



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.**

**NINETEENTH REPORT OF THE MONITOR**

**October 16, 2024**

## INTRODUCTION AND PURPOSE

1. This report (“**Eighteenth 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 from Mrs. Liu (the “**DIP Lender**”).
6. The ARIO also granted a charge for the DIP Loan (the “**DIP Lender’s Charge**”) against the assets of the Company subordinate only to the Administration Charge.
7. On June 28, 2022, the Company sought and obtained the approval of a claims process (the “**Claims Process**”) which set a claims bar date of August 15, 2022.
8. On August 18, 2022, the Company sought and obtained an order approving a Sales and Investment Solicitation Process (the “**SISP Order**”).
9. In addition, on August 18, 2022, the Company was granted a Second Amended and Restated Initial Order which included an extension of its stay of proceedings to December 1, 2022, in addition to increasing the approved amount of the DIP Loan and DIP Lender’s Charge to \$820,000.
10. On November 30, 2022, the Company was granted a Third Amended and Restated Initial Order which included an extension of its stay of proceedings to March 17, 2023, in addition to increasing the approved amount of the DIP Loan and DIP Lender’s Charge to \$1,090,000.
11. 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 and HD Mining.

12. On March 9, 2023, the Company was granted a Fourth Amended and Restated Initial Order which included an extension of its stay of proceedings to June 23, 2023.
13. On June 15, 2023, the Company was granted a Fifth Amended and Restated Initial Order which included an extension of its stay of proceedings to September 15, 2023, in addition to increasing the amount of the approved DIP Loan and DIP Lender's Charge to \$1,390,000.
14. On September 11, 2023, the Company was granted a Sixth Amended and Restated Initial Order which included an extension of its stay of proceedings to November 17, 2023.
15. On November 14, 2023, the Company sought and was granted an extension of its stay of proceedings to December 8, 2023.
16. On December 5, 2023, the Company sought and was granted an extension of its stay of proceedings to January 19, 2024.
17. On January 17, 2024, the Company sought and was granted an extension of its stay of proceedings to March 19, 2024, in addition to an increase in the amount of the approved DIP Loan and DIP Lender's Charge to \$1,680,000.
18. On March 15, 2024, the Company sought and was granted an extension of its stay of proceedings to April 26, 2024.
19. On April 24, 2024, the Company sought and was granted an extension of its stay of proceedings to May 10, 2024.
20. On May 8, 2024, the Company sought and was granted an extension of its stay of proceedings to June 14, 2024.
21. On June 10, 2024, the Company sought and was granted an extension of its stay of proceedings to July 5, 2024.

22. On July 4, 2024, the Company sought and was granted an extension of its stay of proceedings to August 9, 2024.
23. On August 9, 2024, the Company sought and was granted an extension of its stay of proceedings to August 30, 2024.
24. On August 30, 2024, the Company sought and was granted an extension of its stay of proceedings to September 20, 2024. In addition, the Court directed parties to submit binding offers for the Wapiti and Bullmoose assets to the Monitor no later than 4:00 p.m. on September 6, 2024.
25. On September 17, 2024, the Company sought and was granted an extension of its stay of proceedings to October 25, 2024.
26. On October 9, 2024, the Company sought and was granted a Seventh Amended and Restated Initial Order adding Wapiti and CBM as petitioners in these proceedings.
27. The purpose of the Nineteenth 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 Eighteenth Report.
28. 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

29. 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**").
30. 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.
31. 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.
32. 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.
33. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## THE STATUS OF THE AMENDED SISP

34. As discussed in the hearing on October 9, 2024, the Company filed and served its application materials on October 10, 2024 seeking to approve:
- (a) An extension of the Company's current stay of proceedings set to expire on October 25, 2024 to November 30, 2024; and
  - (b) The purchase agreement between CDI, CBM and Wapiti and the DIP Lender dated October 9, 2024 (the "**Sale Agreement**").
35. On October 15, 2024, counsel to the DIP Lender filed a response to CDI's application detailing its opposition to the consideration of any further offers from TaneMahuta Capital Ltd. ("**TaneCap**"), a party that submitted an offer prior to the September 6, 2024 deadline set by the Court for binding offers.
36. The DIP Lender's response materials reference several cases relating to asset sale approvals in insolvency proceedings wherein the integrity of the process was paramount, which is the position adopted by the DIP Lender.
37. The Monitor also notes in the DIP Lender's response materials a reference that the deadline set by the court for binding offers was a sealed bid process. The Monitor does not share that characterization of the August 30, 2024 order.
38. On October 15, 2024, a further offer in the form of a purchase agreement was received from TaneCap's counsel. A copy of the purchase agreement is attached as Appendix A (the "**TaneCap Sale Agreement**").
39. The terms of the TaneCap Sale Agreement are summarized as follows:

- (a) The assets to be purchased include CDI's shares of Wapiti, CDI's shares in CBM, the assets of Wapiti including all permits, mineral interests and coal licenses, geological and exploration data, consultant reports, geological and exploration samples, construction in progress and intellectual property and the assets of Bullmoose including all permits, mineral interests and coal licenses, geological and exploration data, consultant reports, geological and exploration samples, construction in progress and intellectual property;
  - (b) The purchase price is \$2 million to be satisfied by the release of a \$650,000 deposit with the balance of \$1.35 million to be paid by certified cheque or bank draft on closing;
  - (c) TaneCap seeks CDI's acknowledgement that it is seeking to acquire a number of coal licenses previously held by CDI that have expired or been transferred to another company (to be detailed in a subsequent section of this report);
  - (d) The purchaser acknowledges that the sale is on an "as is, where is" basis with no representations or warranties from CDI; and
  - (e) Closing to occur two days after Court approval at the offices of the CDI's legal counsel.
40. In addition to the TaneCap Sale Agreement, an affidavit was sworn and filed by Mr. Aref Amanat in his capacity as the President of TaneCap (the "**Amanat Affidavit**").
41. The Amanat Affidavit raises concerns over the sale process, irregularities in the information provided by the Company with respect to its assets and the lack of responsiveness on behalf of the Company to Mr. Amanat's due diligence requests.



42. The Monitor makes the following observations with respect to TaneCap's involvement in the SISP:
- (a) TaneCap was granted access to the Company's dataroom in September 2023 and to the Monitor's knowledge did not make any requests for due diligence until September 26, 2024 (after the deadline set by this Honourable Court for binding offers);
  - (b) TaneCap's original offer of \$400,000 was considered by the Company to be opportunistic at a time when the DIP Lender was struggling to find funds to pay the outstanding fees of the professionals leading the DIP Lender to submit its own Purchase Agreement; and
  - (c) Until now TaneCap has not submitted a binding offer capable of acceptance by the Company despite its assertions to the contrary.
43. However, as indicated the TaneCap Sale Agreement has a purchase price, \$350,000 or 21% in excess of the purchase price indicated in the Sale Agreement.
44. The Monitor notes that despite the factors to be considered by a court for a sale approval in an insolvency process as articulated in the decision of the *Royal Bank of Canada v. Soundair Corp.*, the courts of British Columbia have often cited the return to creditors as the primary objective (ie. obtaining the best price), followed by a secondary concern of integrity of the process.
45. In the *Bank of Montreal v. Renuka Properties Inc.*, 2015 BCSC 2058, the Court found the disparity in the purchase price to be of great concern and accepted the bid with the higher purchase price. In this case, TaneCap's purchase price is 21% higher than that indicated in the Sale Agreement.
46. In *British Columbia v. Baron Enterprises Ltd.*, 2000 BCCA 317 the court held that a higher bid can be rejected but not where it is a significantly higher bid.

47. In the more recent case of *QRD (Willoughby) Holdings Inc. v. MCAP Financial Corp.*, 2024 BCCA 31, the court considered two cases predating the Soundair case, namely *Re Selkirk (1986)*, 58 C.B.R. (N.S.) 245 (Ont. Bkcy.) and the second being *Re Beauty Counsellors of Canada Ltd. (1986)*, 58 C.B.R. (N.S.) 237 (Ont. Bkcy.).
48. In these case the court was of the view that should an offer of substantially higher amount be received at the approval stage, the court would have to take that offer into consideration in assessing whether the receiver had properly carried out its function of endeavouring to obtain the best price for the property.
49. In this case, the sale process was conducted by the Company, not a receiver but the Monitor believes they would still apply.
50. Based on these cases, although the Monitor is sympathetic to the submissions made by the DIP Lender's counsel regarding the integrity of the process, the Monitor is of the view that this Honourable Court has the authority to consider the TaneCap Sale Agreement.
51. The Monitor's counsel has consulted with counsel for Shougang and Zhonghe and is advised that counsels' positions would be to support the Court's consideration of the higher purchase price provided in the TaneCap Sale Agreement.
52. The Monitor was advised by the Company's counsel that it supports the Sale Agreement.
53. The Monitor notes that in its Seventeenth Report, it supported the Sale Agreement as at that point it was the only binding offer capable of being accepted and it provided an additional \$1 million more of proceeds over the TaneCap offer.

54. The Monitor further notes that section 36(4) of the CCAA states that “If the proposed sale or disposition is to a person who is related to the company, the court may, after considering the factors referred to in subsection (3), grant the authorization only if it is satisfied that:
- (a) good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the company; and
  - (b) the consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the process leading to the proposed sale or disposition.”
55. The DIP Lender would be considered a related party and accordingly, if considered by the court, the TaneCap Sale Agreement results in superior consideration and would be supported by the Monitor.
56. The Monitor recalls from the previous hearing that the DIP Lender’s counsel reserved its right to match any subsequent offer made by TaneCap and the Monitor is of the view that should this Honourable Court consider the TaneCap Sale Agreement, then the DIP Lender should be afforded an opportunity to match the purchase price as a principle of fairness.

## THE MISSING COAL LICENSES

57. As indicated in the Amanat affidavit, prior to November 2021 Wapiti held 17 coal licenses issued by the British Columbia Ministry of Energy, Mines and Low Carbon Innovation (the “MEM”).
58. On October 8, 2024, Mr. Amanat and his counsel requested a call with the Monitor and its counsel at which time the following was disclosed to the Monitor based on research conducted by TaneCap:
- (a) On November 2, 2021 all 17 licenses were transferred on instructions from Wapiti to a company called Pioneer Exploration Corporation (“Pioneer”) with a contact person named Yijun Hu and an address the same as that of Mr. Naishun Liu. The transfer appears to have been processed by the Province on November 18, 2021 (prior to the date of the Initial Order);
  - (b) On July 18, 2022 (subsequent to the date of the Initial Order), on instructions from Pioneer, 9 of the licenses were transferred back to Wapiti. The 8 licenses that weren’t returned to Wapiti, were maintained by Pioneer until they expired on June 7, 2022 (two days prior to the Initial Order) for non-payment of fees;
  - (c) On June 13, 2022, an application for those 8 expired licenses was submitted by a company called 1010 Mines Corporation. This application is still pending with the MEM;
  - (d) Of the 9 licenses returned by Pioneer to Wapiti, 4 of those expired on June 11, 2024 for non-payment of fees leaving Wapiti with 5 licenses registered in its name; and
  - (e) On July 30, 2024, Pioneer submitted an application for the four expired licenses which has not yet been processed by the MEM.

59. The Monitor immediately forwarded this information to the Company's counsel seeking an explanation, particularly in light of the fact that the Company's teaser for its SISP indicated 17 licenses were held by Wapiti in August 2022.
60. On October 16, 2024 the Monitor received a response from CDI's counsel with the following explanations:
- (a) Despite the note in the teaser that Wapiti held 17 coal licenses in August 2022, the total hectares for the nine licenses returned to Wapiti was correctly noted in the teaser;
  - (b) The 8 licenses transferred to Pioneer that expired were allowed to lapse as a result of insufficient liquidity and were subsequently applied for by 1010 Mines Corporation, a company unrelated to CDI;
  - (c) The four licenses that lapsed in July 2024 were again due to insufficient liquidity and the Company was able to raise funds to protect what it believed to be those with the highest likelihood for coal production; and
  - (d) Mrs. Liu's son helped raise funds from third party investors to allow Pioneer to seek to acquire the four expired licenses.
61. The Monitor notes the following with respect to the licenses:
- (a) Eight of the licenses expired prior to the commencement of the CCAA proceedings;
  - (b) The remaining nine licenses were returned to Wapiti after the commencement of the CCAA proceedings;

- (c) Although the Monitor was made aware of the deficient funds to renew the four licenses that expired in July 2024, the Monitor was not made aware of the prior transfers or of Pioneer's existence and acquisition of the licenses;
- (d) Despite all of this, both the DIP Lender and TaneCap are prepared to buy the shares and assets of Wapiti with only the remaining five licenses; and
- (e) Given that the transfers of the other 12 licenses have not yet been processed by the MEM, there may still be an opportunity to intervene and have them returned to Wapiti.

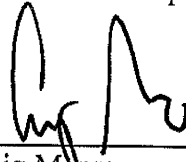
#### **THE EXTENSION OF THE STAY OF PROCEEDINGS**

- 62. On October 9, 2024, the stay of proceedings was extended to October 25, 2024.
- 63. The Monitor is of the view that the approval of either the Sale Agreement or the TaneCap Sale Agreement is in the best interest of the stakeholders after a prolonged SISP and would constitute the best available offer for the shares and assets of Wapiti and CBM.
- 64. Accordingly, a short extension of the stay of proceedings to allow the Company to close an approved sale agreement is warranted. In addition, it will provide the time necessary for the Company to determine its next steps or for creditors to seek alternate relief in order to pursue the recovery of their debt.
- 65. The Monitor notes that although the Company currently has no cash, the outstanding professional fees of the Monitor, Monitor's counsel and Company's counsel are secured by the Administration Charge which could be brought current from the proceeds realized from the closing of either the Sale Agreement or the TaneCap Sale Agreement.

66. Although the optics surrounding the events of the coal licenses is not ideal, the Monitor has no evidence to suggest it was done with a view to defeat creditors given the licenses were returned to Wapiti and some lapsed due to illiquidity.
67. The Monitor is of the view that on the whole 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 November 30, 2024.

All of which is respectfully submitted this 16<sup>th</sup> day of October, 2024.

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



## PURCHASE AGREEMENT

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THIS PURCHASE AGREEMENT is made effective as of October [ ], 2024

BETWEEN:

CANADIAN DEHUA INTERNATIONAL MINES GROUP INC., (Incorporation Number BC0712504) a company incorporated pursuant to the laws of British Columbia and having an office at Suite 202 – 2232 West 41st Avenue, Vancouver, BC V6M 1Z8 (“**CDI**”);

WAPITI COKING COAL MINES CORP., a company incorporated pursuant to the laws of British Columbia with incorporation number BC1028948 (“**Wapiti Sub**”); and

CANADIAN BULLMOOSE MINES CO., LTD., a company incorporated pursuant to the laws of British Columbia with incorporation number BC0907740 (“**Bullmoose Sub**”)

(together, the “**Vendors**”)

AND:

TaneMahuta Capital Ltd., a company incorporated pursuant to the laws of British Columbia and having an address at 1515 West 7th Avenue, Vancouver BC V6J 1S1 (the “**Purchaser**”)

### BACKGROUND

- A. The Vendors carry on business of investing in, exploring, developing, and operating underground coal mining projects and supporting infrastructure in British Columbia and elsewhere, including two mining projects described as the Wapiti Project (the “**Wapiti Project**”) and the Bullmoose Project (the “**Bullmoose Project**”) (the Wapiti Project and the Bullmoose Project are referred to collectively as the “**Projects**”).
- B. The Wapiti Project is operated by the Wapiti Sub. CDI is the legal and beneficial owner of all the issued and outstanding shares in the capital of the Wapiti Sub, being 1,000,000 Voting Common Shares without par value (the “**Wapiti Shares**”), and the Wapiti Sub is the owner of the Wapiti Project, including all permits, mineral interests and coal licenses, geological and exploration data, consultant reports, geological and exploration samples, construction in progress and intellectual property used or held directly or indirectly by CDI and the Wapiti Sub or either of them in the Wapiti Project (collectively, the “**Wapiti Assets**”);
- C. CDI is the legal and beneficial owner of the Bullmoose Project, including the Bullmoose Coal Licenses (as defined herein), and all of the issued and outstanding shares in the capital of the Bullmoose Sub, being 8,242,024 Class A Common Voting Shares without par value. Together, CDI and the Bullmoose Sub are the owners of the Bullmoose Project, including all permits, mineral interests and coal licenses, geological and exploration data, consultant reports, geological and exploration samples, construction in progress and intellectual property used or held directly or indirectly by CDI or the Bullmoose Sub or either of them in the Bullmoose Project (collectively, the “**Bullmoose Assets**”);
- D. The Vendors and the Projects are the subject of certain proceedings brought pursuant to the *Companies' Creditors Arrangement Act* (Canada) in the Supreme Court of British Columbia, Vancouver Registry No. S-224444 (the “**CCAA Proceedings**”).

- E. The Vendors have agreed to sell and the Purchaser has agreed to purchase all of the Vendors' right, title, and interest in and to the assets used or held in or for the Projects, free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein or thereon, on the terms and subject to the conditions set-out herein.

## TERMS OF AGREEMENT

In consideration of the premises and the covenants and agreements contained in this Agreement, the parties agree with each other as follows:

### 1. Interpretation

#### 1.1 In this Agreement:

- (a) **"Agreement"** means this agreement and all amendments made hereto by written agreement between the Vendors and the Purchaser;
- (b) **"Assets"** means the Wapiti Shares, the Wapiti Assets, the Bullmoose Shares and the Bullmoose Assets.;
- (c) **"Bullmoose Coal Licenses"** includes the following:
  - (i) Coal Licenses #417760, #417761, #417762, #417767, #417770, #417771, #417772, #417775, #417776; and
  - (ii) Any other mineral titles or coal licenses of Vendors related to the Bullmoose Project.
- (d) **"Closing Date"** means October [two days after Court approval], 2024 or such other date as may be mutually agreed upon in writing by the parties;
- (e) **"Time of Closing"** means 12:00 Noon Pacific Time on the Closing Date;
- (f) **"Twelve Missing Wapiti Licenses"** means Coal Licenses #418157, #418158, #418159, #418160, #418164, #418165, #418167, #418169, #418170, #418171, #418172, and #418173 which, prior to November 2021, were owned by the Wapiti Sub.
- (g) **"Wapiti Coal Licenses"** includes the following:
  - (i) Coal Licenses #418161, #418162, #418163, #418166, #418168; and
  - (ii) Any other coal licenses of Vendors related to the Wapiti Project.

and any terms used herein denoted with initial capital letters shall have the meanings assigned to them by the provisions of this Agreement.

- 1.2 The division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms **"this Agreement"**, **"hereof"**, **"hereunder"**, and similar expressions refer to this Agreement and not to any particular article, section, or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context

is inconsistent therewith, references herein to articles and sections are to articles and sections of this Agreement.

- 1.3 In this Agreement words importing the singular number only shall include the plural and vice versa, wordings importing the masculine gender shall include the feminine, and neuter genders and vice versa and words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations, and companies. The term "including" means "including without limiting the generality of the foregoing".
- 1.4 All references to currency herein are to lawful money of Canada.

## **2. Purchase And Sale Of Assets**

- 2.1 Subject to the terms and conditions of this Agreement, on the Closing Date the Vendors will sell, assign, and transfer to the Purchaser and the Purchaser will purchase from the Vendors, as applicable, all (but not less than all) right, title, and interest in and to the Assets free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein or thereon for a total purchase price of \$2 million (the "**Purchase Price**").
- 2.2 The Purchase Price will be paid and satisfied by release of the full deposit of \$650,000 being held by counsel for the Monitor for the benefit of CDI, as well as the remaining consideration of \$1,350,000 (the "**Remaining Consideration**") to be provided to Monitor by check on the closing Date against delivery to the Purchaser of the documents described in section 9.2.
- 2.3 The parties agree to use reasonable efforts to agree prior to the Closing Date on an allocation of the Purchase Price among the components of the Assets in accordance with the fair market value of such components on the Closing Date. However, the parties further agree that failure to agree on such an allocation prior to the Closing Date will not render this Agreement unenforceable or result in a termination of this Agreement, and in such case each of the Vendors and the Purchaser will make its own determination of allocation.

- 3. Mutual Condition.** The obligation of the parties to complete the transactions contemplated by this Agreement shall be subject to the following mutual condition, which is for the benefit of both the Vendors and the Purchaser:

On or before the Closing Date, the Vendors shall have obtained (at the sole cost of the Vendors) an Order or Orders of the Court (collectively, the "**Final Order**"):

- (i) approving the sale of the Assets to the Purchaser on the terms and conditions of this Agreement; and
- (ii) specifying that upon the completion of the transactions contemplated by this Agreement, all right, title, and interest in and to the Assets shall vest absolutely in the Purchaser, the Wapiti Sub and the Bullmoose Sub free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, options, trusts or deemed trusts (whether contractual, statutory, or otherwise), encumbrances, liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing, (A.) any encumbrance or charge created by order of the Court in the CCAA Proceeding; (B.) any Claim by Canada Zhonghe

Investment Ltd.; and (C.) any Claim by HBIS Group International Holding Co. Limited (formerly Hebei Iron & Steel Group Co., Ltd.).

**4. Deposit**

- 4.1 On September 6, 2024, the Purchaser paid a deposit in the amount of \$650,000 to counsel for the Monitor, in accordance with the direction of Justice Walker of the Supreme Court of British Columbia.
- 4.2 At the Closing, the Deposit shall be paid to CDI on account of the Purchase Price as provided in this Agreement along with the Remaining Consideration.
- 4.3 If the transactions contemplated by this Agreement are not completed on the Closing Date:
- (a) by reason of the failure to obtain the Final Order;
  - (b) by reason of the default of the Vendors in the performance or satisfaction of its obligations under this Agreement, or
  - (c) otherwise through no fault of any party,
- the Deposit shall be forthwith returned to the Purchaser.
- 4.4 If the transactions contemplated by this Agreement are not completed on the Closing Date by reason of the default of the Purchaser in the performance or satisfaction of any of its obligations under this Agreement, the Deposit shall be paid to the Vendors as liquidated damages and not as a penalty, and upon payment of the Deposit the Vendors and each of them will have no further claim against the Purchaser for any additional damages or loss whatsoever.

**5. Vendors' Representations and Warranties**

The parties acknowledge and represent that:

- (a) the sale of the Assets is on an "as is, where is" basis;
- (b) the Vendors do not make or give any representations or warranties that survive the completion of the transactions contemplated by this Agreement;
- (c) the Purchaser has had an opportunity to conduct any and all due diligence regarding the Assets and the Vendors prior to making its offer;
- (d) the Purchaser has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in entering into this Agreement and completing the transactions contemplated by this Agreement; and
- (e) the Purchaser did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Assets, or the Vendors or the completeness of any information provided in connection therewith, except as expressly stated herein.

## **6. Vendors' Covenants**

At or before the Time of Closing, the Vendors will deliver to the Purchaser possession of all Assets held by the Vendors.

## **7. Purchaser's Conditions of Closing**

7.1 The obligations of the Purchaser under this Agreement are subject to the following conditions for the exclusive benefit of the Purchaser being fulfilled at the Time of Closing or waived by the Purchaser at or before the Time of Closing:

- (a) the Vendors and each of them will have complied with all terms and covenants in this Agreement agreed to be performed or caused to be performed by them at or before the Time of Closing;
- (b) no action or proceeding against the Assets or any of the Vendors will be pending or threatened by any person, company, firm, governmental authority, regulatory body, or agency to enjoin or prohibit the purchase and sale of the Assets or any of them as contemplated by this Agreement, or the right of the Purchaser, the Wapiti Sub or the Bullmoose Sub, as applicable, to directly or indirectly own the Assets free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein or thereon as contemplated by this Agreement;
- (c) all necessary steps and proceedings will have been taken to permit the Assets to be duly and regularly transferred to and registered in the name of the Purchaser, as applicable, free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein or thereon.

7.2 If on the Closing Date any of the conditions in section 7.1 are not fulfilled or waived as contemplated in section 7.3, the Purchaser may rescind this Agreement by notice in writing to the Vendors. In such event, the Purchaser shall be released from all obligations under this Agreement and the deposit returned to Purchaser, and the Vendors will also be released unless the Vendors or any one or more of them were reasonably capable of causing such condition or conditions to be fulfilled or the Vendors has breached any of their covenants or agreements in this Agreement.

7.3 The conditions in section 7.1 may be waived in whole or in part by the Purchaser without prejudice to any right of rescission or any other right in the event of the non-fulfillment of any other condition or conditions. A waiver will be binding only if it is in writing.

## **8. Vendors' Conditions of Closing**

8.1 The obligations of the Vendors under this Agreement are subject to the following conditions for the exclusive benefit of the Vendors being fulfilled at the Time of Closing or waived by the Vendors at or before the Time of Closing:

- (a) the Purchaser will have complied with all terms, covenants, and agreements in this Agreement agreed to be performed or caused to be performed by it on or before the Time of Closing; and
- (b) no action or proceeding against the Purchaser will be pending or threatened by any person, company, firm, governmental authority, regulatory body, or agency to enjoin

or prohibit the purchase and sale of the Assets or any of them as contemplated by this Agreement or the right of the Purchaser to directly and indirectly own the Assets.

- 8.2 If on the Closing Date any of the conditions in section 8.1 are not fulfilled or waived as contemplated in section 8.3, the Vendors may rescind this Agreement by notice in writing to the Purchaser. In such event, the Vendors and the Purchaser shall be released from all obligations under this Agreement.
- 8.3 The conditions in section 8.1 may be waived in whole or in part by the Vendors without prejudice to any right of rescission or any other right in the event of non- fulfillment of any other condition or conditions. A waiver will be binding only if it is in writing.

## 9. Closing

### 9.1 Closing Location

Unless otherwise agreed to by the parties in writing, the closing of the transactions contemplated by this Agreement (the "**Closing**") will take place at the offices of DLA Piper (Canada) LLP, 2700, 1133 Melville Street, Vancouver, BC V6E 4E5 or by way of exchange of documents, at 12:00 noon Pacific Time on the Closing Date, or such earlier or later date as the parties may agree to in writing. All documents may be delivered electronically, other than payments, share certificates, powers of attorney, and other similar documentation, and, all documents deliverable at closing in accordance with this Agreement shall be tabled and held in escrow until all deliveries are completed, and until all parties have agreed to release the documents and terminate the escrow.

### 9.2 Vendors' Closing Documents

At the Closing, the applicable Vendors will tender to the Purchaser:

- (a) a Court certified copy of the Final Order and any other orders of the Court as are necessary or advisable to effect the transfer of the Assets in accordance with the terms and conditions of this Agreement;
- (b) certified copies of the resolutions of the directors of the applicable Vendors, in form satisfactory to the Purchaser acting reasonably, authorizing the sale of the Assets to the Purchaser, including the transfers of the Shares to the Purchaser;
- (c) certified copies of resolutions of the directors of the Wapiti Sub and Bullmoose Sub, as applicable, in form satisfactory to the Purchaser acting reasonably, authorizing the transfer of the Shares to and the registration of the Shares in the name of the Purchaser and the issue of new share certificates representing the Shares in the name of the Purchaser;
- (d) share certificates in the name of the applicable Vendors representing the Shares duly endorsed for transfer and duly executed share certificates representing the Shares in the name of the Purchaser;
- (e) certified copies of the central securities registers of the Wapiti Sub and Bullmoose Sub recording that the Purchaser is the holder of the Shares, as applicable;
- (f) duly signed resignations of the directors and officers of the Wapiti Sub and Bullmoose Sub specified by the Purchaser, or certified copies of shareholder resolutions of each

of the Wapiti Sub and Bullmoose Sub, removing the directors and officers of the Wapiti Sub and Bullmoose Sub specified by the Purchaser;

- (g) a bill of sale conveying the Assets to the Purchaser;
- (h) transfers of the Bullmoose Coal Licenses in the form required by the applicable governmental authority;
- (i) if required by the Purchaser, transfers of the Wapiti Coal Licenses in the form required by the applicable governmental authority;
- (j) possession of all Assets in the Vendors' possession or control, including the books, records, book accounts, and all other documents, consultant reports, files, records, and other data, financial or otherwise, used or held in or for Wapiti Sub, the Wapiti Project, the Bullmoose Sub, and the Bullmoose Project, including all mineral and coal licenses, geological and exploration data, core samples, and intellectual property used or held in or for the Wapiti Project and the Bullmoose Project;
- (k) for any Assets not in the possession or control of Vendor, a detailed description of all Assets including all geological samples, equipment or other tangible Assets used or held in or for Wapiti Sub, the Wapiti Project, the Bullmoose Sub, and the Bullmoose Project, their location, and any steps required for their delivery to Purchaser; and
- (l) such other documents and assurances as may be reasonably required by the Purchaser to give full effect to the intent and meaning of this Agreement.

### **9.3 Purchaser's Closing Documents**

At the Closing, the Deposit shall be paid to the Vendors, and the Purchaser will tender to the Vendors a certified cheque or bank draft payable to the Vendors in the amount of Remaining Consideration.

### **10. Twelve Missing Wapiti Licenses**

**The Vendors acknowledge that the Purchaser is seeking to acquire the Twelve Missing Wapiti Licenses. In the event that the Twelve Missing Wapiti Licenses are restored to CDI in the future, including through CCAA or bankruptcy proceedings, then CDI will immediately transfer such licenses to Purchaser for no additional consideration.**

### **11. General**

#### **11.1 Reliance**

The Vendors and each of them acknowledge and agree that the Purchaser has entered into this Agreement relying on the representations, warranties, covenants, and agreements, and other terms and conditions of this Agreement.

#### **11.2 Commissions, Legal Fees**

Each of the parties will bear the fees and disbursements of the respective lawyers, accountants, and consultants engaged by them respectively in connection with this Agreement and will not cause or permit any such fees or disbursements to be charged to the Vendors or any of them before the Closing Date.

### 11.3 Notices

Any demand, notice, or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, (by registered mail) or by electronic means of communication addressed to the recipient as follows:

To the Vendors or any of them:

DLA Piper (Canada) LLP, 2700 – 1133 Melville Street, Vancouver, BC V6E 4E5

Attention: Jeffrey Bradshaw [jeffrey.bradshaw@dlapiper.com](mailto:jeffrey.bradshaw@dlapiper.com)

To the Purchaser:

Stikeman Elliott, 1700 666 Burrard St., Vancouver

Attention: Karen Fellowes KC [kfellowes@stikeman.com](mailto:kfellowes@stikeman.com)

or to such other street address, individual or electronic communication number, or address as may be designated by notice given by either party to the other. Any demand, notice, or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, (if given by registered mail, on the third business day following the deposit thereof in the mail and), if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the business day during which such normal business hours next occur if not given during such hours on any day. (If the party giving any demand, notice, or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice, or other communication may not be mailed but must be given by personal delivery or by electronic communication.)

### 11.4 Time of Essence

Time is of the essence of this Agreement.

### 11.5 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof, and the remaining part of such provision and all other provisions hereof will continue in full force and effect.

### 11.6 Further Assurances

Each of the parties will execute and deliver such further documents and instruments and do such acts and things as may, before or after the Closing Date, be reasonably required by the other party to carry out the intent and meaning of this Agreement.

### 11.7 Proper Law

This Agreement will be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of British Columbia.



**11.8 Entire Agreement**

This Agreement contains the whole agreement between the Vendors and Purchaser pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations, and discussions between the parties and there are no representations, warranties, covenants, conditions, or other terms other than expressly contained in this Agreement.

**11.9 Assignment**

This Agreement may not be assigned by any party without the prior written consent of the other party, which consent may be arbitrarily withheld.

**11.10 Benefit and Binding Nature of the Agreement**

This Agreement enures to the benefit of and is binding upon the parties and their respective successors and permitted assigns.

**11.11 Amendments and Waiver**

No modification of or amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by both of the parties and no waiver of any breach of any term or provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same, and unless otherwise provided, will be limited to the specific breach waived.

**11.12 Counterparts and Delivery**

This Agreement may be executed in counterparts and such counterparts together shall constitute a single instrument. Delivery of an executed counterpart of this Agreement by electronic means, including by facsimile transmission or by electronic delivery in portable document format (".pdf"), whether containing signatures by hand of the signatory or computer or machine-generated signatures, shall be equally effective as delivery of a manually executed counterpart hereof, and will constitute delivery of an original document.

AS EVIDENCE OF THEIR AGREEMENT the parties have executed this Agreement as of the date and year first above written.

**CANADIAN DEHUA INTERNATIONAL MINES GROUP INC.**

Per: \_\_\_\_\_  
Authorized Signatory

**WAPITI COKING COAL MINES CORP.**

Per: \_\_\_\_\_  
Authorized Signatory

**CANADIAN BULLMOOSE MINES CO., LTD.**

Per: \_\_\_\_\_  
          Authorized Signatory

**TANEMAHUTA CAPITAL LTD.**

Per: \_\_\_\_\_  
          Authorized Signatory