLP), the Debtors counsel (Norton Rose Fullbright LLP), the secured creditor IQ's counsel (Lavery, de Billy LLP) and the SISP Agent (EY Orenda Corporate Finance Inc.).

73 The aggregate amount of the Administration Charge sought by the Debtors is $200,000. At the comeback hearing, the Debtors will request an increase in the Administration Charge to the aggregate amount of $300,000 to secure the professional fees and disbursements to be incurred in connection with the Proposed Restructuring.

74 Ultimately, the Proposed Monitor has reviewed and considered the complexities of the CCAA Proceedings, the underlying assumptions upon which the Debtors have based the quantum of the proposed Administration Charge and the services to be provided by the beneficiaries of the Administration Charge.

75 Given the unpaid amounts in respect of work undertaken to prepare for the CCAA Proceedings, and the quantum of fees expected to be incurred following the granting of the Initial Order, if granted, the Proposed Monitor is of the view that the proposed quantum of the Administration Charge in the Initial Order is reasonable and appropriate in the circumstances.

76 Accordingly, the Proposed Monitor respectfully recommends that the Administration Charge be granted by this Honourable Court.

b. KERP

77 The Debtors have identified certain key employees (collectively, the "**Key Employees**") who will be critical in the conduct of these CCAA Proceedings and the implementation of the restructuring efforts to be undertaken in the context thereof, namely the conduct the SISP and the oversee of the care and maintenance activities to ensure the safe preservation of equipment and batteries located at the Saint-Bruno Black Mass Facility. The Key Employees are composed of seven (7) operations and administrative employees and five (5) members of the executives. A copy of the KERP table is attached hereto *under seal* as **Appendix A**.

78 The KERP provides financial incentives for Key Employees to continue their employment with the Debtors during these CCAA Proceedings, and it is an essential condition of the KERP that the Key Employees remain employed and render services to the Debtors throughout the entire CCAA Proceedings. In order to secure the payment of amounts owing under the KERP, the Applicant is seeking the approval of the KERP and the establishment of a KERP Charge over the Property of the Debtors in the amount of $250,000.

79 The Proposed Monitor understands that the Key Employees covered by the KERP are essential to the Proposed Restructuring and necessary to attempt to maximize the value of the Debtors' businesses and assets given their professional skills and unique and relevant experience related to the Debtors' activities and operations.

80 The KERP is designed to encourage Key Employees to retain their current employment during the CCAA Proceedings. Without the retention of the Key Employees, it is the Debtors' belief that their ability to maximize value for all stakeholders would be seriously compromised. The Debtors believe that:

a. Their departure would have an immediate impact on the remaining operations and the SISP; and

b. Considering the uncertainty regarding the Debtors' restructuring proceedings, these employees could be solicited by others.

81 Consequently, the Proposed Monitor supports the approval of the KERP and the KERP Charge proposed by the Applicant.

c. D&O Charge

82 The Proposed Monitor understands that while the Debtors maintain an insurance policy for the benefit of its Directors and Officers (the "**D&O Insurance**"), this policy is set to expire on March 12, 2026, and the Debtors assert that the amount of coverage provided by the D&O Insurance may ultimately not be sufficient to adequately protect the Directors and Officers from potential liability and that additional insurance would not be available or would be prohibitively expensive.

83 Accordingly, in the Initial Order the Applicant is requesting the establishment of a directors and officers charge ("**D&O Charge**") in favour of the Directors and Officers in an amount of $100,000, which would only apply to secure any indemnification claims of the Directors and Officers against the Debtors for claims which could be asserted against them personally after the commencement of the CCAA Proceedings, to the extent that no coverage is applicable under the D&O Insurance. At the comeback hearing, the Debtors will request an increase in the D&O Charge to an aggregate amount of $ 200,000 as a result of the restructuring.

84 The amount of the D&O Charge has been calculated by the Proposed Monitor, taking into consideration the periodic gross payroll costs of existing employees (including the accrued vacation thereon).

85 In these circumstances, the Proposed Monitor, is of the opinion that the requested D&O Charge is reasonable and adequate given, notably, the complexity of its business, and the corresponding potential exposure of the Directors and Officers to personal liability. The D&O Charge is intended to offer additional protection beyond what is available under the insurance policy.

d. Priority of Charges

86 The Proposed Initial Order provides for the following priority of the Charges:

a. First – the Administration Charge;

b. Second – the KERP Charge; and

c. Third – the D&O Charge.

87 Under the Proposed Initial Order, the priorities in respect of the Charges shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, charges, encumbrances or security of whatever nature or kind affecting the assets, whether or not charged by such Encumbrances.

88 The Proposed Monitor is informed that IQ supports the relief sought in the Application, and consents to the granting of the Charges herein described. The Proposed Monitor did not have communications with the other secured creditors.

G. CASH FLOW FORECAST

89 The Debtors, with the assistance of the Proposed Monitor, has prepared a consolidated statement of projected cash flow (the "**Cash Flow Forecast**"), on a weekly basis, for the fifteen-week (15) period ending February 6, 2026. The Cash Flow Forecast is accompanied by the notes outlining the significant assumptions made in preparing the Cash Flow Forecast.

90 A copy of the Cash Flow Forecast, accompanying notes and a report containing prescribed representations are attached hereto as **Appendix B**.

91 The Proposed Monitor has assessed the Cash Flow Forecast as to its reasonableness as required by Section 23(1)(b) of the CCAA. The Proposed Monitor's review consisted of inquiries, analytical procedures and discussions related to information supplied by the Debtors. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by the Debtors for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.

92 Based on this review, nothing has come to the Proposed Monitor's attention that causes it to believe that, in all material respects:

a. The hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;

b. As at the date of this Pre-Filing Report, the probable assumptions developed by the Debtors are not suitably supported and consistent with the plans of the Debtors or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

c. The Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

93 Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations many be material.

94 Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. The Cash Flow Forecast has been prepared solely for the purpose described in the notes accompanying the Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

95 While the Proposed Monitor does not express reservations regarding the Cash Flow Forecast, some components thereof are noteworthy and are addressed below.

96 The Cash Flow Forecast indicates that operating cash receipts over the period total approximately $550,000.

97 The Cash Flow Forecast also illustrates that operating disbursements over the same period total approximately $4.9 million and consist primarily of salaries, selling and general expenses and professional fees.

98 Moreover, that same period net negative cash flow is forecast to approximate $4.3 million.

H. THE PROPOSED MONITOR'S RECOMMANDATIONS

99 In light of the foregoing, the Proposed Monitor is of the view that the reliefs sought by the Applicants as part of the Proposed Initial Order are reasonable in the circumstances and should therefore be granted by the Court.

100 The Proposed Monitor has reviewed the Lithion's filing materials and has consented to act as the Monitor of the Debtors should the Court see fit to grant the relief sought by the Debtors.

The Proposed Monitor respectfully submits to the Court its Pre-Filing Report.

DATED AT MONTRÉAL, this October 27, 2025

KPMG INC.
Licensed Insolvency Trustee
In its capacity as Proposed Monitor of
Lithion Technologies Inc.,
Lithion Saint-Bruno Inc. And
Lithion International Inc.

Maxime Codère, CPA, CIRP, LIT	Stéphane De Broux, CPA, CIRP, LIT
Senior Vice-President	Executive Director

APPENDIX A

(Under Seal)

KERP TABLE

APPENDIX B

CASH FLOW FORECAST

For the period from October 25, 2025 to February 6, 2026

Lithion Technologies Inc., Lithion Saint-Bruno Inc, and Lithion International Inc. - Consolidated

Cash Flow Forecast - From October 25, 2025, to February 6, 2026.

in CAD

Week number	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**Total**
Week Ending -->	**2025-10-31**	**2025-11-07**	**2025-11-14**	**2025-11-21**	**2025-11-28**	**2025-12-05**	**2025-12-12**	**2025-12-19**	**2025-12-26**	**2026-01-02**	**2026-01-09**	**2026-01-16**	**2026-01-23**	**2026-01-30**	**2026-02-06**	
Receipts																
Sales of Black Mass and others	18 489	-	-	-	224 427	-	-	-	-	97 073	-	-	-	-	-	339 989
Collection of accounts receivable	29 832	29 832	-	-	-	-	-	-	-	-	-	-	-	-	-	59 664
Sales Tax Refund	-	-	-	-	-	-	-	-	-	57 274	-	-	-	97 977	-	155 251
Total Receipts	**48 321**	**29 832**	**-**	**-**	**224 427**	**-**	**-**	**-**	**-**	**154 348**	**-**	**-**	**-**	**97 977**	**-**	**554 904**
Disbursements																
Purchases	(17 674)	(17 703)	(15 748)	(15 748)	(15 748)	(8 118)	(44 085)	(8 118)	(8 118)	(8 118)	(28 056)	(8 118)	(8 118)	(8 118)	(12 027)	(223 616)
Salaries & Benefits	(259 930)	-	(231 515)	-	(201 596)	-	(107 059)	-	(107 059)	-	(107 059)	-	(107 059)	-	(214 118)	(1 335 396)
Payment of employees' vacations	-	-	(62 569)	-	(307 897)	-	-	-	-	-	-	-	-	-	-	(370 466)
KERP	-	-	-	-	-	-	(40 926)	-	-	-	-	-	-	-	(95 495)	(136 421)
Selling, general and administrative	(18 095)	(6 095)	(29 090)	(69 229)	(6 095)	(4 056)	(4 056)	(4 056)	(4 056)	(4 056)	(4 056)	(4 056)	(4 056)	(4 056)	(4 056)	(169 164)
Rent	(144 347)	-	(3 102)	(43 840)	(118 986)	(4 590)	-	(46 170)	-	(123 576)	-	(3 102)	(28 408)	(123 576)	-	(639 698)
Insurance	(76 403)	-	(18 800)	-	(62 778)	-	-	(18 800)	-	(62 778)	-	(18 800)	-	(62 778)	-	(321 137)
Contingency	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(3 000)	(45 000)
Total Operational Disbursements	**(519 450)**	**(26 797)**	**(363 824)**	**(131 817)**	**(716 101)**	**(19 764)**	**(199 126)**	**(80 144)**	**(122 233)**	**(201 529)**	**(142 171)**	**(37 076)**	**(150 642)**	**(201 529)**	**(328 696)**	**(3 240 898)**
Restructuring Fees	-	(281 504)	-	(173 500)	-	(99 750)	-	(139 750)	-	(208 500)	-	(58 250)	-	(185 000)	(293 500)	(1 439 754)
Total Disbursements	**(519 450)**	**(308 301)**	**(363 824)**	**(305 317)**	**(716 101)**	**(119 514)**	**(199 126)**	**(219 894)**	**(122 233)**	**(410 029)**	**(142 171)**	**(95 326)**	**(150 642)**	**(386 529)**	**(622 196)**	**(4 680 652)**
Projected Net Cash Flow	**(471 128)**	**(278 469)**	**(363 824)**	**(305 317)**	**(491 674)**	**(119 514)**	**(199 126)**	**(219 894)**	**(122 233)**	**(255 681)**	**(142 171)**	**(95 326)**	**(150 642)**	**(288 552)**	**(622 196)**	**(4 125 748)**
Cash																
Opening Cash	4 511 343	4 040 215	3 761 746	3 397 921	3 092 604	2 600 930	2 481 416	2 282 290	2 062 396	1 940 163	1 684 482	1 542 311	1 446 985	1 296 343	1 007 791	4 511 343
Projected Net Cash Flow	(471 128)	(278 469)	(363 824)	(305 317)	(491 674)	(119 514)	(199 126)	(219 894)	(122 233)	(255 681)	(142 171)	(95 326)	(150 642)	(288 552)	(622 196)	(4 125 748)
Closing Cash	**4 040 215**	**3 761 746**	**3 397 921**	**3 092 604**	**2 600 930**	**2 481 416**	**2 282 290**	**2 062 396**	**1 940 163**	**1 684 482**	**1 542 311**	**1 446 985**	**1 296 343**	**1 007 791**	**385 595**	**385 595**

Insolvent Person's Report on Cash-flow Statement

(Section 10(2) of the *Companies' Creditors Arrangement Act*)

In the matter of the proposed plan of compromise and arrangement of LITHION TECHNOLOGIES INC., LITHION ST-BRUNO INC. AND LITHION INTERNATIONAL INC.

We, **LITHION TECHNOLOGIES INC.**, **LITHION ST-BRUNO INC. AND LITHION INTERNATIONAL INC.** (collectively "**Lithion**" or the "**Debtors**") have developed the assumptions and prepared the attached consolidated statement of projected cash-flow of the Debtors, consisting of a consolidated statement of projected cash receipts and disbursements for the period commencing October 25th, 2025 and ending February 6th, 2026 (the "**Cash Flow Period**").

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes accompanying the consolidated statement of projected cash-flow and the probable assumptions are suitably supported and consistent with the plans of the Debtors and provide a reasonable basis for the projection. All such assumptions have been disclosed in Notes 1 to 15.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented and the variation may be material.

The projection has been prepared solely for the purpose described in the notes accompanying the consolidated statement of projected cash-flow, using a set of probable and hypothetical assumptions set out in Notes 1 to 15. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DATED AT MONTREAL, this 27th day of October 2025.

LITHION TECHNOLOGIES INC.,
LITHION ST-BRUNO INC. AND
LITHION INTERNATIONAL INC.

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Per: Marc Chabot, CFO

In the Matter of the proposed compromise and arrangement of LITHION TECHNOLOGIES INC., LITHION ST-BRUNO INC. AND LITHION INTERNATIONAL INC.

NOTES AND ASSUMPTIONS TO THE

CONSOLIDATED PROJECTED STATEMENT OF CASH FLOW

for the period from October 25th, 2025, to February 6th, 2026

1. **Overview:** The attached statement of consolidated projected cash flow (the "**Cash Flow Forecast**") for the period from October 25th, 2025, to February 6th, 2026 (the "**Cash Flow Period**") reflects cash flows from the Debtors' operations. The Debtors have prepared the Cash Flow Forecast based on historical results and the Debtors' current restructuring plan. The Cash Flow Forecast is presented in Canadian dollars ("**CAD**"). The Cash Flow Forecast assumes that the Company obtains protection under the *Companies' Creditors Arrangement Act* ("CCAA") on October 28th, 2025.

   The Cash Flow Forecast for the period from October 25th, 2025, to February 6th, 2026 includes fifteen (15) weeks post-filing and one (1) week of estimated actual results pre-filing to reflect anticipated opening balances post-filing.

2. **Purpose:** The Cash Flow Forecast has been prepared by the Debtors' management to present the anticipated cash inflows and outflows resulting from current operations during the stay of proceedings in virtue of the CCAA.

   The significant hypothetical assumptions made in preparing the Cash Flow Forecast are presented hereunder.

3. **Currency and exchange rates:** All amounts are denominated in Canadian currency. All activities that imply US dollars have been converted into CAD using an exchange rate of USD $1.00 = CAD $1.3941. The Cash Flow Forecast assumes that the rate of exchange remains the same throughout the Cash Flow Period.

4. **Creditor support:** The Cash Flow Forecast is based on the assumption that the creditors will continue to provide support to Lithion by way of the delivery of goods and services, and that Lithion will be able to maintain the use of the current cash in hand to provide the liquidity necessary to carry out its activities as planned in the restructuring plan.

5. **Sales of Black Mass and others:** Accounts receivable represent the Lithion's collection of accounts receivable and projected sales of black mass and scrap metal currently in storage.

5.1 **Sales of Black Mass**: Lithion will have six (6) containers representing 95.6 metric tons of black mass ready for sale during the Cash Flow Period. Lithion expects to be able to ship 4 of these containers in November 2025 and the last 2 containers in December 2025. Lithion has already entered contracts for the first 4 containers with 2 clients. Projections anticipate sales with payment terms of 80% payable upon receipt of the required documents. The residual 20% upon receipt of the goods, as currently agreed in its contracts with its customers, has not been included in the cashflow period.

5.2 **Sales of Scrap Metal**: Sales of scrap metal are based on quantities currently estimated in stock and scrap generated by operations until the end of October 2025.

6. **Collection of Accounts Receivable**: Management estimates that 60% of the $250K in accounts receivable will be collected.

7. **Sales taxes receivable:** The amounts shown represent the monthly post-filing collection of sales tax based on sales and expenses incurred during the previous month.

8. **Purchases**: Operating costs include expenses directly attributable to the manufacture and shipment of goods. No raw material purchases are planned following the Initial Order. The costs take into account the decline in operations as of October 27 and the complete shutdown of the plant on November 15 to enter a Care & Maintenance status.

9. **Salaries & Benefits:** These expenses represent salaries and benefits for Lithion Technologies and Lithion Saint-Bruno employees, projected based on historical salaries. Layoffs are expected during the Cash Flow Period. No severance pay is expected to be paid during the Cash Flow Period. The Cash Flow also provide for the payment of accrued vacations to employees upon their layoff if such layoff occurs before the end of Phase 1 of the SISP, or on November 27, 2025, at the latest.

10. **KERP:** Retention bonus to seven (7) key employees representing in average approximately 15% of the annual salaries, paid in two installments: 30% during the week ending December 12, 2025, and a second payment of 70% following the closing of a potential transaction under the SISP or, at the latest, before the end of the CCAA proceedings if there is no transaction, provided that the latter do not resign before these deadlines.

11. **Selling, general and administrative:** These expenses include supplies, utilities, repairs, and deposits related to the head office, based on historical costs. The Debtors also plan to make deposits to some service providers corresponding to two months of service.

12. **Rent:** These disbursements represent the monthly rent payable for Lithion various leases. The leases include rent for the operations center in Anjou (two distinct leases for the head office and laboratory), rent for the plant in Saint-Bruno, and external warehouses. Following the commencement of proceedings under the CCAA, Lithion have the intention to send a notice of termination reducing the occupancy period to 30 days for the lease of the head office, the lab will continue until the end of the process. The rents for the Laval and Sainte-Julie warehouses are monthly and will be maintained only until the items are repatriated to Saint-Bruno, which is expected to take place by December 2025. The leases include monthly payments for the generator, centrifuge, and forklift in Saint-Bruno. Management does not intend to terminate these leases during the Cash Flow Period, as they are necessary for the continuity of operations and could be of interest following an acquisition completed under the SISP.

13. **Insurance:** These disbursements represent the monthly payments for Lithion various insurance premiums.

14. **Contingency:** The provision is intended for unforeseen disbursements that are not included in specific items in the Cash Flow.

15. **Restructuring Professional fees:** These outflows represent payments related to the estimated fees and disbursements of the proposed CCAA Monitor, its legal counsel, the Debtors’ legal counsel, the SISP Advisor and Investissement Quebec Legal counsel, the latter being limited to $125K.