

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.

FIFTEENTH REPORT OF THE MONITOR

August 7, 2024

RECEIVED

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VANCOUVER LAW COURTS

INTRODUCTION AND PURPOSE

1. This report (“**Fifteenth 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. The purpose of the Fifteenth Report of the Monitor is to provide this Honourable Court with an update on the status of the Company’s restructuring efforts since the date of the Fourteenth Report.
3. 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/canadiandehuinternational>

TERMS OF REFERENCE

4. 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**”).
5. 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.
6. 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.

7. 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.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

THE STATUS OF THE AMENDED SISP

9. As indicated in the Fourteenth Report, on July 9, 2024 the Monitor received a Revised Letter of Intent from a potential purchaser (the “**Unsolicited Purchaser**”) seeking to acquire the Company’s interest in the Wapiti and Bullmoose projects for a purchase price of \$400,000.
10. The Revised Letter of Intent was provided in response to feedback that had been provided to the Unsolicited Purchaser’s counsel by the Monitor’s counsel.
11. The feedback provided by the Monitor’s counsel suggested that at the purchase price indicated, the Monitor could not support exclusivity being granted to the Unsolicited Purchaser and recommended that the Unsolicited Purchaser consider increasing its purchase price and/or allowing for a marketing period to determine if a higher offer could be achieved.
12. The Monitor’s counsel indicated that a stalking horse offer might be agreeable to the Company with the provision of a break fee.
13. However, as noted in the Fourteenth Report, the Revised LOI was submitted at the same purchase price and still sought a period of exclusivity.
14. Subsequent to the hearing on July 4, 2024, the Company and the Monitor continued to engage with the Unsolicited Purchaser with both parties providing consistent messaging regarding the purchase price and the need for a marketing period.

15. On July 31, 2024, the Unsolicited Purchaser provided a further Letter of Intent to the Monitor proposing a process for it to act as a stalking horse bidder at the same purchase price as indicated previously.
16. The process suggested by the Unsolicited Purchaser required the Company to bring an application to approve the sale process before August 9, 2024 and to bring an application to approve the stalking horse offer on or before August 24, 2024, thereby providing a very short timeline to solicit other offers.
17. The Company is continuing to engage with the Unsolicited Purchaser as well as two new parties that reached out to the Monitor subsequent to the last Court hearing.
18. Based on recent discussions with the Company and its counsel, the Monitor understands that the DIP Lender is in the process of engaging independent legal counsel with a view of submitting its own stalking horse offer for the Wapiti and Bullmoose projects which would form the basis of a sale process to be conducted by the Monitor.
19. The stalking horse offer contemplated by the DIP Lender would be structured partially as a credit bid with a top up cash component.
20. The purchase price would be substantially higher than the offer indicated by the Unsolicited Purchaser with the intention of having the cash component fund further efforts to market the Murray River project.
21. As a result, the Company is seeking a short extension to allow time for the DIP Lender to prepare its offer and sale process documents with a view to returning before this Honourable Court for approval of its proposed sale process and stalking horse offer.

PROJECTED CASH FLOW

22. As indicated in the Fourteenth Report, the DIP Lender advanced further funds to the Company which allowed for the arrears of professional fees to be brought current.
23. In addition, Mrs. Liu used her personal credit card and paid to renew the mining licences for its projects in order to preserve the assets for a sale. In addition, Mrs. Liu paid certain other outstanding invoices of the Monitor and the Company's counsel using her personal credit card. These payments are therefore not incorporated in the table below.
24. The following summarizes the actual receipts and disbursements of the Company since the commencement of these proceedings to August 4, 2024:

Cash Flow Actuals	
For the 114-week period ending August 4, 2024	
(CAD thousands)	Actual
Receipts	
Other	1
Total Receipts	<u>1</u>
Disbursements	
Licence Fees	203
Automobile Expenses	7
Bank Charges	0
Supplies	0
Telephone and Communication	-
Travelling Expenses	2
Taxes	-
Interest Expenses	-
Wages and Benefits	60
Due Diligence Expenses	12
Professional fees	1,031
Total Disbursements	<u>1,316</u>
Net Change in Cash	(1,315)
DIP Financing / (Repayments)	1,337
Opening Cash	-
Ending Cash	<u>\$ 22</u>



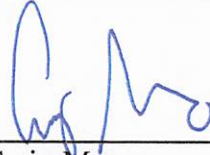
25. As a result of the further advances, the Company has drawn \$1,337,121 of funding against an approved DIP Loan of \$1,680,000.
26. As at August 4, 2024, the Company held cash of approximately \$22,119.
27. The Monitor notes that professional fees for July 2024 have recently been issued and are therefore currently outstanding. The Monitor has been advised by the DIP Lender that it intends to address the retainers of its professional advisors that were previously drawn down, in its proposed sale process and stalking horse offer.
28. Accordingly, the Administration Charge is expected to continue to be adequate.
29. Attached as Appendix A to this report is a cash flow statement prepared by the Company that extends to September 1, 2024.
30. The cash flow assumes the stay of proceedings being sought by the Company to August 30, 2024 (the “**Stay Extension Period**”), is approved by this Honourable Court.
31. The cash flow statement indicates that the current amount of the approved DIP Loan is adequate for the Stay Extension Period and accordingly no additional funding is required.

THE MONITOR'S VIEWS ON THE RELIEF BEING SOUGHT

32. On July 4, 2024, the stay of proceedings was extended to August 9, 2024.
33. The Monitor is of the view that based on its discussions with the Company and the DIP Lender, an extension of the stay is warranted to allow the DIP Lender the time necessary to prepare its proposed sale process and stalking horse offer.
34. The Monitor notes that the purchase price of the DIP Lender's stalking horse offer will be higher than the purchase price offered by the Unsolicited Purchaser.
35. The Monitor further notes the following benefits that could be obtained from a stalking horse offer from the DIP Lender:
 - (a) A transaction that would reduce the amount of the DIP Charge and thereby improve the position of other creditors;
 - (b) Provide for a marketing period to solicit a higher bid from parties that have expressed an interest in the projects including the Unsolicited Purchaser;
 - (c) Provide surplus funding to allow for a further sale process of the Murray River project; and
 - (d) Provide some certainty and competitive tension to a sale process that has generated interest but has not been successful in getting parties to bring forward binding offers at a purchase price perceived to be at fair market value.
36. The Monitor is of the view that the Company is acting in good faith and with due diligence and accordingly recommends that this Honourable Court grant the extension of the stay of proceedings to August 30, 2024.

All of which is respectfully submitted this 7th day of August, 2024.

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 118-week period ending September 1, 2024

(CAD thousands)	Week Ending	Notes	Week 1 to	Week 115	Week 116	Week 117	Week 118	Total
			Week 114	Forecast	Forecast	Forecast	Forecast	
			Actual	11-Aug	18-Aug	25-Aug	1-Sep	
Receipts								
Other	[1]		\$ 1	\$ -	\$ -	\$ -	\$ -	1
Total Receipts			1	-	-	-	-	1
Disbursements								
Licence Fees	[2]		(203)	-	-	-	-	(203)
Automobile Expenses	[3]		(7)	-	-	-	-	(7)
Bank Charges			(1)	-	-	(0)	-	(1)
Supplies			(0)	-	-	-	-	(0)
Telephone and Communication			-	-	-	-	-	-
Travelling Expenses	[4]		(2)	-	-	-	-	(2)
Taxes			-	-	-	-	-	-
Interest Expenses			-	-	-	-	-	-
Wages and Benefits	[5]		(60)	-	-	-	-	(60)
Due Diligence Expenses	[6]		(12)	-	-	-	-	(12)
Professional Fees	[7]		(1,031)	(40)	-	-	(40)	(1,111)
Total Disbursements			(1,316)	(40)	-	(0)	(40)	(1,396)
Net Change in Cash			(1,315)	(40)	-	(0)	(40)	(1,395)
DIP Financing / (Repayments)	[7]		1,337	60	-	-	-	1,397
Opening Cash	[8]		-	22	42	42	42	-
Ending Cash			\$ 22	\$ 42	\$ 42	\$ 42	\$ 2	\$ 2



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 and Wapiti Projects.
- [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. Mr. Liu confirmed that payments were made up to January 2023, both employees agreed that the remaining accumulating salaries will be paid after the CCAA proceedings, therefore wages has been removed from forecast.
- [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. The Monitor notes that professional fees for July 2024 have recently been issued and are therefore currently outstanding.
- [8] Total approved Debtor-in-possession ("DIP") financing amount is \$1,680,000 with \$1,337,121.16 withdrawn to date. As limited activities have happened in the Company, the Monitor expects the remaining DIP loan will be enough to cover the extension to September 1, 2024.