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CANADA

PROVINCE OF QUÉBEC

DISTRICT OF MONTREAL

COURT N^{O} : 500-11-066105-251

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

Commercial Division

IN THE MATTER OF THE INTERIM RECEIVERSHIP OF:

Canadoil Forge Ltd, a legal person having an address at 3700-1000 De La Gauchetière W Street, Montréal, Québec, H3B 4W5 Canada.

Debtor

-and-

FTI CONSULTING CANADA INC.
(Martin Franco, CPA, CIRP, LIT, authorized representative)
domiciled for the purpose hereof at 1000, Sherbrooke West, Suite 915, Montréal, Québec, H3A 3G4.

Interim Receiver

SECOND REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS INTERIM RECEIVER

INTRODUCTION

1. Canadoil Forge Ltd ("**Canadoil**") operates in the manufacture and supply of customized steel pipes and fittings, with its primary market located in the United States and Canada.

2. The primary purpose of CFC Canadoil, Inc. ("**CFC**"), a related entity, is to serve as a liaison between Canadoil, a Canadian-based company, and its clients in the United States.

3. On August 17, 2025, Royal Bank of Canada ("**RBC**") filed a motion ("**First RBC Motion**") for the issuance of an interim receivership order in respect of Canadoil and CFC and the appointment of FTI Consulting Canada Inc. as interim receiver. The First RBC Motion was dismissed by the Court on the ground that it was presented on an *ex parte* basis.

4. On August 21, 2025, RBC filed a second motion ("**Second RBC Motion**") for the issuance of an interim receiver.

5. On August 27, 2025, Fiera Private Debt Fund VI LP and Fiera Private Debt Fund VII LP (collectively "**Fiera**") also filed a motion for the issuance of an interim receiver in Canadoil and the appointment of Raymond Chabot Inc. as interim receiver ("**Fiera Motion**").

6. On August 29, 2025, the Québec Superior Court (Commercial Division) (the "**Court**") issued an order (the "**Interim Receivership Order**") appointing FTI Consulting Canada Inc. ("**FTI**" or the "**Interim Receiver**") as interim receiver of Canadoil.

7. On September 4, 2025, a Motion for Approval of an Interim Financing was filed by Fiera (the "**Motion**").

8. The purpose of the second report of the Interim Receiver (the "**Second Report**") is to update the Court with respect to:

   a) The Interim Receiver's activities since the issuance of the Interim Receivership Order;
   b) The cash-flow for the 4-week period ending September 29, 2025 (the "**September 2 Forecast**");
   c) Follow-up on the undertakings of CFC and Mr. Giacomo Sozzi; and
   d) The Interim Receiver's observations and recommendations with respect to the relief sought.

9. The Second Report should be read in conjunction with the Proposed Interim Receiver's report dated August 27, 2025.

TERMS OF REFERENCE

10. In preparing this Second Report, the Interim Receiver has relied upon unaudited financial information provided by Raymond Chabot Inc. ("**RCI**") acting as financial advisors of Fiera and information provided before the issuance of the Interim Receivership Order from the financial advisors of the Debtors.

11. Unless otherwise indicated, all cash amounts referred to herein are expressed in Canadian dollars. Capitalized terms that are not otherwise defined herein have the meaning given to them in the Motion.

ACTIVITIES OF THE INTERIM RECEIVER SINCE THE ISSUANCE OF THE INTERIM RECEIVERSHIP ORDER

12. Since the issuance of the Interim Receivership Order, FTI performed the following tasks:

   a) Took possession, changed the locks and secured the premises on August 29, 2025;

   b) The Interim Receiver obtained confirmation from the Debtors' counsel that all Canadoil employees had been temporarily laid off on August 29, 2025;

   c) The Interim Receiver communicated with former employees in order to secure their support and assist the Interim Receiver for various tasks (secure the premises, accounting issues, assistance for the WEPPA, etc.);

   d) Initiated the procedures to open a trust account;

   e) Held several discussions with RBC's legal counsel to be in a position to issue subpoenas to various parties to obtain various documents and/or conduct examinations;

f) Held discussions with Fiera's financial advisors in order to agree on a 30-day cash-flow.

THE DEBTOR'S CASH-FLOW FOR THE 4-WEEK PERIOD ENDING SEPTEMBER 29, 2025

13. The Interim Receiver with the assistance of RCI prepared the September 2 Forecast for the 4-week period ending on September 29, 2025 (the "**Cash Flow Period**") for the purpose of projecting Canadoil's estimated liquidity needs during the Cash Flow Period. A copy of the September 2 Forecast is attached as **Appendix A** to this Second Report.

14. The September 2 Forecast shows a net cash outflow of $440k for the Cash Flow Period, as summarized below:

Canadoil Forge Ltd Cash Flow for the 4-week period ending September 29, 2025 Week ending (in thousands of $)	Total $
Receipts	
New financing - Fiera DIP	500
Disbursements	
Consultant (former employees)	40
Energy	80
Leases	-
Insurance	108
Professional fees	100
Conservative measures, inventory and appraisal	60
Maintenance and security	12
Contingency	40
	440
Net cash variation	60
Cash - Beginning balance	-
	60

15. The Interim Receiver's review consisted of inquiries, analytical procedures and discussion related to information supplied. Since hypothetical assumptions need to be supported, the Interim Receiver's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the September 2 Forecast. The Interim Receiver has also reviewed the supporting information provided for the probable assumptions, and the preparation and presentation of the September 2 Forecast.

16. Based on its review, nothing has come to the attention of the Interim Receiver that causes it to believe that, in all material respects;

    a) The hypothetical assumptions are not consistent with the purpose of the September 2 Forecast;

    b) As at the date of this Second Report, the probable assumptions are not suitably supported and consistent with the plans of Canadoil or do not provide a reasonable basis for the September 2 Forecast, given the hypothetical assumptions, or the September 2 Forecast does not reflect the probable and hypothetical assumptions.

17. Since the September 2 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 may be material. Accordingly, the Interim Receiver expresses no assurance as to whether the September 2 Forecast will be achieved.

18. The September 2 Forecast has been prepared solely for the purpose described is Note A on the face of the September 2 Forecast and readers are cautioned that it may not be appropriate for other purposes.

FOLLOW-UP ON THE UNDERTAKINGS OF CFC AND MR. GIACOMO SOZZI

19. Pursuant to the Interim Receivership Order, CFC and Mr. Giacomo Sozzi undertook the following:
    a) Provide to the Interim Receiver the most recent available inventory listing of the Debtor and a full list of all of the Debtor's and CFC's accounts receivable as of August 31, 2025, at the latest by September 2, 2025;

        - As of the date of this Second Report, the Interim Receiver received the following:
            - The inventory listing of Canadoil as of July 31, 2025;
            - The list of accounts receivable of the Debtor as of July 31, 2025. The list of accounts receivable as of August 31, 2025, as requested, has not been received by the Interim Receiver.
            - The list of accounts receivable of CFC as of August 31, 2025, has not been received by the Interim Receiver, although a list of invoices issued in August has been received.

    b) Grant access to the Interim Receiver or any person designated by the Interim Receiver to CFC premises or any other location on a mutually agreeable date, but in any case, no later than September 5, 2025, in order to make a forensic copy of all of the Records;

        - As of the date of this Second Report, the Interim Receiver is coordinating access to CFC premises in order to make a forensic copy of all of the Records., A video conference was held with Mr. Sozzi to coordinate FTI access to the premises on September 5, 2025.

    c) Grant the Interim Receiver a viewing access to all online banking relating to CFC, at the latest on September 2, 2025;

        - As of the date of this Second Report, the Interim Receiver has not obtained a viewing access to all online banking relating to CFC. However, on September 3, 2025, CFC's counsel forwarded a response received from Mr. Sozzi:

          "As for the "viewing access", Mr Sozzi notes that the sole individual with control over such CFC Amegy Bank account is Gianluca Forcella, President of CFC. Mr Sozzi has coordinated with Mr Forcella (who was travelling today, as was Mr Sozzi, hence the delay in procuring information and sending this summary), to have the latter call Martin Franco, of the Interim Receiver, to coordinate to facilitate an effective "viewing access" for Mr Franco. <u>Please provide the best number of which Mr Forcella should call Mr Franco tomorrow</u>.
          We propose this inasmuch as, according to Mr Sozzi (conveying what he understood from speaking with Mr Forcella): (i) Mr Forcella contacted Amegy and asked if CFC can setup access for a non-signatory non-resident; (ii) the bank told him that it is not willing to do that as they need to go through KYC, OFAC etc procedures; and (iii) that without a court order from a Texas court they will only allow an officer of the company, whom they know and have previously vetted, to access the account.
          As a short term fix CFC is prepared to send a daily transaction report of the Amegy account to whomever FTI requests. In addition, Mr Forcella will make himself available (for the time being and under reserve) to have daily or periodic Teams calls (in the late afternoon) with Martin Franco (or whosoever of the Interim Receiver is appropriate) where Mr Forcella can show the Interim Receiver representative his online access to the bank

account and be available for 10 minutes each time for such representatives to scroll through, ask Qs and take screen grab(s) print out(s)."

- The contact information for Mr. Franco was provided on September 3, 2025, but as of the date of this Second Report, such call did not take place,
- On September 3, 2025, the Interim Receiver received the bank statement of Amegy Bank for the months of July and August.

d) Provide the coordinates of the external accountant of CFC at the latest by 5:00 p.m. on August 29, 2025;

- On August 29, 2025, the Interim Receiver received the coordinates of the external accountant of CFC.

e) To preserve the Records of CFC and to refrain from destroying any information or documents, in any form whatsoever, relating to the operations and/or assets of the Debtor and CFC.

THE INTERIM RECEIVER'S OBSERVATIONS AND RECOMMENDATIONS WITH RESPECT TO THE RELIEF SOUGHT

A. Approval of the interim financing term sheet and interim lenders' charge

20. On September 4, 2025, the Interim Receiver agreed upon an interim financing term sheet (the "**Interim Financing Term Sheet**"), copies of which have been filed as exhibits of the Interim Receiver's application, which essentially provided and interim financing to support the cash-flow needs during the Cash Flow Period to be provided by Fiera Private Debt Fund VI LP ("**Fund VI**") and Fiera Private Debt Fund VII LP ("**Fund VII**"), (collectively the "**Interim Lenders**").

21. Subject to the term and conditions of the Interim Financing Term Sheet, the Interim Lenders has agreed to lend up to $500k (the "**Facility Amount**") to the Interim Receiver during the Cash Flow Period, to:

a) Pay (i) the reasonable and documented legal fees and expenses of the Interim Lenders in accordance with section 6 of the Interim Financing Term Sheet, (ii) subject to the Interim Lenders' prior written approval, the reasonable and documented fees and expenses of the Interim Receiver and its legal counsel in connection with the preservation of the Subject Property as defined in the Interim Financing Term Sheet;

b) Pay the interest, fees and other amounts owing to the Interim Lenders under the Interim Financing Term Sheet; and

c) Fund any required conservatory measures in relation to the Subject Property.

22. Subject to the satisfaction of the conditions precedent, the Facility Amount shall be available to the Interim Receiver in $100k increments, each advances which, in the aggregate, shall not exceed the Facility Amount.

23. To secure all obligations and indebtedness of the Interim Receiver, the Interim Lenders request that a charge in an amount of $600,000 (the "**Interim Lenders Charge**") be granted on all of the Debtor's present and future assets.

24. The advances of the Facility Amount will bear interest, from the date of the funding thereof at an annual rate equal to (i) 8.26% per annum, for the monies advanced by Fund VI; and (ii) 8.00% per annum, for the monies advanced by Fund VII.

25. The interim facility is repayable in full on the "**Maturity Date**", being the earliest of:

a) The date on which the Interim Lenders demand repayment of the interim facility after the occurrence of an event of default;

b) The closing of the sale of substantially all of the Subject Property;
c) The termination of the Interim Receivership Order, unless RCI is appointed as receiver over the Subject Property pursuant to section 243 of the *Bankruptcy and Insolvency Act* ("**BIA**") pursuant to an order satisfactory in form and content to the Interim Lenders; and;

d) September 29, 2025.

26. The Interim Financing Term Sheet contains terms, conditions, affirmative covenants, negative covenants and events of default which are, in the Interim Receiver's view, customary for this type of financing, including the granting of the interim lender's charge, with priority to all other encumbrances, except for all present and future inventory as well as all present and future accounts receivables of the Debtor and all insurance indemnities payable with respect to such accounts receivable and all replacements thereof or proceeds derived therefrom, subject in priority only to an administration charge in an initial amount of $300,000, as set out in the Interim Receivership Order.

B. The Interim Receiver's Comments and Recommendation on the Interim Financing Term Sheet

27. Section 50.6(5) of the BIA sets out certain factors that should be considered, among other things, in deciding whether to make an order granting an interim financing charge. These factors, and the Interim Receiver's comments thereon, are addressed in turn below.

(i) *The period during which the Debtor is expected to be subject to proceedings under the BIA*

28. Based on the September 2 Forecast, and subject to its underlying assumptions, it is believed that the Interim Financing Term Sheet provides sufficient liquidity to fund the Debtor's needs.

(ii) *How the Debtor's business and financial affairs are to be managed during the proceedings*

29. As per the Interim Receivership Order, the Interim Receiver will manage the business and affairs of the Debtor during the proceedings.

(iii) *Whether the Debtor's management has the confidence of its major creditors*

30. The Debtor's management team has resigned so all decisions will be made by the Interim Receiver.

(iv) *Whether the loan would enhance the prospects of a viable proposal being made in respect of the Debtor*

31. In this particular case, the outcome will most likely be a receivership under section 243 of the BIA.

(v) The nature and value of the Debtor's property

32. The Debtor's assets are described in the Motion and consist primarily of production equipment and buildings. The Interim Receiver believe that the value of the Debtor's property is dependent to the implementation of conservatory measures.

(vi) Whether any creditor would be materially prejudiced as a result of the security or charge

33. It is the Interim Receiver's belief that no creditor will be materially prejudiced.

(vii) The Interim Receiver's Recommendation on the Interim Financing Term Sheet

34. Based on the foregoing, the Interim Receiver is of the view that, in the present circumstances, the Interim Financing Term Sheet represents the best option currently available that would provide access to financing within the necessary timeframe.

35. Accordingly, the Interim Receiver respectfully recommends that the Court grant the applicant's request for approval of the Interim Financing Term Sheet and the granting of the Interim Lenders' Charge.

CONCLUSION

36. In light of the foregoing, the Interim Receiver is of the view that the relief sought by the applicant is reasonable in the circumstances and should therefore be granted by the Court.

37. The Interim Receiver respectfully submits to the Court its Second Report.

Dated in Montreal, this 4th day of September 2025.

FTI CONSULTING CANADA INC.	**FTI CONSULTING CANADA INC.**
Licensed Insolvency Trustee	Licensed Insolvency Trustee
Patrick Fillion, CPA, Managing Director	Martin Franco, CPA, CIRP, LIT Senior Managing Director

APPENDIX A

Canadoil Forge Ltd Cash Flow for the 4-week period ending September 29, 2025 Week ending (in thousands of $)	6-Sep $	13-Sep $	20-Sep $	27-Sep $	Total $
Receipts					
New financing - Fiera DIP	500	-	-	-	500
Disbursements					
Consultant (former employees)	10	10	10	10	40
Energy	20	20	20	20	80
Leases	-	-	-	-	-
Insurance	39	69	-	-	108
Professional fees	25	25	25	25	100
Conservative measures, inventory and appraisal	15	15	15	15	60
Maintenance and security	3	3	3	3	12
Contingency	10	10	10	10	40
	122	152	83	83	440
Net cash variation	378	(152)	(83)	(83)	60
Cash - Beginning balance	-	378	226	143	-
	378	226	143	60	60

NOTE A – PURPOSE

The purpose of these cash-flow forecast is to determine the liquidity requirements of the Debtor during the interim receivership.

NOTE B - GENERAL

The Cash Flow Forecast has been prepared by the Interim Receiver with the support of RCI, which in turn had access to various information provided by PwC who were then acting as financial advisors to the Debtor, using probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast.

The Interim Receiver's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to Information supplied to it by the various parties stated above. Since the hypothetical assumptions need not be supported, the Interim Receiver's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Interim Receiver also reviewed the support provided by RCI for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.

NOTE C - DEFINITIONS

(1) CASH-FLOW FORECAST:

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

(2) HYPOTHETICAL ASSUMPTIONS:

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

(3) PROBABLE ASSUMPTIONS:

Means assumptions that:

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

(4) SUITABLY SUPPORTED:

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

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

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

NOTE C – ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
Cash balance at beginning	Based on current bank balances.	X	
Forecast cash receipts			
New financing – Fiera DIP	Based on the Interim Financing Term Sheet	X	
Forecast cash disbursements			
Consultant (former employees)	All employees were terminated by the management team and only a few former employees will be engaged as a consultant to support the interim receiver in its duty.		X
Energy	Estimated based on historical value is $35,000 per week. Considering the interruption of the operation, the energy expense has been reduced to $25,000 per week.		X
Insurance	Based on information provided by PwC and legal counsel of the Debtor. We still need to get documents to support the projected amount to be paid but we were told that some amount will have to be paid this week to maintain the insurance in place. Previous coverage ended on July 31, 2025, but apparently been renewed since then.		X
Professional fees, Conservative Measures and Maintenance and Security	Based on our experience for the potential work that will need to be done during the first weeks of the interim receivership period taking into consideration the type and size of assets and the fact that all directors have resigned.		X