



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.**

FIFTH REPORT OF THE MONITOR

March 7, 2023

INTRODUCTION AND PURPOSE

1. This report (“**Fifth 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. On November 30, 2022, the Company was granted a Third Amended and Restated Initial Order (the “**TARIO**”) which included an extension of its stay of proceedings to March 17, 2023, in addition to increasing the approved amount of the DIP Loan to \$1,090,000.

14. On November 30, 2022, the Company was also granted a Modified Sales and Investment Solicitation Process (the “**Modified SISP Order**”). The Modified SISP Order expanded the company’s sale process by including its shares of CBM (the “**Bullmoose Project**”) and its shares of HD Mining (the “**Murray River Project**”).
15. The purpose of the Fifth 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;
 - (b) The Company’s actual cash receipts and disbursements as compared to the cash flow projection included as Appendix B to the Fourth 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.
16. 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

17. 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**”).
18. 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.

19. 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.
20. 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.
21. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

THE STATUS OF THE SISP

Update on the Wapiti Project LOI

22. The Company's efforts to date have resulted in an LOI for 60% of CDI's shares in Wapiti, which if consummated would address the Company's liquidity issues and provide enough cash for the Company to substantively pay all of its creditors' claims.
23. A copy of the LOI was provided to this Honourable Court in a Supplemental Fourth Report prepared by the Monitor which was sealed pursuant to an order of this Court dated November 30, 2022.
24. As further indicated in the Fourth Report, the Purchaser was intending to make arrangements to travel to Canada for the purpose of conducting confirmatory due diligence such that it would be in a position to negotiate a binding agreement prior to the expiration of the current stay of proceedings.
25. Mr. Liu was also intending to return to Canada from China with the representatives of the Purchaser once the Purchaser's representatives obtained their travel visas and secured their travel plans; all of which was expected to occur by the end of December 2022 or early January 2023.
26. Unfortunately, the timeline for the Purchaser's representatives travel to Canada was postponed due to further lockdown restrictions in China as a result of a resurgence in COVID-19 cases.
27. In December 2022, most organizations in China either suspended operations or suffered operational delays due to mandatory work from home requirements.
28. In addition, the largest holiday celebration in China, Chinese New Year, was celebrated from January 21 – 29, 2023.
29. As a result, the majority of organizations in China only resumed work operations in February 2023.

30. Accordingly, the Purchaser's Visa applications for its representatives were significantly delayed.
31. The Monitor has reviewed correspondence between the Purchaser and the Company wherein the Purchaser has advised that it now has received travel Visas for its representatives and expects to travel in late March. The Purchaser has reduced the size of its due diligence team from the seven that were indicated in the Fourth Report to the following five individuals:
- (a) The CEO of the Purchaser;
 - (b) One senior engineer of the public company related to the Purchaser;
 - (c) The Assistant Chairman of the public company related to the Purchaser;
 - (d) Chief of Staff of the public company related to the Purchaser; and
 - (e) VP of Capital Transactions of the public company related to the Purchaser.
32. On March 2, 2023, the Assistant Chairman of the public company related to the Purchaser provided an information request list to Mr. Liu who responded that all requested documents are ready to be provided to the Purchaser's representatives upon their arrival in Canada.
33. Mr. Liu intends to return to Canada from China at the same time as the Purchaser's representatives so that he can address any questions or accompany them on site tours.
34. The Purchaser requested that the Company arrange a meeting for the Purchaser with representatives from the Ministry of Energy, Mines and Low Carbon Innovation (the "**Ministry**").
35. A copy of the redacted letter from CDI to the Ministry is attached as Appendix A.

36. The Chairman of the Purchaser has advised that it has explored a partnership with a China based steel company (the “**Second Interested Party**”) which is also looking to send its representatives to Canada at the same time as the Purchaser’s representatives.
37. The Second Interested Party has expressed interest in CDI’s shares of Iron Ross and/or other iron ore projects in western Canada. The intent is to generate synergy between the two parties using the mined coal from the Wapiti project for steel production.
38. The chairman of the Second Interested Party has indicated his availability to travel to Canada by the end of March. It has been confirmed that he does not require a travel visa for entry to Canada and that he has access to a private jet to fly to Canada for the due diligence review.
39. The Chairman of the Second Interested Party has requested CDI to arrange the due diligence review to be done with both companies at the same time.
40. The Second Interested Party appears to be the parent company of a steel company publicly listed in Singapore.
41. Based on publicly available information, the Singapore company appears to have the capacity to produce 2.4 million tons of steel annually resulting in revenue of up to \$3.7 billion CAD per year.
42. It has been confirmed that the chairman of the Second Interested Party is the major shareholder of the public steel company.
43. The Second Interested Party was ranked in the 2022 global 500 companies in fortune.com.

An Update on the Modified SISP

44. Pursuant to the Modified 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 Bullmoose Project and the Murray River Project and some related geological information (see copy attached as Appendix B);
 - (b) Utilized the list of potential interested parties used for the Wapiti project, which was prepared using the S&P Capital IQ transaction screen for Metals and Mining, and Coal and Consumable Fuels transactions between 2018 to 2022;
 - (c) On December 10, 2022 forwarded the Teaser to 44 companies located in North America, Europe and Australia and to 23 companies located in China to the contact person identified from the Capital IQ search as noted above;
 - (d) For the Bullmoose project, uploaded the English version of the exploration geology report, the Chinese version of the geology report and a site map to an electronic data room (the “**Data Room**”);
 - (e) For the Murray River project, uploaded the Chinese version of the geology report and the translated English version of the geology report to the Data Room; and
 - (f) Inserted an advertisement in the January 16 – 22, 2023 publication of the Northern Miner magazine.
45. As a result of these efforts, CDI received inquiries about its assets and on February 17, 2023, CDI’s legal counsel and the Monitor arranged a call with an interested party to discuss the process and possible deal structures.

46. On March 3, 2023, the interested party noted above reached out to the Monitor requesting to schedule a meeting with management to understand the status of its various projects in order for the interested party to formulate its decision on how it might be able to structure a meaningful proposal.
47. With the Company's consent, the Monitor is seeking to schedule the meeting.
48. Throughout the Amended SISP, the Monitor has held regular conference calls with Mr. and Mrs. Liu, the Company's legal counsel and the Monitor's legal counsel for updates on the Company's activities and progress.

PROJECTED CASH FLOW

49. The following summarizes the actual receipts and disbursements of the Company since the commencement of these proceedings to March 5, 2023:

Cash Flow Variance Analysis				
For 40- week period ending March 5, 2023				
<i>(CAD thousands)</i>	Actual	Forecast	Variance	Variance
			\$	%
Receipts				
Other	0	0	-	0%
Total Receipts	<u>0</u>	<u>0</u>	<u>-</u>	<u>0%</u>
Disbursements				
Automobile Expenses	3	3	-	0%
Bank Charges	0	0	(0)	-17%
Travelling Expenses	2	2	-	0%
Wages and Benefits	37	63	(26)	-42%
Due Diligence Expenses	-	40	(40)	-100%
Professional	597	857	(259)	-30%
Total Disbursements	<u>640</u>	<u>965</u>	<u>(326)</u>	<u>-34%</u>
Net Change in Cash	(640)	(965)	326	-34%
DIP Financing / (Repayments)	669	1,090	(421)	-39%
Opening Cash	-	-	-	0%
Ending Cash	<u>\$ 30</u>	<u>\$ 125</u>	<u>\$ (95)</u>	<u>-76%</u>

50. As indicated, the actual receipts and disbursements are consistent with the cash flow statement filed as Appendix B to the Fourth Report, with the variances noted being primarily related to timing.
51. Subsequent to the Fourth Report, there have been three additional drawdowns on the DIP Loan totalling \$49,231 resulting in total advances of \$669,231.
52. As at March 5, 2023, the Company held cash of approximately \$29,719.
53. The Company has paid the Monitor's fees up to the end of January 2023. The Monitor's counsel and the Company's legal counsel have been paid up to the end of December 2022.
54. Accordingly, the Administration Charge is expected to continue to be adequate.
55. Attached as Appendix C to this report is a cash flow statement prepared by the Company that extends to June 16, 2023.
56. The cash flow assumes the stay of proceedings being sought by the Company to June 16, 2023 is approved by this Honourable Court.
57. The cash flow statement indicates that the amount of the approved DIP Loan will be sufficient for the Company's needs through to June 16, 2023 and accordingly the Company will not be seeking to increase the DIP Loan at this time.
58. As indicated previously, the expenses which were anticipated to be incurred during the period of December 2022 through February 2023 have largely been deferred due to the delay resulting from the inability of the potential purchaser of the Wapiti project to travel to Canada and perform its due diligence.

THE CLAIMS PROCESS

59. As summarized in the Fourth Report, 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	\$ 22,001,667
Claim 03.2		RMB	\$ 1,334,768	
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

60. 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.
61. With respect to four of the claims valued at \$63.5 million, the Monitor is advised by the Company that its legal counsel has reached out to counsel representing these claims to try and resolve certain issues, however these claims remain unresolved.
62. The final two claims in the amount of \$17.6 million are related party claims where the Monitor is waiting for additional information to be provided in support of the claims.

THE MONITOR'S VIEWS ON THE RELIEF BEING SOUGHT

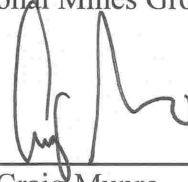
63. The Monitor understands that the Company is seeking to:
- (a) Continue the Modified SISP process with respect to CDI's interest in Wapiti, Bullmoose and Murray River, as previously approved by this Court; and
 - (b) Extend the stay of proceedings to June 16, 2023.
64. As noted in previous reports, 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.
65. 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.
66. In addition, the Company has been contacted by a party wishing to explore possible transactions with the Company and has requested a meeting with CDI's management for such purpose.
67. The Purchaser's travel plans for confirmatory due diligence were delayed by further COVID-19 implications in China but has now secured travel Visas and expects to travel to Canada in late March 2023.
68. The Purchaser has also attracted the interest of a China based steel manufacturer to look at CDI's iron ore projects.

69. The delays in the Purchaser's travel plans for conducting confirmatory due diligence have deferred the costs expected to have been incurred by the Company resulting in no further funding being sought by the Company in order for it to fund its professionals and other expenses during the period of the stay extension being sought by the Company.
70. The Monitor continues to believe 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.
71. 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.
72. The Monitor is of the view that an extension of the stay of proceedings to June 16, 2023 is warranted for the following reasons:
- (a) To provide the Purchaser with the time required to conduct its confirmatory due diligence on the Wapiti project and negotiate a binding agreement of purchase and sale;
 - (b) To allow the Company to continue to conduct its SISP process;
 - (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 circumstances exist that make the order appropriate.
74. As indicated in this report, the Monitor is of the view that the 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 June 16, 2023.

All of which is respectfully submitted this 7th day of March, 2023.

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



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

APPENDIX A



Canadian Dehua International Mines Group Inc.

310 -1155 W Pender Street, Vancouver BC Canada V6E 2P4 Tel: 604-697-0118 Fax: 604-697-0113

March 6, 2023

PO Box 9395 Stn Prov Govt
Victoria BC
V8W9M9

Request of An Appointment

Dear Mr. Henning:

Canadian Dehua International Mines Group Inc. was founded in 2004 specializes in under ground coking coal resources and open-pit iron ore resources development.

██████████ is a well-known private company in China, owning coking coal plants and steel plants . It is seeking opportunities to develop and produce coking coal and iron ore overseas. ██████████ is interested in Dehua's Wappiti coking coal resource and Pacific iron ore resource in BC. The company has already signed the intentional cooperation agreement with Dehua International Mines Group.

██████████, the President of ██████████, and his staff in total of five people have been invited by our company to visit Canada , and received their Visa for Canada already. The president ██████████ is hoping to visit the ministry of engergy in person in order to have a better understanding of the policies and cost related issues . Hereby, our company writes to you to see if you have time to hold a meeting with Mr ██████████. Mr ██████████'s planned visit is after March 20,2023, and the specific date will be determined according to your department's schedule.

Greetings!

Nai Shun Liu
President of Canadian Dehua International Mines Group Inc.

APPENDIX B



Opportunity to acquire coal mine properties in British Columbia



DEHUA

CANADIAN DEHUA INT'L MINES GROUP INC.

December 10, 2022



Overview/Background

Opportunity Overview:

- Canadian Dehua International Mines Group Inc. (“**CDI**” or “**the Company**”) is seeking interested parties for:
 - An investment in or the acquisition of CDI’s interest in an early stage mine development referred to as the Murray River project; or
 - An investment in or the acquisition of CDI’s interest in an early stage mine development known as the Bullmoose 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 owns 100% of the shares of Canadian Bullmoose Mines (“**CBM**”) which is the owner of the Bullmoose project located in northeastern B.C.
- CDI owns 51% of the shares of Canadian Dehua Lvliang Corp. (“**CDLIV**”) which holds a 40% interest in HD Mining International Ltd. (“**HD Mining**”). HD Mining is the owner of the Murray River project located in northeastern B.C.. Accordingly, CDI owns a 20.4% interest in the Murray River project.
- The Company also owns 100% of the following companies:
 - Wapiti Coking Coal Mines Corporation (“**Wapiti**”); and
 - Canadian Dehua Drilling Ltd. (“**CDD**”).



CDI Mining Projects

Projects	Ownership	Location/Description	Description of CAPEX	Status of mine
Current SISP Process Projects				
Murray River	CDI owns 51% of Canadian Dehua Lvliang Corp. ("CDLV"), which owns 40% of HD Mining International Limited ("HD Mining") 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 ("CBM")	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
Previous SISP Process Project				
Wapiti	CDI owns 100% of Wapiti Coking Coal Mines Corporation ("Wapiti")	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
Other Projects				
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 ("VIO")	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. ("CKD")	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			



Murray River Project

DEHUA

CANADIAN DEHUA INT'L MINES GROUP INC.

The Murray River Project

Ownership:

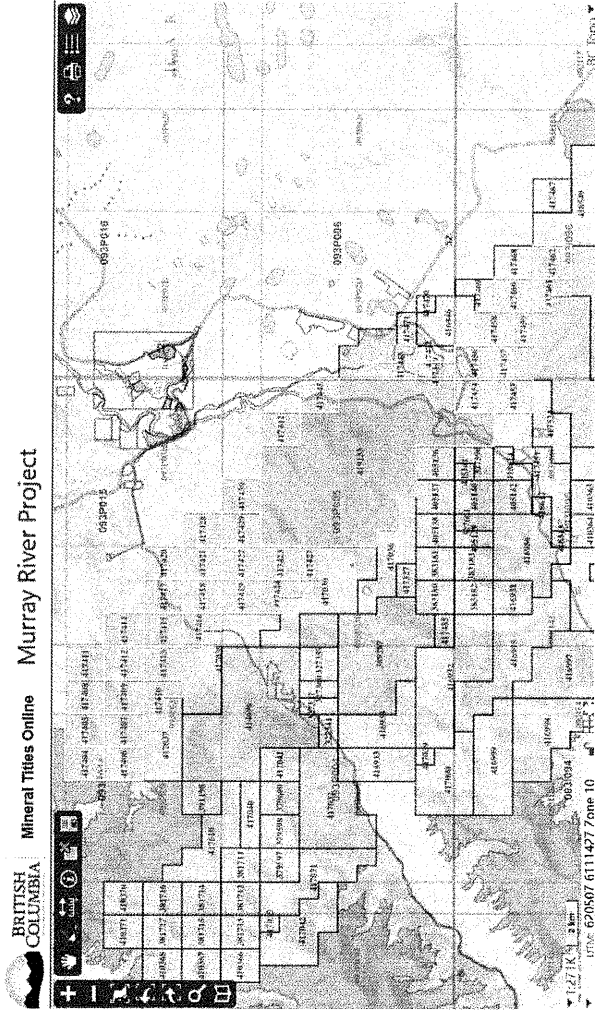
- The Murray River coalfield asset is owned by HD Mining. The majority shareholder HD Mining is Huiyong Holdings Group Co. Ltd.
- CDI indirectly owns 20.4% of HD Mining by virtue of its 51% ownership interest in CDLV, which in turn owns 40% of HD Mining.
- CDI is selling its 20.4% holding of the Murray River Project in HD Mining.

Geography:

- The Murray River coalfield is located in the northeastern part of BC, Canada, southwest of Tumbler Ridge.
- It has access to three paved highways to Tumbler Ridge.
- The CN railways runs through the Murray River coalfield which allows for transport to the Port of Prince Rupert.

License and Property Certificate:

- The mining license issued by the Ministry of Energy, Mines and Low Carbon Innovation for the Murray River coalfield property covers the areas highlighted in the diagram to the right.
- The mining license is currently held by HD Mining.
- The Murray River coalfield covers an area of 16,024 hectares.



The Murray River Project

Geological Exploration :

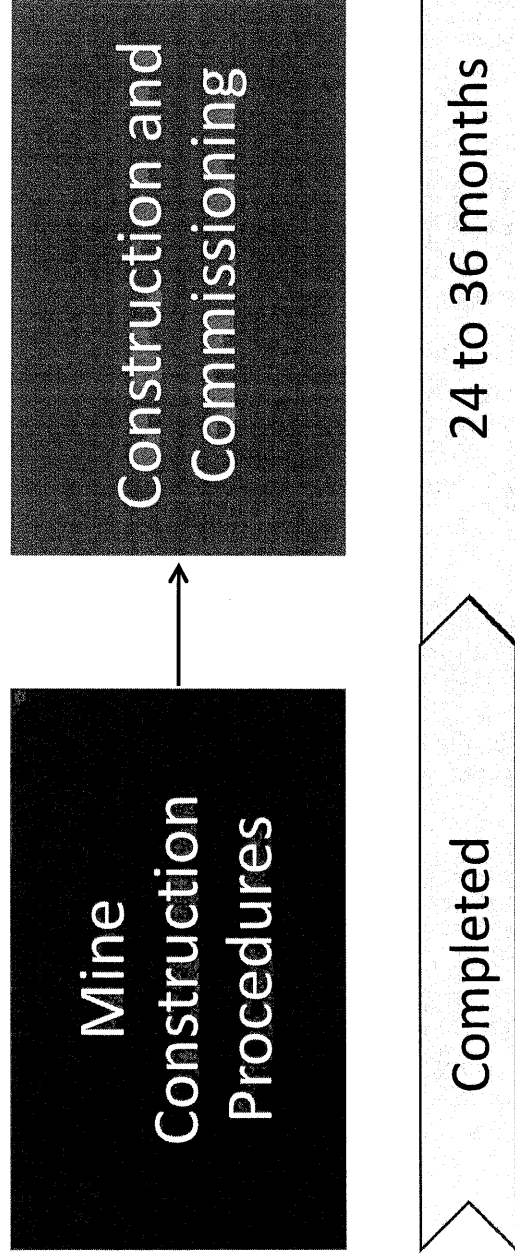
- The Murray River coalfield has conducted 4 stages of exploration in the initial exploration area of approximately 3,745 hectares. This exploration was used to complete the exploration report. There was total of 46 natural gas drilling hole which completed the natural gas well logging measurement.
- In the first stage, HD Mining completed 12 geological drilling holes totaling 10,474.87 meters, 12 geophysical well logging holes, 43 drilling well log curves totaling 36,131 meters, and 4 two-dimension seismic explorations totaling 40km. The data collected were used to conduct coalbed methane analysis, hydrogeological tests, coal quality and rock analysis.
- In the second stage, 20 construction boreholes were completed totaling 17,849.97 meters, including 2 hydrological holes; and completed 3 water examinations. The collected data was used to perform underground water quality analysis, gas analysis; and rock formation analysis.
- In the remaining stages, HD Mining completed 1 wellbore inspector hole, 5 two-dimension seismic explorations totaling 20.93 km, 12 drilling hole for hydrogeology analysis, 27 hydrological tests and 2,489 meters of geophysical well log. It also installed a water sample and monitoring system (Westbay System) and 865 meters of Vibrating Wire Piezometer sensors.

Mineable Coal Seams and resources:

- The entire coalfield is considered mineable coal seams with Gates formation and Gething formation.
- The coal type is mainly coking coal.
- The estimated mineable resource is about 696.67 million tons.

The Murray River Project – Next Steps

- HD Mining has completed all required mine construction procedures and obtained all the required permits including Environmental Assessment Certification, mining permits and labour permits to proceed to construction.
- The main inclined axis has been dug to the D Coal seam and ready to produce coal when construction completes.
- The Murray River project is expected to take 24 to 36 months to construct the following facilities and start commissioning:
 - Coal production mine and facilities for 6 million tons/year;
 - Coal preparation plant for processing capacity of 6 million tons/year;
 - Dedicated coal loading station for 4.8 million tons/year;
 - Gangue storage field for washing and discharging gangue in coal preparation plant;
 - Well construction gangue field to shaft excavation and gangue removal.
 - 230/35kv abd 35/10kv substations.





Bullmoose Project

DEHUA

CANADIAN DEHUA INT'L MINES GROUP INC.

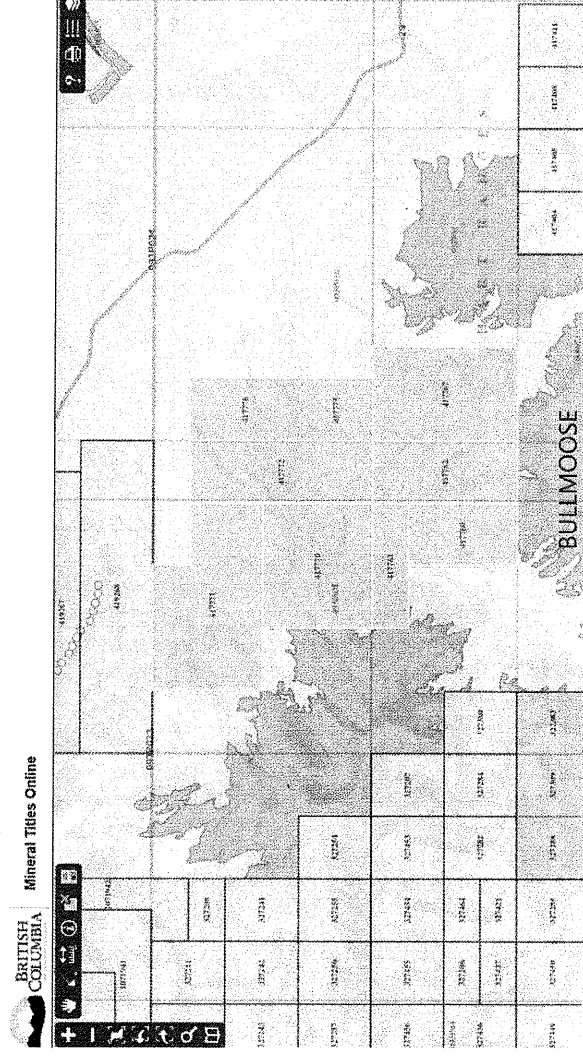
The Bullmoose Project

Geography:

- The Bullmoose coalfield is located in the northeastern part of BC, Canada, approximately 20km northwest of Tumbler Ridge.
- The CN railways passes through the coalfield boundary, and the nearest coal loading station, operated by Teck Corporation, is 15km southeast of the coalfield. Accordingly, the ore can be transported to the Port of Prince Rupert.

License and Property Certificate:

- The mining license issued by the Ministry of Energy, Mines and Low Carbon Innovation for the Bullmoose coalfield property covers the areas highlighted in the diagram to the right.
- The mining license is currently held by CDI.
- The Bullmoose coalfield area is 5,761 hectares.



The Bullmoose Project

Geological Exploration :

- CDI has carried out the detailed geological exploration of the coalfield. There has been 28 coal drilling holes completed, including 3 hydrogeological drilling holes and 11 geotechnical engineering study drilling holes. 216 batch of coal quality samples and 174 batch of geotechnical engineering samples were extracted.
- Further exploration includes the collection of 30 coalbed methane gas desorption samples, the implementation of 3 two-dimensional seismic lines for 33,107 meters, and well logging measurement for 16,782.4 meters.
- There are total of 4 drilled wells, total drill depth of 13,745.5 meters. The B076 drill well is located in the Bullmoose exploration area, with a drill depth of 4,386 meters; and the other 3 wells are located near the exploration area with drill depth total to 9,359.5 meters.

Mineable Coal Seams:

- The mineable coal seam in the Bullmoose project is as follows:
 - BC Coal seam of the Boulder Creek formation;
 - E1 coal seam of the Gates formation; and
 - D coal seam of the Gates Formation.
- The BC coal seam and E1 coal seams are partial mineable coal seams, while D coal seam is considered a majority mineable coal seam. The coal seam is considered relatively stable based on the comprehensive evaluation.
- Out of the 28 coal drilling holes completed, 26 contain coal.
- The coal in Bullmoose coalfield is characterized by its ultra-low moisture, medium to medium-high ash level, medium to ultra-low sulfur, low fluorine and ultra-low chlorine. The coal has high heating stability and strong viscosity. The coal type is mainly coking coal.

Mineable coal seam resources reserves

- The estimated mineable resource is about 812.20 million tons, and the reserve is estimated to be 434.50 million tons.
- The coal seams are stable and suitable for large-scale mechanized mining operations.

Tax losses utilization

- Bullmoose project has estimated \$5 million tax losses, mainly from exploration expenses, CDI expects this tax loss can be used to offset future tax liabilities.

The Bullmoose Project – Next Steps

- CDI has completed the pre-feasibility report, Black Optimization research report, geological exploration report and detailed geological report.
- The next step is to complete the required mine construction procedures, including consultation with First Nation groups in the Bullmoose project area, proceeding with a feasibility assessment and environmental assessment.

**Mine
Construction
Procedures**



**Construction and
Commissioning**

24 months

24 to 36 months



Process Timeline

DEHUA

CARBON DEHUA INT'L MINES GROUP INC.

Process Timeline

Actions	Date
Distribution of Asset Teaser	December 10, 2022
NDAs Provided	December 10, 2022
Access to the Data Room	December 10, 2022 to March 9, 2023
Deadline for Non-Binding Letters of Interest*	March 10, 2023

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

APPENDIX C

Canadian Dehua International Mines Group Inc.
Cash Flow Statement
For the 55-week period ending June 18, 2023

(CAD thousands)	Week Ending Notes	Week 40	Week 41	Week 42	Week 43	Week 44	Week 45	Week 46	Week 47	Week 48	Week 49	Week 50	Week 51	Week 52	Week 53	Week 54	Week 55	Total
		Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Total Receipts		0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Disbursements																		
Licence Fees	[2]	-	-	-	-	(80)	-	-	-	-	-	-	-	-	-	-	-	(80)
Automobile Expenses	[3]	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)
Bank Charges		(0)	-	-	-	(0)	-	-	-	(0)	-	-	-	-	-	-	-	(0)
Travelling Expenses	[4]	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2)
Wages and Benefits	[5]	(37)	-	-	(35)	(20)	-	-	-	(9)	-	-	-	-	-	-	-	(89)
Due Diligence Expenses	[6]	-	-	(16)	(70)	-	-	-	-	-	-	-	-	-	-	-	-	(40)
Professional Fees	[7]	(597)	-	-	-	-	-	-	(60)	-	-	-	-	(60)	-	-	-	(803)
Total Disbursements		(640)	(16)	(16)	(90)	(135)	-	-	(60)	(9)	-	-	-	(69)	-	-	-	(1,018)
Net Change in Cash		(640)	-	(16)	(90)	(135)	-	-	(60)	(9)	-	-	-	(69)	-	-	-	(1,018)
DIP Financing / (Repayments)	[8]	669	-	-	220	-	-	201	-	-	-	-	-	-	-	-	-	1,090
Opening Cash	[9]	-	30	30	14	144	9	9	9	150	141	141	141	141	141	72	72	72
Ending Cash		\$ 30	\$ 30	\$ 14	\$ 144	\$ 9	\$ 9	\$ 9	\$ 150	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 72	\$ 72	\$ 72	\$ 72

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 "Company") is expected to have any operating revenue during the CCAA Proceedings.
- [2] Licence Fees relate to the renewal of nine mining licenses related to the Bullmoose Project
- [3] Automobile Expenses relate to car insurance for CDI's automobiles.
- [4] Travelling Expenses relate to July 2022 annual site visit to Wapiti Project to collect environmental assessment data.
- [5] Wages and Benefits relate to the two CDI employees' monthly salaries, benefits and taxes. The employees include the General Manager responsible for operations and an employee responsible for external communication.
- [6] Due Diligence Expenses relate to site visit expenses for interested parties contingencies for due diligence expenses.
- [7] Professional fees include the Company's legal counsel, as well as the Monitor and Monitor's legal counsel.
- [8] The debtor sought Debtor-in-possession ("DIP") financing (Repayment) for \$350,000 on June 9, 2022 (the "Comeback Hearing"), \$470,000 at the August 18, 2022 hearing, and \$270,000 at the November 30, 2022 hearing. Total DIP amount is \$1,090,000 with \$669,231 withdrawn to date.
- [9] 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.