



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.**

TWENTIETH REPORT OF THE MONITOR

November 18, 2024

INTRODUCTION AND PURPOSE

1. This report (“**Twentieth 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 (“**VIO**”); 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 Wapati 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. On October 22, 2024, the Company sought and was granted an extension of its stay of proceedings to November 30, 2024.
28. The purpose of the Twentieth 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 Nineteenth Report.
29. The reports of the Monitor and other information in respect of these proceedings are posted on the Monitor's website at <http://cfcanda.fticonsulting.com/canadiandehuinternational>

TERMS OF REFERENCE

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

THE HEARING ON OCTOBER 17-18 AND 21-22, 2024

35. At a hearing on October 17, the Company sought the following relief:
- (a) An extension of the Company’s current stay of proceedings set to expire on October 25, 2024 to November 30, 2024; and
 - (b) Approval of the purchase agreement between CDI, CBM and Wapiti and the DIP Lender dated October 9, 2024 (the “**Sale Agreement**”).
36. Prior to the hearing, on October 15, 2024 a further offer in the form of a purchase agreement (the “**TaneCap APA**”) was received by the Monitor from TaneMahuta Capital Ltd. (“**TaneCap**”).
37. As indicated in the Nineteenth Report, the TaneCap APA was for the purchase of the same assets as detailed in the Sale Agreement, however it indicated a purchase price of \$2 million, which was \$350,000 in excess of the purchase price indicated in the Sale Agreement.
38. Throughout October 17, 18, 21 and 22, the Court heard submissions from counsel for each of the DIP Lender, TaneCap, the Monitor, Shougang International, Canada Zhonghe Investment Ltd. and the Company relating to the relief being sought.
39. At the conclusion of the hearing, the Court directed:
- (a) The transcript from the hearing of September 17, 2024 be obtained which TaneCap’s counsel agreed to request and pay for; and
 - (b) If Tanecap intended to file and rely on the unfiled affidavit they presented at the hearing, then:

- i. Counsel for the DIP Lender would need to circulate its position on what else needs to be redacted from that affidavit, with the parties providing responses thereto; and
 - ii. Counsel for the DIP Lender and the Company were granted the right to cross-examine Mr. Amanat on the new affidavit.
- 40. As at the date of this report, the Monitor is not aware that the transcript has been obtained or that a date has been set for an examination of Mr. Amanat.
- 41. With respect to the approval of either the Sale Agreement or the TaneCap APA, the Monitor notes the following concerns:
 - (a) No further advances have been made pursuant to the DIP Loan and as a result, the Monitor and its counsel as well as the Company's counsel are now relying on the Administrative Charge which is approved to a maximum of \$350,000;
 - (b) The Monitor is advised that the Company's counsel is currently owed approximately \$150,000 for outstanding fees, Monitor's counsel is owed approximately \$80,000 and the Monitor is owed approximately \$85,000;
 - (c) The above noted outstanding fees total approximately \$315,000 and accordingly if the Sale Agreement is approved, there will not be sufficient residual funds to bring the professionals current nor provide any amount to pursue the sale of the remaining assets of CDI or fund an alternative process that may be sought by the unsecured creditors without further advances under the DIP Loan;

- (d) The Monitor notes that Mrs. Liu indicates in her affidavit made October 16, 2024 (filed October 31, 2024) that in the event the TaneCap APA was approved the DIP Lender wanted an opportunity to make a further offer, and was seeking further funding to be able to do so; and
 - (e) The Monitor notes that a month has elapsed and no further offers have been received by the Monitor from the DIP Lender.
42. In addition to the concern raised above, the Monitor advises that although there has been no indication to date of TaneCap withdrawing the TaneCap APA, there is a risk the longer this continues with no resolution.
43. The Monitor appreciates that the Court wishes to read the transcript from the September 17, 2024 hearing to determine whether TaneCap was foreclosed from submitting the October 15, 2024 TaneCap APA, however the Monitor is of the view that there needs to be timelines set to finalize this hearing such that the Court can render its judgement prior to the next extension of the stay of proceedings.
44. The current stay of proceedings is set to expire of November 30, 2024 and accordingly the Company is seeking to extend the stay of proceedings to January 17, 2025.
45. The Monitor is of the view that the approval of either the Sale Agreement or the TaneCap APA is in the best interest of the stakeholders after a prolonged SISP. If the TaneCap APA were approved, that would constitute the best available offer for the shares and assets of Wapiti and CBM.
46. If, however, the Court were to determine that the TaneCap APA cannot be approved, then approval of the Sale Agreement would constitute the best available offer for the shares and assets of Wapiti and CBM.

47. Finally, if the Court were to determine that the TaneCap APA should be taken into consideration, the Monitor notes that as stated in the Nineteenth Report, section 36(4) of the CCAA prohibits the Court from approving an offer from a related party unless the consideration is superior to the consideration that would be received from any other offer.
48. Accordingly, a short extension of the stay of proceedings to allow the Court to conclude the hearing and render its decision as well as providing the time for the Company to close an approved sale agreement is warranted.
49. The Monitor has indicated previously the total outstanding professional fees and advises that if more appearances are required in order to conclude this hearing, the Administration Charge may need to be increased.
50. As indicated in the Nineteenth Report, 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.
51. 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 January 17, 2025.

THE MISSING COAL LICENSES

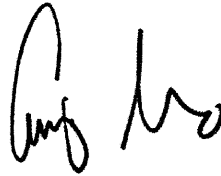
52. In her Affidavit #2, made October 16, 2024 (filed October 31, 2024), Mrs. Liu detailed the circumstances regarding the lapsed coal licenses.
53. The Monitor has reviewed the affidavit which appears to address the events. However, given its current lack of powers the Monitor has made no enquiries with the regulatory body regarding if those licenses in a protected state could be returned to Wapiti.

CORRESPONDENCE FROM TANECAP

54. The Monitor has reviewed the correspondence in its file and appended to Mr. Amanat's unfiled affidavit #2 and confirms that it repeated what it believed to be the court's directions from the end of the hearing on September 17, 2024, including that Tanecap was not foreclosed from bringing something further to the court if it changed its positions. While the bid deadline had passed, no sale had been approved yet and so the process appeared to be continuing.

All of which is respectfully submitted this 18th day of November, 2024.

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



Name: _____
Title: Managing Director,
FTI Consulting Canada Inc.