



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.**

EIGHTH REPORT OF THE MONITOR

November 10, 2023

INTRODUCTION AND PURPOSE

1. This report (“**Eighth 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:
 - (a) CDI was incorporated in British Columbia on December 29, 2004;
 - (b) The Company is owned 50% by Mr. Naishun Liu (“**Mr. Liu**”) and 50% by his spouse, Mrs. Qubo Liu (“**Mrs. Liu**”);
 - (c) Mr. Liu is the sole director and officer of the Company;
 - (d) The Company currently owns 100% of the shares of two mining projects and a drilling company, namely Wapiti Coking Coal Mines Corporation (“**Wapiti**”), Canadian Bullmoose Mines (“**CBM**”) and Canada Dehua Drilling Ltd. (“**CDD**”);
 - (e) CDI has a partial ownership interest in the following companies:
 - i. Canadian Kailuan Dehua Mines Co., Ltd. (“**CKD**”);
 - ii. Canadian Dehua Lvliang Corp. (“**CDLV**”) which holds a 40% interest in HD Mining International Ltd. (“**HD Mining**”);
 - iii. Vancouver Island Iron Ore Corporation (“**VIIO**”); and
 - iv. An interest in a mining project referred to as Iron Ross.

3. On April 6, 2022, China Shougang International Trade & Engineering Corporation (“**Shougang International**”) filed a petition for a bankruptcy order against CDI (the “**Bankruptcy Application**”).
4. In response to the Bankruptcy Application, on June 3, 2022, CDI sought and obtained a stay of proceedings pursuant to the provisions of the CCAA.
5. 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.
6. 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.
7. On August 18, 2022, the Company sought and obtained an order approving a Sales and Investment Solicitation Process (the “**SISP Order**”).
8. 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.
9. 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.
10. 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**”).

11. On March 9, 2023, the Company was granted a Fourth Amended and Restated Initial Order (the “**Fourth ARIO**”) which included an extension of its stay of proceedings to June 23, 2023.
12. On June 15, 2023, the Company was granted a Fifth Amended and Restated Initial Order (the “**Fifth ARIO**”) which included an extension of its stay of proceedings to September 15, 2023, in addition to increasing the amount of the approved DIP Loan to \$1,390,000.
13. On September 11, 2023, the Company was granted a Sixth Amended and Restated Initial Order (the “**Sixth ARIO**”) which included an extension of its stay of proceedings to November 17, 2023.
14. The purpose of the Eighth 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 Sixth 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.
15. 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

16. 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**").
17. 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.
18. 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.
19. 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.
20. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

THE STATUS OF THE AMENDED SISP

21. As indicated in prior reports of the Monitor, the Company signed a Letter of Intent dated November 10, 2022, (the “**Wapiti LOI**”) with a party (the “**Purchaser**”) for 60% of CDI’s shares in Wapiti.
22. In its previous report, the Monitor indicated that the extension of the stay of proceedings being sought by the Company was to provide the Company with the time necessary to negotiate a binding agreement of purchase and sale with the Purchaser for CDI’s shares in Wapiti.
23. However, subsequent to the granting of the Sixth ARIO, the Monitor has been advised by the Company that the Purchaser, although still intent on completing the acquisition of the Wapiti shares, had shifted its focus to the Murray River Project.
24. According to Mrs. Liu, the Purchaser recognizes that the Murray River Project is in a more advanced phase of development, having already obtained an Environmental Assessment Certificate, a labour permit as well as having a developed mine shaft.
25. As a result, the Purchaser and CDLV signed a Letter of Intent dated October 30, 2023, (the “**Murray River LOI**”) wherein the Purchaser would acquire half of CDLV’s shares of HD Mining for US\$100 million.
26. In the event that the proposed transaction for CDLV’s shares of HD Mining closes, the Company estimates the after-tax share of the sale proceeds to CDI would be approximately \$35 million.

27. While the Monitor is disappointed that the Wapiti transaction has not progressed further during the current stay extension, it understands the commercial rationale for the Purchaser turning its focus to the Murray River Project and notes that the consummation of either the Wapiti LOI or the Murray River LOI would address the Company's liquidity issues and provide enough cash for the Company to present a plan of arrangement to its creditors that would substantively address all of its creditors' claims.
28. As noted in prior reports of the Monitor, the primary shareholders of HD Mining are CDLV (20%) and Huiyong Holdings Ltd. ("**Huiyong**") (55%).
29. The Monitor notes in the Murray River LOI, that the Purchaser has also been in discussions with Huiyong regarding the acquisition of its 55% holding in HD Mining.
30. Given the passage of time since the entering of the Wapiti LOI, the Monitor would view it as a positive development if the Company secured a deposit from the Purchaser for either of the Wapiti LOI or the Murray River LOI.
31. The Monitor is advised that representatives of the Purchaser are meeting next week to discuss the issue of a good faith deposit.
32. Accordingly, the Monitor suggested to the Company that it might consider seeking a short extension of its stay of proceedings to allow that meeting to occur and report the results of that meeting to the Monitor.
33. In addition, the Monitor is aware that both Huiyong and HD Mining have retained Canadian counsel in this matter.
34. Given the Purchaser's desire to acquire Huiyong's shares of HD Mining, the Monitor has suggested that the Company's counsel contact counsel for Huiyong and HD Mining to determine the extent of discussion and/or negotiations as between the Purchaser and those parties regarding the Purchaser's acquisition of the Murray River Project.

35. The Monitor intends to provide a more fulsome report on the Murray River LOI based on the results of the above should this Honourable Court grant the extension of the stay of proceedings being sought by the Company to December 8, 2023 (the “**Stay Extension Period**”).

PROJECTED CASH FLOW

36. The following summarizes the actual receipts and disbursements of the Company since the commencement of these proceedings to November 12, 2023:

Cash Flow Variance Analysis			
For the seventy-six week period ending November 12, 2023			
<i>(CAD thousands)</i>	Actual	Forecast	Variance
			\$
Total Receipts	0	0	-
Disbursements			
Licence Fees	203	203	-
Automobile Expenses	7	6	1
Bank Charges	0	1	(0)
Travelling Expenses	2	4	(2)
Wages and Benefits	60	129	(70)
Due Diligence Expenses	12	60	(48)
Professional fees	812	981	(170)
Total Disbursements	<u>1,096</u>	<u>1,385</u>	<u>(289)</u>
Net Change in Cash	(1,096)	(1,385)	289
DIP Financing / (Repayments)	1,120	1,390	(270)
Opening Cash	-	-	-
Ending Cash	<u>\$ 24</u>	<u>\$ 5</u>	<u>\$ 19</u>

37. The variances noted are the result of comparing the actual receipts and disbursements to the forecast indicated in the cash flow statement filed as Appendix A to the Seventh Report (the “**Seventh Report Forecast**”).
38. The Monitor notes that the positive variances to the Seventh Report Forecast are primarily timing differences that are expected to reverse during the Stay Extension Period.

39. As a result of the positive variances, the Company has only drawn \$1,120,031 of funding against an approved DIP Loan of \$1,390,000.
40. As at November 12, 2023, the Company held cash of approximately \$24,000.
41. The Monitor notes that professional fees in the aggregate amount of approximately \$103,000 are currently outstanding. Mrs. Liu advises the Monitor that the Company will bring these accounts current during the Stay Extension Period.
42. Accordingly, the Administration Charge is expected to continue to be adequate.
43. Attached as Appendix A to this report is a cash flow statement prepared by the Company that extends to December 10, 2023.
44. The cash flow assumes the stay of proceedings being sought by the Company to December 8, 2023, is approved by this Honourable Court.
45. The cash flow statement indicates that the amount of the approved DIP Loan will be adequate to provide sufficient resources for the Company through to December 10, 2023, and accordingly the Company is not seeking to increase the DIP Loan.

THE CLAIMS PROCESS

46. The Monitor has been advised by the Company's counsel no further claims have been resolved.
47. Neither the Monitor nor the Company's counsel have expended a lot of time on advancing the resolution of claims and does not intend to until an agreement of purchase and sale has been entered into for either of the Wapiti shares or HD Mining shares held by CDI.

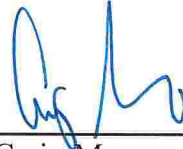
THE MONITOR'S VIEWS ON THE RELIEF BEING SOUGHT

48. The Monitor understands that the Company is seeking to extend the stay of proceedings to December 8, 2023.
49. Absent an extension, the stay of proceedings would expire on November 17, 2023.
50. 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.
51. The Monitor is of the view that the Company is acting in good faith and with due diligence.
52. The Monitor is also of the view that a short extension of the stay of proceedings to December 8, 2023, is warranted to allow the Company and its counsel to determine if the Purchaser will provide a good faith deposit for either of the Wapiti LOI or the Murray River LOI and for the Company's counsel to consult with counsel for HD Mining and Huiyong.

53. Accordingly, the Monitor supports the Company's request for an extension of the stay of proceedings to December 8, 2023.

All of which is respectfully submitted this 10th day of November, 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.
Cash Flow Statement
For the 80-week period ending December 10, 2023

(CAD thousands)	Week Ending	Notes	Week 1 to Week 76 Actual	Week 77 Forecast 19-Nov	Week 78 Forecast 26-Nov	Week 79 Forecast 3-Dec	Week 80 Forecast 10-Dec	Total
Receipts								
Other			\$ 0	\$ -	\$ -	\$ -	\$ -	0
Total Receipts			0	-	-	-	-	0
Disbursements								
Licence Fees	[2]		(203)	-	-	-	-	(203)
Automobile Expenses	[3]		(7)	-	-	-	-	(7)
Bank Charges			(0)	-	-	(0)	-	(1)
Supplies			(0)	-	-	-	-	(0)
Telephone and Communication			-	-	-	-	-	-
Travelling Expenses	[4]		(2)	-	(2)	-	-	(4)
Taxes			-	-	-	-	-	-
Interest Expenses			-	-	-	-	-	-
Wages and Benefits	[5]		(60)	-	-	-	-	(60)
Due Diligence Expenses	[6]		(12)	-	(10)	(40)	-	(62)
Professional Fees	[7]		(812)	(67)	(17)	(75)	-	(970)
Total Disbursements			(1,096)	(67)	(29)	(115)	-	(1,306)
Net Change in Cash			(1,096)	(67)	(29)	(115)	-	(1,306)
DIP Financing / (Repayments)	[7]		1,120	50	30	110	-	1,310
Opening Cash	[8]		-	24	8	9	4	-
Ending Cash			\$ 24	\$ 8	\$ 9	\$ 4	\$ 4	\$ 4


Qubo Liu, Chief Financial Officer
Canadian Dehua International Mines Group Inc.

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 not 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 August 2022 and 2023 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 and contingencies for due diligence expenses.
- [7] Professional fees include the Company's legal counsel, as well as the Monitor and Monitor's legal counsel. The aggregate amount of professional fee outstanding is \$103,218, with \$81,345 for the Company's legal counsel, \$16,614 for the Monitor and \$5,259 for the Monitor's legal counsel. Mrs. Liu advised that she will pay the outstanding balance during the stay extension.
- [8] Total approved Debtor-in-possession ("DIP") financing amount is \$1,390,000 with \$1,120,031 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.