

NO. S-224444  
VANCOUVER REGISTRY



IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

IN THE MATTER OF A PLAN OR COMPROMISE AND ARRANGEMENT OF  
CANADIAN DEHUA INTERNATIONAL MINES GROUP INC.

FOURTH REPORT OF THE MONITOR

November 28, 2022

## INTRODUCTION AND PURPOSE

1. This report (“**Fourth Report**”) has been prepared by FTI Consulting Canada Inc. in its capacity as the court-appointed Monitor (the “**Monitor**”) of Canadian Dehua International Mines Group Inc. (“**CDI**” or the “**Company**”) by an order of the Supreme Court of British Columbia (the “**Court**”) pronounced June 3, 2022 (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c.36, as amended (the “**CCAA**”).
2. As detailed in the First Report, CDI was incorporated in British Columbia on December 29, 2004, in order to invest in and develop mining assets in British Columbia and other jurisdictions.
3. The Company is owned 50% by Mr. Naishun Liu (“**Mr. Liu**”) and 50% by his spouse, Mrs. Qubo Liu (“**Mrs. Liu**”). Mr. Liu is the sole director and officer of the Company.
4. The Company currently owns 100% of the shares of two mining projects and a service company:
  - (a) Wapiti Coking Coal Mines Corporation (“**Wapiti**”);
  - (b) Canada Dehua Drilling Ltd. (“**CDD**”); and
  - (c) Canadian Bullmoose Mines (“**CBM**”).
5. In addition to the above wholly owned companies, CDI has a partial ownership interest in the following mining companies:
  - (a) Canadian Kailuan Dehua Mines Co., Ltd. (“**CKD**”);
  - (b) Canadian Dehua Lvliang Corp. (“**CDLV**”) which holds a 40% interest in HD Mining International Ltd. (“**HD Mining**”); and
  - (c) Vancouver Island Iron Ore Corporation (“**VIIO**”).

6. Finally, the Company holds an interest in a mining project referred to as Iron Ross.
7. On April 6, 2022, China Shougang International Trade & Engineering Corporation (“**Shougang International**”) filed a petition for a bankruptcy order against CDI (the “**Bankruptcy Application**”).
8. In response to the Bankruptcy Application, on June 3, 2022, CDI sought and obtained a stay of proceedings which the Company deemed necessary to allow it the time to pursue an orderly transaction to divest some of its holdings in order to raise sufficient cash to address CDI’s liquidity issues, including the claim of Shougang International.
9. On June 9, 2022, CDI was granted an Amended and Restated Initial Order (the “**ARIO**”) which included an extension of its stay of proceedings to August 19, 2022, as well as approving a Debtor-in-possession loan facility (the “**DIP Loan**”) in an amount not to exceed \$350,000.
10. On June 28, 2022, the Company sought and obtained the approval of a claims process (the “**Claims Process Order**”) which set a claims bar date of August 15, 2022.
11. On August 18, 2022, the Company sought and obtained an order approving a Sales and Investment Solicitation Process (the “**SISP Order**”).
12. In addition, on August 18, 2022, the Company was granted a Second Amended and Restated Initial Order (the “**SARIO**”) which included an extension of its stay of proceedings to December 1, 2022, in addition to increasing the approved amount of the DIP Loan to \$820,000.
13. The purpose of the Fourth Report of the Monitor is to provide this Honourable Court with an update on the following:
  - (a) The status of the Company’s sales and investment solicitation process with respect to Wapiti;

- (b) The Company's actual cash receipts and disbursements as compared to the cash flow projection included as Appendix B to the Third Report;
  - (c) The status of the claims process; and
  - (d) The Monitor's views on the relief being sought by the Company with respect to its CCAA proceedings.
14. The reports of the Monitor and other information in respect of these proceedings are posted on the Monitor's website at <http://cfcanada.fticonsulting.com/canadiandehuainternational>

#### **TERMS OF REFERENCE**

15. In preparing this report, the Monitor has relied upon unaudited financial information, other information available to the Monitor and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").
16. The 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.
17. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
18. Future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
19. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## THE STATUS OF THE SISP

20. Pursuant to the SISP Order, the Company with the support of the Monitor performed the following procedures:
- (a) Prepared a teaser document (the “**Teaser**”) providing an overview of CDI, a summary of its mining projects, the coal tenure map of the Wapiti mine and some related geological information (see copy attached as Appendix A);
  - (b) Prepared a list of potential interested parties using the S&P Capital IQ transaction screen for Metals and Mining, and Coal and Consumable Fuels transactions between 2018 to 2022;
  - (c) Researched for appropriate contacts for each of the companies identified;
  - (d) On August 23, 2022, forwarded the Teaser to 40 companies located in North America, Europe and Australia and to 21 companies located in China to the contact person identified as noted above;
  - (e) Set up an electronic data room and on August 23, 2022, uploaded the Chinese version of the feasibility reports and the English version of the NI43-101 Resource Report;
  - (f) Uploaded the English translated version of the feasibility reports by September 26, 2022;
  - (g) On October 4, 2022, uploaded an English version of a draft Letter of Intent as prepared by CDI’s counsel; and
  - (h) Inserted an advertisement in the September 19 – October 2, 2022 publication of the Northern Miner magazine.

21. One party from Australia and one party from North America signed non-disclosure agreements and were provided access to the data room based on CDI's outreach efforts.
22. As indicated in the Third Report, in late July 2022, Mr. Liu travelled to China to hold in-person meetings with parties who had previously expressed interest in the Wapiti project.
23. Throughout the SISP, the Monitor has held regular conference calls with Mr. and Mrs. Liu, the Company's legal counsel and the Monitor's legal counsel in order to be informed about the Company's activities and progress.
24. The Monitor was advised of the following with respect to Mr. Liu's activities in China:
  - (a) Subsequent to his release from quarantine on August 9, 2022, he has travelled to numerous cities including Beijing, Taiyuan, Zuhai, Haikou and Shenzhen to meet with representatives of various mining companies and transaction intermediaries working within the mining industry;
  - (b) Mr. Liu has attended four meetings with the Purchaser (as defined below) and organized over 20 conference calls with representatives of the Purchaser; and
  - (c) Mr. Liu has organized numerous calls with representatives of other interested parties.
25. The Monitor understands that Mr. Liu intends to return to Canada with the representatives of the Purchaser once they obtain their travel visas.

26. As a result of these efforts, on November 10, 2022, the Company signed a Letter of Intent (the “**LOI**”) with a Chinese based company (the “**Purchaser**”) that had previously expressed an interest in the Wapiti project. The details of the LOI are summarized as follows:
- (a) The Purchaser will acquire 60% of CDI’s shares in Wapiti for proceeds in the amount of US\$75 million;
  - (b) The Purchaser will make best efforts to complete its confirmatory due diligence and execute a formal binding agreement with CDI prior to March 2023; and
  - (c) The Purchaser will assist with securing the funds required to complete the construction of the mine.
27. The LOI is to be kept confidential as between the lawyers acting for the Purchaser and CDI. Accordingly, a copy is not attached to the Fourth Report.
28. The Monitor understands that CDI’s counsel will be seeking a sealing order for a supplemental report to be filed by the Monitor which will include an official English translation of the LOI.
29. The Purchaser is related to a large publicly traded company in China and accordingly, given its request for confidentiality, the Monitor supports the relief to seal the supplemental report.
30. The Monitor has been provided with a copy of the application for travel Visas submitted by the Purchaser for the following individuals to travel to Canada for purposes of confirmatory due diligence:
- (a) The CEO of the Purchaser;

- (b) Two senior engineers of the public company related to the Purchaser;
  - (c) The Assistant Chairman of the public company related to the Purchaser;
  - (d) The Chief of Staff of the public company related to the Purchaser;
  - (e) The VP of Capital Transactions of the public company related to the Purchaser; and
  - (f) The Chairman of a company seeking to finance the Purchaser.
31. The Monitor is of the view that the LOI is a positive development toward resolving CDI's liquidity issues and the level of commitment for completing the Purchaser's due diligence is encouraging.
32. The Purchaser is related to a group of companies that would appear to have the financial resources to close a transaction of this magnitude.
33. The Monitor is aware that the LOI is non-binding and will require a further period of uncertainty for CDI's creditors before knowing if a definitive agreement can be achieved for the sale of CDI's shares in Wapiti to the Purchaser.
34. Accordingly, the Company in consultation with the Monitor is seeking to expand the SISP Order by including CDI's interest in certain of its other projects, with the exception of CKD (the "**Modified SISP**").
35. As indicated in previous reports, CDI owns a 24% interest in CKD.
36. The other shareholders in CKD are Shougang International Canada Investment Ltd., an affiliate of Shougang International (25%) and Canada Zhonghe Investment Ltd. ("Zhonghe")(51%).



37. CDI's contribution to the CKD joint venture was a mine site in northeastern BC referred to as the Gething Coal Project.
38. At the time of the formation of the CKD joint venture, CDI agreed to indemnify CKD for any losses it might suffer as a result of a tax liability in respect of CDI's transfer of the Gething Coal Project to CKD (the "**CKD Indemnity Claim**").
39. If the Company were to attempt to monetize its interest in CKD, a purchaser would likely want CDI to quantify the CKD Indemnity Claim in order to value CDI's interest in CKD.
40. The quantification of the CKD Indemnity Claim would likely require litigation and the costs of litigation may be significant.
41. Accordingly, the Company would prefer to avoid incurring those litigation costs until such time as the sale of the CKD shares is proven necessary to satisfy the Company's liquidity needs.
42. To date CKD has been excluded from the Claims Process Order and has not been required to file a proof of claim related to the CKD Indemnity Claim.
43. As a result of excluding the CKD shares from the SISP Order, the Company is not seeking any changes to the Claims Process Order as this time.
44. Similar to the timelines set out in the SISP Order, the Modified SISP will include a process for the sale of CDI's interests in its other projects consisting of:
  - (a) The preparation of a Teaser Letter to be forwarded to parties already known to have an interest or to any party expressing its interest in the Amended SISP either to the Company or the Monitor ("**Interested Party**");

- (b) Any Interested Party will be asked to sign a non-disclosure agreement which upon receipt, the Interested Party will be provided access to an electronic data room containing copies of all relevant technical reports and other information;
- (c) The Company in consultation with the Monitor will cause a notice of the Modified SISP to be published in industry publications considered to be appropriate; and
- (d) The Company's counsel will draft an LOI template to be provided to all Interested Parties with a deadline for receipt of non-binding LOI's set for March 3, 2023.

## PROJECTED CASH FLOW

45. The following summarizes the actual receipts and disbursements of the Company since the commencement of these proceedings to November 27, 2022:

Cash Flow Variance Analysis				
For the 26-week period ending November 27, 2022				
(CAD thousands)	Actual	Forecast	Variance \$	Variance %
<b>Total Receipts</b>	0	0	-	0%
<b>Disbursements</b>				
Automobile Expenses	3	3	-	0%
Bank Charges	0	0	(0)	-31%
Telephone and Communication	-	2	(2)	-100%
Travelling Expenses	2	2	-	0%
Wages and Benefits	15	43	(28)	-65%
Due Diligence Expenses	-	40	(40)	-100%
Professional fees	481	616	(135)	-22%
<b>Total Disbursements</b>	<u>501</u>	<u>707</u>	<u>(206)</u>	<u>-29%</u>
<b>Net Change in Cash</b>	(501)	(707)	206	-29%
<b>DIP Financing / (Repayments)</b>	620	720	(100)	-14%
<b>Opening Cash</b>	-	-	-	0%
<b>Ending Cash</b>	<u>\$ 119</u>	<u>\$ 13</u>	<u>\$ 106</u>	<u>804%</u>

46. As indicated, the actual receipts and disbursements are consistent with the cash flow statement filed as Appendix B to the Third Report, with the variances noted being primarily related to timing.
47. Subsequent to the Third Report, there have been two additional drawdowns on the DIP Loan totalling \$270,000 resulting in total advances of \$620,000.
48. As at November 27, 2022, the Company held cash of approximately \$119,000.

49. The Company has paid the Monitor's fees and its counsels fees up to the end of September 2022. The Monitor's counsel's fees have been paid up to the end of October 2022. The Company's legal counsel and the Monitor have outstanding invoices for services rendered in October 2022 for approximately \$20,000 and \$6,000 respectively.
50. Accordingly, the Administration Charge is expected to continue to be adequate.
51. Attached as Appendix B to this report is a cash flow statement prepared by the Company that extends to April 2, 2023.
52. The cash flow assumes the stay of proceedings being sought by the Company to March 17, 2023, is approved by this Honourable Court.
53. The cash flow statement indicates an additional cash need of \$270,000 which is proposed to be funded through an increase in the DIP Loan.
54. The Monitor understands that should the Court grant the extension of the stay of proceedings and approve the Modified SISP being sought by the Company, Mrs. Liu is agreeable to providing the funding on the same terms and conditions as the DIP Loan for the continuation of these proceedings, with just the amendments necessary to the DIP Loan to reflect the revised total amount.

## THE CLAIMS PROCESS

55. As indicated previously, on June 28, 2022, the Company sought and obtained an order of this Court approving the commencement of a claims process.
56. As of the claims bar date noted in the Claims Process Order, the Monitor received 8 proofs of claim in the approximate amount of \$84.3 million as detailed in the following table:

Claim	Creditor	Claim Currency	Claim in Original Currency	Claim in CAD
Claim 01	HBIS Group International Holding Co., Ltd.	USD	\$ 2,199,074	\$ 2,766,215
Claim 02	Canada Zhonghe Investment Ltd.	CAD	\$ 5,377,913	\$ 5,377,913
Claim 03.1	China Shougang International Trade & Engineering Corporation	USD	\$ 16,889,179	
Claim 03.2		RMB	\$ 1,334,768	\$ 22,001,667
Claim 03.3		CAD	\$ 12,149	
Claim 04.1	Huiyong Holdings Group Co. Ltd.	RMB	\$ 35,000,000	\$ 6,611,500
Claim 04.2		USD	\$ 20,000,000	\$ 25,158,000
Claim 05	HD Mining International Ltd.	CAD	\$ 4,331,421	\$ 4,331,421
Claim 06	Canadian Dehua Lvliang International Mines Corp.	CAD	\$ 15,224,131	\$ 15,224,131
Claim 07	Canadian Bullmoose Mines Co. Ltd.	CAD	\$ 1,904,722	\$ 2,395,950
Claim 08	Canada Revenue Agency	CAD	\$ 459,923	\$ 459,923
TOTAL				\$ 84,326,721

57. The Monitor has reviewed the claims with the Company and its legal counsel and understands that CDI would be prepared to accept 2 claims in the approximate amount of \$3.2 million.
58. With respect to four of the claims valued at \$63.5 million, the Monitor is advised by the Company that its legal counsel intends to reach out to counsel representing these claims to try and resolve certain issues prior to providing its position to the Monitor with respect to any revisions to the claims that it considers appropriate.
59. The final two claims in the amount of \$17.6 million are related party claims where the Monitor has requested additional information to be provided in order to assess the claims.

## THE MONITOR'S VIEWS ON THE RELIEF BEING SOUGHT

60. The Monitor understands that the Company is seeking the following relief:
- (a) An amendment to the SISP Order to include CDI's interest in HD Mining and its interest in CBM;
  - (b) A continuation of the SISP process with respect to CDI's interest in Wapiti;
  - (c) An extension of the Company's stay of proceedings to March 17, 2023; and
  - (d) An increase in the approved limit of the DIP Facility and DIP Charge in the amount of \$270,000.
61. As noted in previous reports, the Company has minimal physical assets and accordingly any recovery for creditors is dependent on the success of securing a transaction for the Company's mining assets.
62. The Company's efforts to date have resulted in an LOI for 60% of CDI's shares in Wapiti, which if consummated would significantly address the Company's liquidity issues.
63. Appreciating the concerns of the Company's creditors, CDI is seeking a Modified SISP to include its interests in CBM and HD Mining. This would allow for a concurrent sale process to be executed for CDI's other assets and mitigate any time delay in the event that a binding sale agreement for CDI's interest in Wapiti requires more time than anticipated or if other asset sales are required to make a viable restructuring plan for its creditors' consideration.
64. Mrs. Liu has agreed to fund these CCAA proceedings to date at very favourable terms and is prepared to continue to fund the Modified SISP should the Court approve the extension of the Company's stay of proceedings and Modified SISP.

65. The Monitor believes that the Company is taking appropriate steps to monetize its assets and the Modified SISP provides the best chance for creditors and possibly shareholders, to achieve a payment of their claims without the risk for creditors providing their own funds to conduct a process.
66. The Monitor is supportive of the Modified SISP and believes that as noted previously, a sale of CDI's mining interests is the only option available for creditors to achieve a return on their claims.
67. The Monitor is of the view that the timelines indicated in the Modified SISP are reasonable and given Mr. Liu's mining experience and contacts in China support his continued involvement in the Modified SISP.
68. Accordingly, the Monitor recommends that this Honourable Court approve the Modified SISP being proposed by the Company.
69. As indicated previously, the Monitor understands that should the Court approve the Modified SISP, Mrs. Liu is agreeable to providing the increased funding on the same terms and conditions as the DIP Loan for the continuation of these proceedings.
70. Accordingly, the Monitor recommends that should this Honourable Court approve the Modified SISP and grant the Company an extension of its current stay of proceedings, the DIP Loan and DIP Charge should be increased to provide the funding required to maintain the Company's operations and secure the continued support of its professionals to assist CDI through its CCAA proceedings.
71. CDI is seeking an extension of the provisions of the SARIO, including the stay of proceedings, to March 17, 2023. Absent such extension, the stay will expire on December 1, 2022.
72. The Company is seeking an extension for the following reasons:

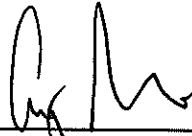
- (a) To provide the time required to conduct the Modified SISP;
  - (b) To allow for the due diligence required pursuant to the LOI to be conducted and a binding agreement of purchase and sale to be entered with respect to CDI's interest in Wapiti;
  - (c) To review the claims filed in accordance with the Claims Process Order; and
  - (d) To provide time for the Company to hold discussions with its creditors regarding a possible plan of arrangement, with the assistance of the Monitor.
73. The Monitor has considered the tests that the Court must be satisfied with in order to grant an extension of the stay of proceedings to the Company, namely that:
- (a) The Company must be acting in good faith and with due diligence; and
  - (b) The Company satisfy the Court that the circumstances exist that make the order appropriate.
74. As indicated in this report, the Monitor is of the view that the proposed Modified SISP provides creditors with the best chance of a recovery and as a result, the Company should be given time to conduct the Modified SISP and/or enter into a binding sale agreement for Wapiti which if successful may provide the resources necessary for the Company to make a viable proposal to its creditors.
75. The Monitor is also of the view that the Company is acting in good faith and with due diligence.



76. Accordingly, the Monitor supports the Company's request for an extension of the stay of proceedings to March 17, 2023.

All of which is respectfully submitted this 28<sup>th</sup> day of November, 2022.

FTI Consulting Canada Inc.,  
in its capacity as Monitor of Canadian Dehua  
International Mines Group Inc.



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Name: Craig Munro  
Title: Managing Director,  
FTI Consulting Canada Inc.

# **APPENDIX A**



**Opportunity to Acquire the Wapiti  
Project or Investment in Canadian  
Dehua International Mines Groups Inc.**

**DEHUA**

CANADIAN DEHUA INTL. MINES GROUP INC.

August 23, 2022

## Overview/Background

### Opportunity Overview:

- Canadian Dehua International Mines Group Inc. (“**CDI**” or “**the Company**”) is seeking interested parties for:
  - An investment in CDI; or
  - The acquisition of CDI’s interest in the Wapiti Project.

### Background:

- CDI was incorporated in British Columbia on December 29, 2004 in order to invest in and develop mining assets in British Columbia and other jurisdictions.
- The majority of CDI’s investments were made in partnership with major Chinese mining companies and steel manufacturers as additional shareholders.
- CDI currently owns 100% of the shares of two mining projects and a service company:
  - Wapiti Coking Coal Mines Corporation (“**Wapiti**”);
  - Canada Dehua Drilling Ltd. (“**CDD**”); and
  - Canadian Bullmoose Mines (“**CBM**”).
- In addition to the above wholly owned companies, CDI has a partial ownership interest in the following mining companies:
  - Canadian Kailuan Dehua Mines Co., Ltd. (“**CKD**”);
  - Canadian Dehua Lvliang Corp. (“**CDLV**”) which holds a 40% interest in
  - HD Mining International Ltd. (“**HD Mining**”); and
  - Vancouver Island Iron Ore Corporation (“**VIIO**”).
- Finally, the Company holds an interest in a mining project referred to as Iron Ross.

## CDI Mining Projects

Projects	Ownership	Location/Description	Description of CAPEX	Status of mine
Wapiti	CDI owns 100% of Wapiti Coking Coal Mines Corporation (" <b>Wapiti</b> ")	7,773 hectare site in northeastern BC; intended to produce coking coal	NI43-101 Technical Report; Detailed Geological Report; Pre-feasibility Study Report; 39 boreholes drilled; Assessment of the samples obtained from the boreholes; Preliminary research and cooperation discussions held with respect to road and rail access; Water and air quality control monitoring equipment purchased and installed	Estimate of \$1.2 billion to build out mine and commence production  Next step for project: environmental assessment, apply for mine permit
Murray River	CDI owns 51% of Canadian Dehua Lvliang Corp. (" <b>CDLV</b> "), which owns 40% of HD Mining International Limited (" <b>HD Mining</b> ") resulting in an indirect 20.4% holding in HD Mining	16,024 hectare site in northeastern BC; intended to produce coking coal	Obtained an Environmental Assessment Certificate; Obtained a labor permit; The main inclined shaft has been dug to the D coal seam;	Chinese Consulting firm working on Murray River technical report
Bullmoose	CDI owns 100% of Canadian Bullmoose Mines (" <b>CBM</b> ")	5,761 hectare site in northeastern BC; intended to produce coking coal	Pre-feasibility study Report; Block Optimization Research Report; Geological Exploration Report; Detailed geological Report	Next step of project: consultation with First Nation groups, feasibility assessment, environmental assessment
Iron Ross	CDI owns 100% of Iron Ross	495 hectare site on Vancouver Island;	Purchased mineral rights for the site	Next step of project: consultation with First Nation groups, feasibility assessment, environmental assessment
Pacific Iron	CDI owns 100% of Vancouver Island Iron Ore Corporation (" <b>VIIIO</b> ")	10,354 hectare site on Vancouver Island;	Preliminary Technical Report; Purchased right to the resources underground	Next step of project: consultation with First Nation groups, feasibility assessment, environmental assessment
CKD	CDI owns 24% of Canadian Kailuan Dehua Mines Co., Ltd. (" <b>CKD</b> ")	22790 hectare site in northeastern BC; intended to produce coking coal	Obtained a large sample mine construction permit; Obtained a labor permit	
CDD	no project			

## The Wapiti Project

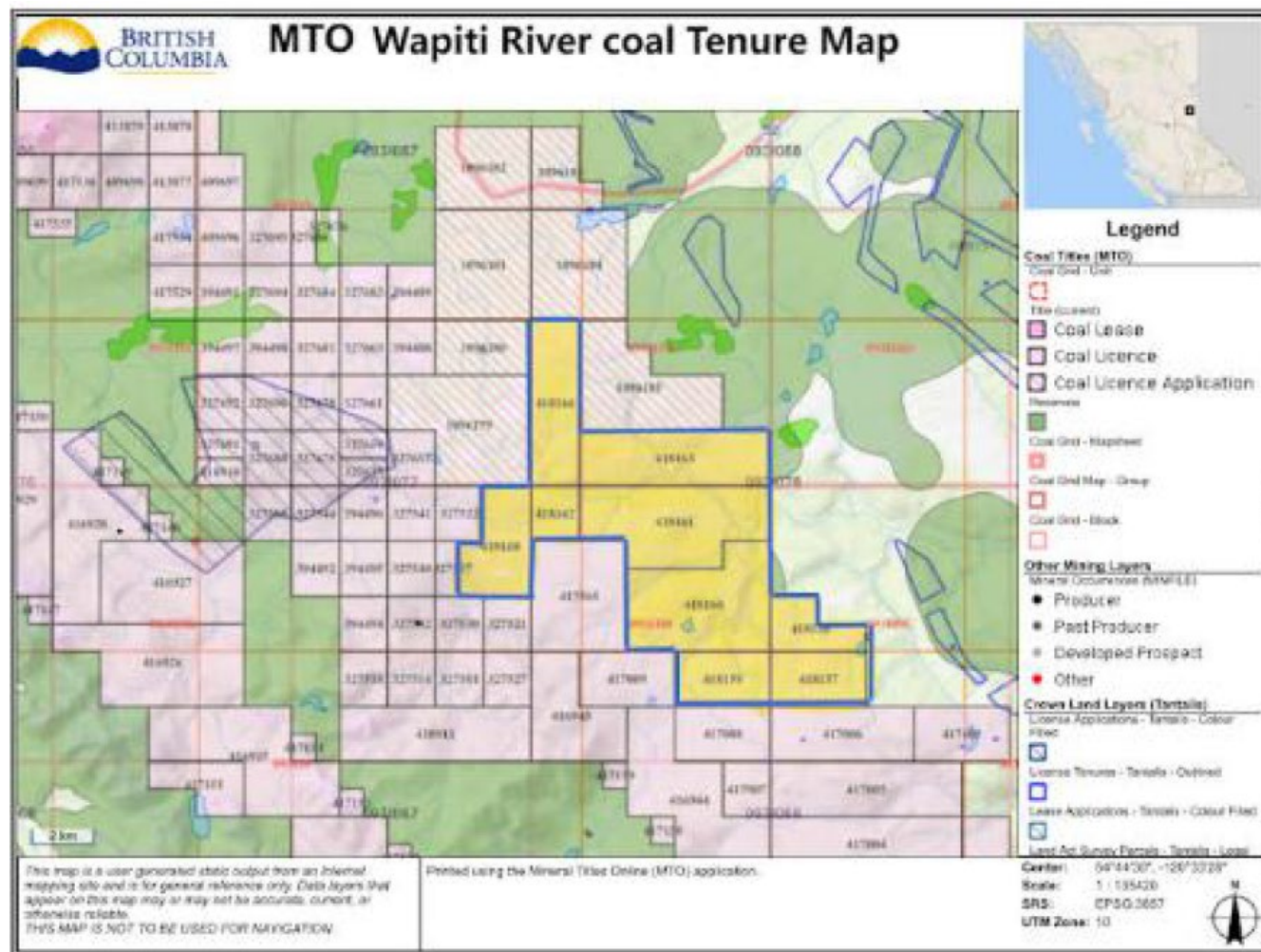
Through its subsidiary Wapiti, CDI is selling its interest in the Wapiti Coalfield.

### Geography:

- Wapiti Coalfield is located in the northeastern part of BC, Canada. It is 1,028.7 kilometers westward to Prince Rupert Port by railway, of which 982 kilometers are already fully operational by the CN railways, and 46.7 kilometers of new railways are planned.

### License and Property Certificate:

- The Wapiti Property Certificate (Mining Licence) owned by CDI was issued by the Ministry of Mines of BC in May 2012, as highlighted in the diagram to the right.



# The Wapiti Project

## Geological Exploration:

- From June 2012 to April 2013, CDI Company carried out the detailed geological exploration of the first well field. Geological drilling and logging were completed. More than 11,000 boxes of coal cores were preserved on site. The hydraulic test of the water pattern packer, the single-hole pumping test, and the simple water pattern observation were completed. Purchased ground radar topographic survey data and made 1:5000 and 1:10000 coalfield topographic maps. Four pieces of 2D seismic data were purchased and interpreted.

## Geological Conditions:

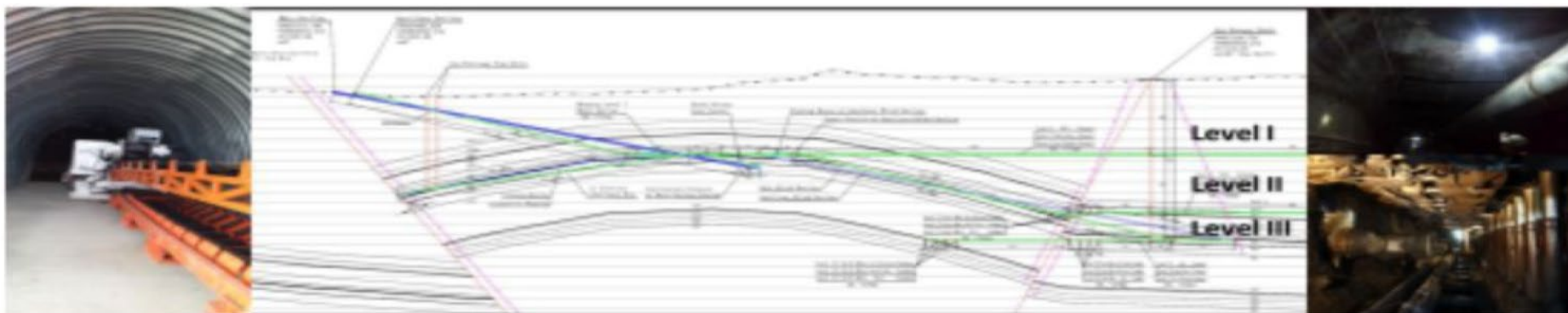
- The geological structure of the Wapiti coalfield is of medium complexity. According to the data analysis of 97 gas test samples from the first well of coalfield exploration, the gas content of each coal seam in the area is relatively low as a whole, and only the lower part of the A5 coal seam is larger than 10 m<sup>3</sup>/t. Generally, it belongs to the nitrogen-biogas zone, and some coal seams belong to the biogas zone. On the whole, the gas content of each coal seam is relatively low. The hydrogeological type is medium fissure type.

## Mineable Coal Seams Distribution:

- According to the detailed survey and exploration report of the Wapiti No. 1 Mine Field created by the Shandong Geological Exploration Institute, the Wapiti No. 1 Mine Field has 14 mineable coal seams. The total thickness of the layer is 30.44 meters.

## Minable coal seam resources reserves

- The 19.42 km<sup>2</sup> first well field of the Wapiti project has a resource of about 393 million tons. According to the NI43-101 resource technical report completed by the American Norwest Consulting Company in 2015, the 37.5km<sup>2</sup> minable coal seam resource is 758.6 million tons, of which the minable coal seam resource of about 19.42 km<sup>2</sup> is estimated to be 393 million tons.
- Comprehensive speculation: the high-quality coking coal resources of the Wapiti Coalfield are estimated to be greater than 2 billion tons, and it is currently one of the largest high-quality coking coal integrated coalfields in the world.



## The Wapiti Project – Cont'd.

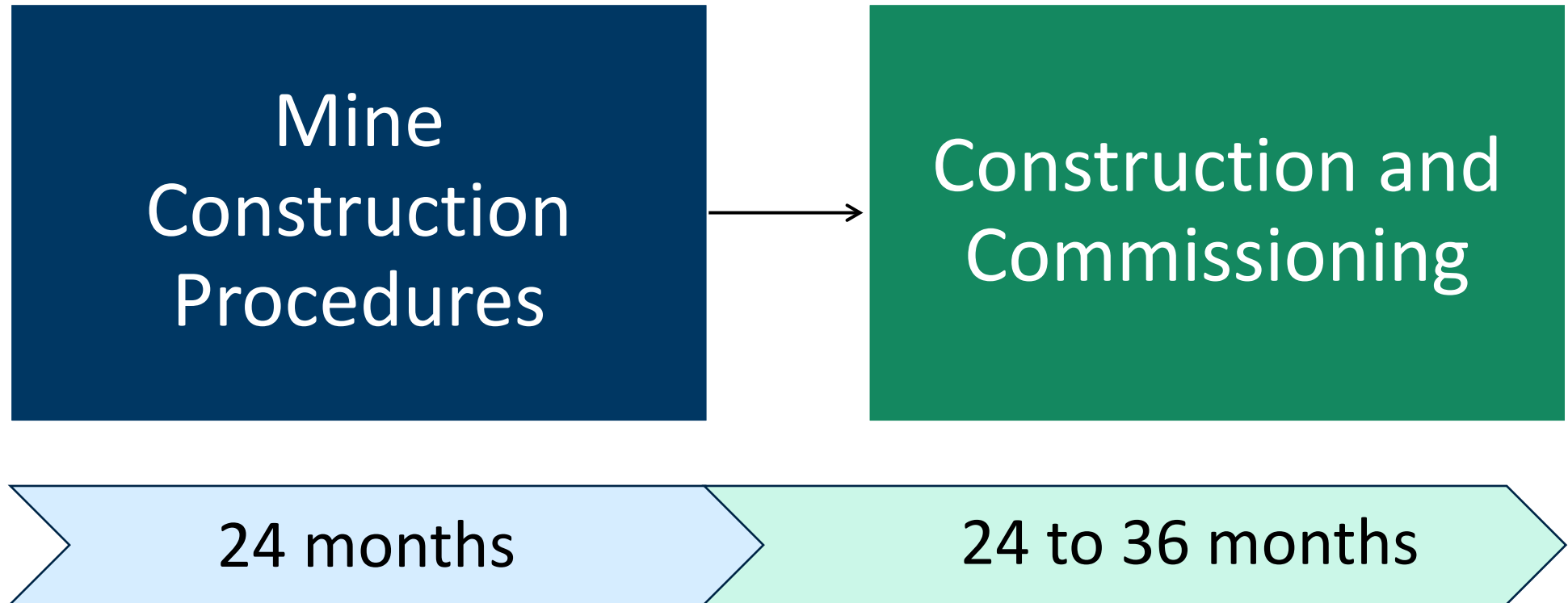
### Mine Design

*Disclaimer: The following information has been derived from a feasibility study completed by Beijing Huayu Engineering Co. Ltd.*

- The mine is developed with inclined shafts (two inclined shafts) according to the
  - **Main Inclined Shaft (Belt Inclined Shaft):**
    - the inclined length is 1282 meters;
    - the inclination angle is 16 degrees;
    - the belt conveyor is 1.6 meters; and
    - the bottom of the well reaches the B3 coal seam.
  - **Auxillary Inclined Shaft (Personnel/Material Inclined Shaft):**
    - the inclined length is 863 meters;
    - the inclination angle is 20 degrees;
    - the bottom reaches the B5 coal seam; and
    - double-drum single-rope winding mine hoist.
- There are 20 mining areas in total, which are divided into three levels:
  - The first level is +775m;
  - The second level is +500m; and
  - The third level is +370m.
- Two ventilation shafts: Mechanical ventilation and Extraction ventilation.
  - In the initial stage, the mine adopts the central split ventilation, and the later stage adopts the partition ventilation.
- Four lane system is adopted in the under group, namely the tape alley, the transportation alley and the two sub-lanes.



## The Wapiti Project – Proposed Construction Plan



**Notes:**

- Mine construction procedures include the construction of supporting facilities such as special railway lines.
- Based on current estimates, the project is expected to take a total of 48 to 60 months to be completed.

## Process Timeline

<b>Actions</b>	<b>Date</b>
<b>Distribution of Asset Teaser</b>	August 23, 2022
<b>NDA's Provided</b>	August 23, 2022
<b>Access to the Data Room</b>	August 23, 2022 to November 17, 2022
<b>Deadline for Non-binding Letters of Interest*</b>	November 18, 2022

\* Following the deadline for Non-binding Letters of Interest, CDI will seek to negotiate a definitive agreement with the preferred proponent or proponents.

# Drill Samples



# Boxed Drill Samples



# **APPENDIX B**

Canadian Dehua International Mines Group Inc.  
Cash Flow Statement  
For the 44-week period ending April 2, 2023

(CAD thousands)	Week Ending	Notes	Week 1 to	Week 27	Week 28	Week 29	Week 30	Week 31	Week 32	Week 33	Week 34	Week 35	Week 36	Week 37	Week 38	Week 39	Week 40	Week 41	Week 42	Week 43	Week 44	Total
			Week 26 Actual	Forecast 4-Dec	Forecast 11-Dec	Forecast 18-Dec	Forecast 25-Dec	Forecast 1-Jan	Forecast 8-Jan	Forecast 15-Jan	Forecast 22-Jan	Forecast 29-Jan	Forecast 5-Feb	Forecast 12-Feb	Forecast 19-Feb	Forecast 26-Feb	Forecast 5-Mar	Forecast 12-Mar	Forecast 19-Mar	Forecast 26-Mar	Forecast 2-Apr	
<b>Total Receipts</b>			0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
<b>Disbursements</b>																						
Automobile Expenses	[2]		(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)
Bank Charges			(0)	(0)	-	-	-	(0)	-	-	-	-	(0)	-	-	-	(0)	-	-	-	-	(0)
Travelling Expenses	[3]		(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2)
Wages and Benefits	[4]		(15)	(26)	-	(9)	-	-	-	(9)	-	-	-	-	(9)	-	-	-	(9)	-	-	(76)
Due Diligence Expenses	[5]		-	-	-	(20)	(20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(40)
Professional Fees	[6]		(481)	(6)	(70)	-	(100)	-	-	-	-	(100)	-	-	-	(100)	-	-	-	(100)	-	(957)
<b>Total Disbursements</b>			(501)	(32)	(70)	(29)	(120)	(0)	-	(9)	-	(100)	(0)	-	(9)	(100)	(0)	-	(9)	(100)	(0)	(1,078)
<b>Net Change in Cash</b>			(501)	(32)	(70)	(29)	(120)	(0)	-	(9)	-	(100)	(0)	-	(9)	(100)	(0)	-	(9)	(100)	(0)	(1,078)
<b>DIP Financing / (Repayments)</b>	[7]		620	100	-	-	100	-	-	-	-	100	-	-	-	170	-	-	-	-	-	1,090
<b>Opening Cash</b>	[8]		-	119	187	117	88	68	68	68	59	59	59	59	59	51	121	121	121	112	12	-
<b>Ending Cash</b>			\$ 119	\$ 187	\$ 117	\$ 88	\$ 68	\$ 68	\$ 68	\$ 59	\$ 59	\$ 59	\$ 59	\$ 59	\$ 51	\$ 121	\$ 121	\$ 121	\$ 112	\$ 12	\$ 12	\$ 12

Notes:

Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Company during the CCAA Proceedings. The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

- [1] Canadian Dehua International Mines Group Inc. ("CDI" or the "Applicant") are expected to have no operating revenue during the CCAA Proceedings.
- [2] Automobile Expenses relate to car insurance for CDI's automobiles.
- [3] Travelling Expenses relate to July 2022 annual site visit to Wapiti Project to collect environmental assessment data.
- [4] Wages and Benefits relate to the two CDI employees' monthly salaries, benefits and taxes. The employees include the General Manager responsible for operation and an employee responsible for external communication.
- [5] Due Diligence Expenses relate to site visit expenses for interested parties of the sales process to perform due diligence on site.
- [6] Professional fees includes the Applicant's legal counsel, as well as the Monitor and Monitor's legal counsel.
- [7] The Applicant sought Debtor-in-possession financing (the "DIP Loan") for \$350,000 on June 9, 2022 which was increased by \$470,000 on August 18, 2022. The Applicant's counsel will seek to increase the DIP Loan by an additional \$270,000 to fund the Applicant's costs during the CCAA proceedings to the end of March 2023.
- [8] CDI has paid the Monitor a retainer of \$50,000 to support the initial expenses in preparation for the CCAA Proceedings. The retainer has not been reflected in this cash flow.