



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.**

**FIRST REPORT OF THE MONITOR**

**JUNE 8, 2022**

## INTRODUCTION AND PURPOSE

1. This report (“**First 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. 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. CDI is owned 50% by Mr. Naishun Liu (“**Mr. Liu**”) and 50% by his spouse, Mrs. Qubo Liu (“**Mrs. Liu**”). Naishun is the sole director and officer of the Company.
4. The majority of CDI’s investments were made in partnership with major Chinese mining companies and steel manufacturers as additional shareholders.
5. CDI currently owns 100% of the shares of two mining projects and a service company:
  - (a) Wapiti Coking Coal Mines Corporation (“**WCCM**”);
  - (b) Canada Dehua Drilling Ltd. (“**CDD**”); and
  - (c) Canadian Bullmoose Mines (“**CBM**”).
6. 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**”).

7. Finally, the Company holds an interest in a mining project referred to as Iron Ross.
8. As outlined in the first affidavit of Naishun Liu sworn May 31, 2022 (the “**Liu Affidavit**”) various factors have contributed to CDI’s financial distress and desire to seek a stay of proceedings including:
  - (a) Delays in achieving commercial production beyond what was originally planned for certain projects resulting in the assumption of significant debt and limited revenues;
  - (b) Two creditors, Zhonghe Canada Zhonghe Investment Ltd. (“**Zhonghe**”) and China Shougang International Trade & Engineer Corporation (“**Shougang**”) obtaining default judgements against CDI in the approximate amounts of \$5.2 million and \$20.8 million respectively and the active pursuit of these claims; and
  - (c) The commencement of bankruptcy proceedings by Shougang seeking to obtain a bankruptcy order as against CDI.
9. The business and affairs of the Company and the causes of their insolvency are described in further detail in the Liu Affidavit filed in these proceedings.
10. Accordingly, on June 3, 2022 the Company sought and obtained a stay of proceedings which the Company deemed necessary to allow it the time to pursue a transaction to divest some of its investments in order to raise sufficient cash to address CDI’s liquidity issues.
11. The purpose of the First Report of the Monitor is to provide this Honourable Court with an update on the following:
  - (a) The prospects of maximizing value for stakeholders and preserving the business of CDI under the CCAA regime;
  - (b) To provide more information on the WCCM and CDLV transactions as defined in the Liu Affidavit;

- (c) The Company's cash flow projection for the period from June 3, 2022 to September 4, 2022;
  - (d) The Company's efforts to secure funding for its ongoing costs during these proceedings and the Monitor's view of the debtor-in-possession term sheet being proposed for approval by this Honourable Court;
  - (e) The rationale for the Administration Charge over the Company's assets to secure the professional fees and disbursements in relation to these proceedings;
  - (f) The rationale for the D&O Charge over the Company's assets to provide security for any claims made against the director; and
  - (g) The Company's request for an extension of the current stay of proceedings from June 3, 2022 to August 4, 2022.
12. 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

13. 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**").
14. 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.
15. 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.
16. 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.
17. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

## THE PROSPECT OF MAXIMIZING STAKEHOLDER VALUE

18. The Monitor is aware that a competing application for a bankruptcy order is being sought by Shougang and the Court has asked for the Monitor's views on the prospects of the Company maximizing value for stakeholders through a CCAA proceeding as opposed to a bankruptcy proceeding.
19. In the Monitor's experience, it is not uncommon to have a competing application for the appointment of a receiver versus an application for a CCAA proceeding. In the Monitor's experience having a competing application for a bankruptcy order as opposed to a CCAA proceeding is uncommon. However, in this case there is no secured lender and accordingly a bankruptcy order is being sought.
20. In the case of competing receivership applications, it is usually the secured lender making the argument that the debtor no longer has an economic interest in the assets and therefore the secured lender should get to decide who is in control of the business and assets for purposes of recovery.
21. As the Court will be aware, the primary difference between bankruptcy and CCAA proceedings, is who has custody of the company's assets and, in the case of a liquidating CCAA, who leads the process for the disposition of assets.
22. In the case of a CCAA, the debtor remains in possession of its assets and in consultation with the court appointed monitor and oversight of the court, determines the strategy of how to maximize stakeholder value.

23. In the case of a bankruptcy, the Licensed Insolvency Trustee (the “**Trustee**”) has responsibility for determining the strategy for monetizing the assets for the benefit of stakeholders. Generally speaking, the strategic options open to a Trustee will be limited by the funding available to the Trustee, and accordingly where funding is absent or limited a Trustee will determine to liquidate the assets as quickly as possible even though a longer process might yield more value.
24. Depending on the specific circumstances, the process for monetizing assets may look similar in both proceedings and as a result, in the Monitor’s view the following factors need to be considered:
- (a) The complexity of the transaction required to monetize the assets;
  - (b) The state of any existing process to restructure the business or sell assets;
  - (c) The resources available to fund such a process;
  - (d) The historical knowledge and industry knowledge required by the party leading any sale and investment solicitation process;
  - (e) The type of assets owned by the debtor company;
  - (f) The extent to which existing relationships are necessary to maximize the recovery from any asset sales; and
  - (g) An assessment of whether the debtor is acting in good faith and with due diligence.
25. The Monitor requested a bio from Mr. Liu which is attached as Appendix A. As indicated therein, Mr. Liu’s career has been focused on the mining industry dating back to 1988.

26. As detailed in a subsequent section, Mr. Liu has been attempting to divest CDI's interests in WCCM and CDLV for several months. The potential purchasers are located in mainland China and the negotiations, particularly with respect to WCCM appear to be at an advanced stage.
27. Mr. Liu's historical knowledge of the projects as well as his relationships with the companies seeking to acquire some of CDI's assets would appear to be of value to any process trying to maximize the value of CDI's assets. As a result, the Monitor is of the view that it would benefit the interests of all stakeholders to secure his continued support in order to maximize the return to stakeholders.
28. The purchase price contemplated in the proposed sale of CDI's interest in the WCCM project, would appear to address CDI's current liquidity issues.
29. Mrs. Liu has indicated her willingness to provide debtor-in-possession financing to fund these proceedings (as discussed in a subsequent section of this report).
30. The bankruptcy process provides the Trustee with the power to borrow and to retain management to assist the Trustee in the performance of its duties, but only with the approval of the estate inspectors.
31. Anyone can act as an inspector, however generally the inspectors consist of representatives from the body of creditors.
32. The Trustee could also offer to retain the services of Mr. Liu with the approval of the estate inspectors. However, it is uncertain whether the Trustee would seek Mr. Liu's assistance or if Mr. Liu would be amenable to providing support to a Trustee in a bankruptcy process.



33. Although Mrs. Liu has indicated her willingness to provide debtor-in-possession financing to fund the CCAA proceedings, there is no certainty that she would be willing to do so in a bankruptcy. If Mrs. Liu is unwilling to provide funding in a bankruptcy, the Monitor is of the view that given the nature of CDI's assets it would be commercially challenging to attract a lender to fund a bankruptcy process, including a sale process.
34. The Monitor believes the Company has been acting in good faith and with due diligence and is not aware of any allegations to the contrary.
35. Although the Monitor is not able to point to any empirical evidence, the Monitor believes there is a perceived stigma attached to a bankruptcy proceeding which may affect asset values versus a debtor in possession sale process.
36. As CDI is an investment company, its ability to maximize its value and address its current liquidity issues is dependent on the success of a process to divest some of its holdings.
37. The Monitor is of the view that given Mr. Liu's industry knowledge, his familiarity with CDI's assets and his relationships with the proposed buyers, his involvement in any sale process is critical to maximizing value.

## THE WCCM AND CDLV TRANSACTIONS

38. The Monitor has reviewed the documentation available to it with respect to CDI's discussions with potential purchasers for the sale of CDI's shares in WCCM and CDLV.
39. As the potential purchasers are all companies located in China, all of the written correspondence is in Chinese.
40. With the support of a representative from FTI who is fluent in written Chinese and able to communicate in mandarin (the "**FTI Mandarin Speaker**"), the Monitor has reviewed the correspondence between CDI's management and the potential purchasers.
41. The written correspondence has primarily occurred via the equivalent of a WeChat platform. CDI's management provided screenshots of the correspondence to the FTI Mandarin Speaker who translated the dialogue.
42. The FTI Mandarin Speaker has also been provided with copies of correspondence from the potential purchaser to the Company relating to due diligence requests in addition to a powerpoint presentation prepared by representatives of the potential purchaser of the WCCM shares for its investment committee.
43. With respect to the WCCM transaction, the negotiations appear to be at an advanced stage wherein the potential purchaser has performed its due diligence and has referred the opportunity to its investment committee.
44. The decision by the investment committee has been delayed due to the recent COVID-19 lockdowns in China which took effect in early April and are only now starting to be lifted.

45. The potential purchaser is a group, one entity in which is a public company in China (itself potentially the purchasing entity) and accordingly, the Monitor is of the view that public disclosure of the potential purchaser or proposed purchase price could put the transaction at risk as the transaction has not been disclosed to the potential purchaser's shareholders.
46. The Monitor understands that CDI will be making an application to seal the Supplement to the Monitor's First Report which will include further details of the WCCM project to this Honourable Court.
47. With respect to the sale of CDI's shares in CDLV, there are currently two parties reviewing the opportunity.
48. Both parties have familiarity with the project and are currently in discussions with CDI as to an appropriate purchase price.
49. Accordingly, given the competitive nature of the sale of the CDLV shares, the Monitor is of the view that it may be prejudicial to the stakeholders to make the information public as it may prejudice CDI's on-going discussions.
50. The proposed sale price for CDI's shares of WCCM and/or CDLV would appear to provide the Company with sufficient resources to address its current liquidity issues.

## PROJECTED CASH FLOW

51. The Cash Flow Statement attached as Exhibit C to the Liu Affidavit is attached as Appendix B to this report, a summary of which is provided in the following table:

<i>(CAD thousands)</i>	Initial Stay Period	Forecast Period
<b>Receipts</b>		
Other	\$ -	\$ -
<b>Total Receipts</b>	-	-
<b>Disbursements</b>		
Automobile Expenses	-	(3)
Bank Charges	-	(0)
Telephone and Communication	-	(1)
Travelling Expenses	-	(3)
Wage and Benefits	-	(26)
Professional Fees	-	(300)
<b>Total Disbursements</b>	-	(333)
<b>Net Change in Cash</b>	-	(333)
<b>DIP Financing / (Repayments)</b>	-	350
<b>Opening Cash</b>	-	-
<b>Ending Cash</b>	\$ -	\$ 17

52. The Forecast Period covered by the Cash Flow Statement is the 13 weeks commencing on June 6, 2022 and ending on September 4, 2022.
53. The key assumptions of the Cash Flow Statement are as follows:
- (a) As there are currently no active operations, no operating receipts are anticipated during the Forecast Period;
  - (b) The operating disbursements relate to expenditures required to continue general administrative functions including automobile expenses, telephone and communication expenses, wages and benefits for the two CDI employees, and travel expenses for a planned July 2022 site visit to some of the Company's development projects; and

- (c) Professional fees for the Company's counsel, the Monitor and its counsel are forecast to be approximately \$300,000 during the Forecast Period.
54. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Monitor hereby reports as follows:
- (a) The Cash Flow Statement has been prepared by Management for the purpose described in the notes to the Cash Flow Statement, using the probable assumptions and the hypothetical assumptions set out in notes 1 to 8 thereof;
  - (b) The Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by CDI's management; and
  - (c) Since hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor has also reviewed the support provided by CDI's management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.
55. Based on its review, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
- (a) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
  - (b) As at the date of this report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or

- (c) The Cash Flow Statement does not reflect the probable and hypothetical assumptions;
- 56. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved.
- 57. The Cash Flow Statement has been prepared solely for the purposes described in the notes to the Cash Flow Statement and readers are cautioned that it may not be appropriate for other purposes.

#### **INTERIM FINANCING CHARGE**

- 58. As reflected in the Cash Flow Statement, the Company is unable to pay ongoing expenses and the costs associated with its CCAA proceedings without additional funding. The Cash Flow Statement demonstrates an interim financing need of approximately \$333,000 throughout the Forecast Period.
- 59. The Monitor understands that Mrs. Liu (the “**Proposed DIP Lender**”) has provided a term sheet to the Company for debtor-in-possession financing in the amount of \$350,000 (the “**DIP Facility**”).
- 60. A summary of the terms of the proposed DIP Facility are as follows:
  - (a) Advances are to be made in increments of \$5,000 up to a maximum of \$350,000;
  - (b) There is no commitment fee payable;
  - (c) There is no interest payable on the DIP Facility;

- (d) The maturity date is the earlier of:
- i. The day on which the Proposed DIP Lender makes demand for repayment after the occurrence of an Event of Default as defined in the DIP Facility;
  - ii. The implementation of an approved Plan of Arrangement pursuant to these CCAA proceedings; or
  - iii. December 9, 2022; and
- (e) Repayment of all amounts due under the DIP Facility are to be made from the proceeds of any assets sales.
61. In connection with the DIP Facility, the Company is seeking approval that the DIP Facility will require that any funds advanced be secured by a second-ranking charge (subordinate only to the Administration Charge) secured against the property of CDI (the “**DIP Facility Charge**”).
62. A copy of the proposed DIP Facility is attached as Appendix C.
63. The Monitor has reviewed the terms of the DIP Facility and compared it to other DIP facilities of similar sizes in other CCAA proceedings. In the Monitor’s view, the terms of the DIP Facility are very reasonable given that there is no commitment fee and the loan is interest free.
64. In addition, as indicated previously there are no secured creditors and therefore the DIP Security Charge would not be priming any existing security.
65. In the event that lending is sought from a third party, the Monitor is of the view that its terms would be considerably higher.

66. It is the Monitor's view, should the Court agree to extend the stay of proceeding as granted in the Initial Order, the financing contemplated by the DIP Facility is necessary to fund the Company's operations and restructuring costs and will enhance CDI's prospect of achieving a viable restructuring outcome.
67. As a result, the Monitor supports CDI's request for approval of the DIP Facility and DIP Facility Charge.

#### **ADMINISTRATION CHARGE**

68. The Initial Order provides for a Court-ordered administration charge (the "**Administration Charge**") in the amount of \$350,000 that ranks in priority to all other charges and security interests of CDI.
69. The Monitor is not aware of any secured creditors and accordingly no secured creditor is being primed by the charge.
70. The Administration Charge is to secure the fees and disbursements incurred in connection with services rendered to the Company before and after the commencement of the CCAA Proceedings by counsel to the Company, the Monitor and the Monitor's counsel.
71. The Monitor is of the view that if the Court agrees to extend the stay of proceedings granted in the Initial Order, that the Administration Charge is reasonable and appropriate to ensure that the Company continues to receive services from its professionals throughout its CCAA proceedings.



## **D&O CHARGE**

72. The Monitor understands that a charge for the Directors and Officers (the “**D&O Charge**”) in the amount of \$200,000 was sought by the Company on its application for the Initial Order which was removed on the basis that the Company seek insurance from a commercial underwriter.
73. Subsequent to the granting of the Initial Order, the Monitor on behalf of the Company, contacted two insurance brokers and is advised by the Company that it reached out to two different insurance brokers.
74. The feedback received from all of the insurance brokers was that they would not be able to find an underwriter willing to take on such a policy given the current state of the Company.
75. As indicated previously in this report, the Monitor is of the view that securing Mr. Liu’s continued involvement in the process to monetize the WCCM and CDLV shares is critical to maximizing value for the stakeholders.
76. It is not uncommon in a CCAA proceeding to provide the directors with the comfort of a charge to secure their continued support.
77. The Monitor is of the view that the amount sought is reasonable in comparison to the size of the Company’s assets and in the event the Court agrees to extend the stay of proceedings granted in the Initial Order, supports the granting of the D&O Charge.

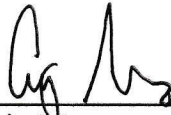
## THE COMPANY'S REQUEST TO EXTEND THE STAY OF PROCEEDINGS

78. CDI is seeking an extension of the provisions of the Initial Order, including the stay of proceedings, to August 4, 2022. Absent such extension, the stay will expire on June 9, 2022.
79. The Company is seeking an extension for the following reasons:
- (a) To provide the time required to finalize agreements of purchase and sale for CDI's shares of WCCM and/or CDLV; and
  - (b) To formulate a plan of arrangement to creditors, with the assistance of the Monitor.
80. 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 the circumstances exist that make the order appropriate.
81. As indicated in this report and the Supplement to the First Report, the Monitor is of the view that given the stage of the proposed sale of CDI's interest in WCCM, the Company should be given time to finalize an agreement of purchase and sale as it would provide the resources necessary for the Company to make a viable proposal to its creditors.
82. The Monitor is also of the view that the Company is acting in good faith and with due diligence.

83. Accordingly, the Monitor supports the Company's request for an extension of the stay of proceedings to August 4, 2022.

All of which is respectfully submitted this 8<sup>th</sup> day of June, 2022.

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**

## **Naishun Liu – Resume**

### **1998 – 1992, News Reporter, Yang Quan Department of Mines (“Yang Quan”)**

- Yang Quan was opened in 1950 as a state owned department, it had one of the largest mining sites in China in the 1900s. It was later transitioned to a state owned enterprise that is now called Yang Quan Coal Industry (Group) Co., Ltd.
- Based on the company website, it currently has RMB77.8 Billion of assets, 72 subsidiaries and 128,000 employees.
- Naishun Liu was the news reporter that worked with the management team to report management’s activities in the business. Naishun Liu used this experience to gain in depth understanding of the mining industry, coal mining supply chain etc.

### **1992 – 1995, General Manager, TianJin International Trading Company, subsidiary of Yang Quan**

- The Company operated a coal trading business.

### **1995 – 1997, Management position, Yang Quan, Beijing**

- Naishun Liu managed the supply chain of the China Coal railroad, he was the approver of all coal transportation and railroad usage.

### **1993 – 1997, General Manager Assistant, Yang Quan**

- In addition to the above roles, Naishun Liu was also the General Manager Assistant of Yang Quan;
- Naishun Liu worked with the Yang Quan management team to build out the network of coal mining businesses in China;
- Naishun Liu has maintained his relationships with many of the his contacts in China until this day. In 2017, when Yang Quan’s General Manager came to Canada, Naishun Liu hosted the visit with him.

### **1998 – 2003, Businessman in China**

Naishun Liu started his own coal business in China.

### **2004 – present, Businessman in Canada**

Started CDI coal business in Canada.

# **APPENDIX B**

Canada Dehua International Mines Group Inc.  
Cash Flow Statement  
For the 13-week period ending September 4, 2022

(C/D thousands)	Initial Stay Period													Forecast Period	
	Week 1 3-6月	Week 2 6-9月	Week 3 13-6月	Week 4 20-6月	Week 5 27-4月	Week 6 4-7月	Week 7 11-7月	Week 8 18-7月	Week 9 25-7月	Week 10 1-8月	Week 11 8-8月	Week 12 15-8月	Week 13 22-8月		Week 14 29-8月
Total Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Disbursements															
Automobile Expenses	[2]	0	0	0	-0.948	0	0	-2.063	0	0	0	0	0	0	-3.011
Bank Charges	[3]	0	0	0	-0.042	0	0	0	-0.042	0	0	0	0	0	-0.126
Telephone and Communication	[4]	0	-0.363	0	0	-0.363	0	0	0	-0.363	0	0	0	0	-1.089
Travelling Expenses	[5]	0	0	0	0	0	-2.8	0	0	0	0	0	0	0	-2.8
Wage and Benefits	[6]	0	0	-8.7	0	0	-8.7	0	0	0	0	-8.7	0	0	-26.1
Professional Fees		0	0	-1.00	0	0	0	0	-1.00	0	0	0	-1.00	0	-3.00
Total Disbursements	0	-9.063	-1.00	-1.00	-0.99	-9.063	-4.863	-10.042	-4.863	-10.042	0	-9.063	-1.00	-0.042	-33.126
Net Change in Cash	0	0	-9.063	-1.00	-0.99	0	-9.063	-10.042	-4.863	-10.042	0	-9.063	-1.00	-0.042	-33.126
DIP Financing / (Repayments)	[7]	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Cash	[8]	0	0	-9.063	40.937	39.947	30.884	26.021	30.884	26.021	75.979	75.979	66.916	16.916	350
Opening Cash		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Cash		0	0	-9.063	40.937	39.947	30.884	26.021	30.884	26.021	75.979	75.979	66.916	16.874	16.874

Naishun Liu, Chief Executive Officer  
Canada 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] Canada Dehua International Mines Group Inc. ("CDI" or the "Applicant") are expected to no operating revenue during the CCAA Proceedings.
  - [2] Automobile Expenses relate to car insurance for CDI's automobile.
  - [3] Telephone and Communication relate to CDI's internet and telephone services.
  - [4] Travel Expenses relate to July 2022 annual site visit to CDI's Mining Projects.
  - [5] Wage and Benefits relate to the two CDI employees' monthly salaries and benefits.
  - [6] Professional fees includes the Applicant's legal counsel, as well as the Monitor and Monitor's legal counsel.
  - [7] It is anticipated that the debtor's counsel will seek Debtor-in-possession ("DIP") financing (Repayment) during the Comcheck Hearing to fund the Applicants costs during the CCAA proceedings.
  - [8] 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.

\*Summary for Monitor's Reports

(C/D thousands)	Initial Stay Period	Forecast Period
Total Receipts	0	0
Disbursements		
Automobile Expenses	0	-3.011
Bank Charges	0	-0.126
Telephone and Communication	0	-1.089
Travelling Expenses	0	-2.8
Wage and Benefits	0	-26.1
Professional Fees	0	-3.00
Total Disbursements	0	-33.126
Net Change in Cash	0	-33.126
DIP Financing / (Repayments)	0	0
Operating Cash	0	350
Ending Cash	0	16.874

# **APPENDIX C**



## DIP COMMITMENT LETTER

Dated as of June 8, 2022

**WHEREAS** the Borrower (as defined below) have requested that the DIP Lender (as defined below) provide financing to fund certain of the Borrower's obligations during the pendency of the Borrower's proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") in the Supreme Court of British Columbia (the "**Court**") Vancouver Registry Action No. VLC-S-224444 and in accordance with the terms and conditions set out herein;

**NOW THEREFORE**, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of such consideration is hereby acknowledged), agree as follows:

<b>DEFINITIONS:</b>	<p>Capitalized terms not otherwise defined herein shall have the following meanings:</p> <p><b>"Administration Charge"</b> shall have the meaning ascribed to such term in the ARIO but in no event shall the amount secured by such charge exceed \$500,000, except with the written consent of the DIP Lender;</p> <p><b>"Business Day"</b> means each day other than a Saturday or Sunday or a statutory or civic holiday in Vancouver, British Columbia;</p> <p><b>"Default"</b> means an event which, with the giving notice and/or lapse of time would constitute an Event of Default (as defined herein);</p> <p><b>"DIP Fees and Expenses"</b> means all reasonable and documented fees, including the disbursements and out-of-pocket expenses incurred by the DIP Lender (including reasonable and documented legal, consulting, advisor and other professional fees and expenses, on a full indemnity basis), in connection with the CCAA Proceedings, due diligence, negotiation and documenting of this DIP Commitment Letter, and the enforcement of the DIP Priority Charge.</p> <p><b>"DIP Obligations"</b> means all obligations of the Borrower to the DIP Lender under or in connection with this DIP Commitment Letter, including all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Borrower to the DIP Lender in any currency or remaining unpaid by the Borrower to the DIP Lender under or in connection with this DIP Commitment Letter.</p> <p><b>"Monitor"</b> means FTI Consulting Canada Inc. in its capacity as Monitor of the Borrower.</p>
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<b>DIP BORROWER:</b>	Canadian Dehua International Mines Group Inc. (the “ <b>Borrower</b> ”).
<b>DIP LENDER:</b>	<b>Qubo Liu</b>
<b>PURPOSE:</b>	The proceeds of the DIP Advances (as defined below) shall be used for the purposes set forth in the Cash Flow Projections (as defined below).
<b>COMMITMENT FEE</b>	The DIP Lender does not require an initial commitment fee (the “ <b>Commitment Fee</b> ”).
<b>DIP FACILITY, MAXIMUM AMOUNT AND COMMITMENTS:</b>	A super-priority (debtor-in-possession) term credit facility (the “ <b>DIP Facility</b> ”) up to a principal amount of \$350,000 comprised of a maximum commitment of \$350,000 (the “ <b>Maximum Commitment</b> ”). All advances by the DIP Lender under the DIP Facility shall be made in increments of \$5,000 and shall be made to the Borrower and shall be referred to herein as “ <b>DIP Advances</b> ”, and each of which shall be individually referred to herein as a “ <b>DIP Advance</b> ”.
<b>MATURITY DATE:</b>	<p>All amounts owing to the DIP Lender under the DIP Facility shall be due and payable in full on the <u>earliest</u> of the occurrence of any of the following (such earliest date being the “<b>Maturity Date</b>”): (i) the date on which the DIP Lender demands repayment of the DIP Facility after the occurrence of an Event of Default (as defined below); (ii) the implementation of a plan of compromise or arrangement within the CCAA Proceedings, which has been approved by the requisite majorities of the Borrower’s respective creditors, by an order made by the Court, and by the DIP Lender; and (iii) the earlier of December 9, 2022, or such other later date as may be communicated in writing by the DIP Lender at its sole and unfettered discretion.</p> <p>The commitment in respect of the DIP Facility shall expire on the Maturity Date and all amounts outstanding under or in connection with the DIP Facility shall be repaid in full by no later than the Maturity Date, without the DIP Lender being required to make demand upon the Borrower or to give notice that the DIP Facility has expired and the obligations hereunder are due and payable. The DIP Obligations under this DIP Commitment Letter shall not be fully and finally discharged, and the DIP Priority Charge shall not be released, until all DIP Obligations have been satisfied in full.</p>
<b>INTEREST RATE:</b>	There will be no interest charged on the DIP Facility.

<b>PAYMENTS:</b>	<p>Subject to the terms herein, the Borrower may prepay in full, but not in part, without notice or penalty all amounts outstanding under the DIP Facility at any time prior to the Maturity Date.</p> <p>Mandatory prepayments of outstanding DIP Advances and other DIP Obligations shall be required to be made by the Borrower in an amount equal to: (i) 100% of the net sale proceeds from sales of the Collateral (if any); and (ii) 100% of insurance proceeds and expropriation proceeds (if any) in respect of the Collateral (if any).</p>
<b>APPLICATION OF PAYMENTS:</b>	<p>All payments or prepayments on account of the DIP Facility shall be made by the Borrower to the DIP Lender in accordance with the terms herein, and such amounts shall be applied and/or allocated by the DIP Lender to the Borrower's indebtedness to the DIP Lender in its sole discretion, which allocation shall be provided by the DIP Lender to the Borrower and the Monitor on request.</p>
<b>DIP SECURITY:</b>	<p>All obligations of the Borrower under or in connection with the DIP Facility and this DIP Commitment Letter shall, subject to the provisions of this DIP Commitment Letter, be secured by a first-ranking super priority charge (the "<b>DIP Priority Charge</b>") in all of the now owned or hereafter acquired assets, properties and undertakings (collectively, the "<b>Collateral</b>") of each of the Borrower, real and personal, tangible or intangible (the "<b>DIP Security</b>"), subordinate only to the Administration Charge.</p> <p>For the avoidance of doubt, the Borrower hereby mortgage and charge to the DIP Lender, and grant to the DIP Lender a security interest in, and the DIP Lender takes a security interest in, all of the Borrower's right, title and interest in and to the Collateral which security interest is and shall be a general and continuing security for payment, performance and satisfaction of each and every obligation, indebtedness and liability of the Borrower to the DIP Lender, arising pursuant to or in connection with the DIP Facility, present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred, and any ultimate unpaid balance thereof, including all future advances and re-advances, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether the Borrower be bound alone or with another or others and whether as principal or surety and such security interest shall be part of the DIP Security. The Borrower waives all rights to receive from the DIP Lender a copy of any financing statement, financing change statement or verification statement</p>

	filed or issued, as the case may be, at any time in respect of the DIP Facility.
<b>DIP ADVANCES UNDER THE DIP FACILITY:</b>	<p>The Borrower may request a DIP Advance by providing notice to the DIP Lender before 9:00 a.m. Pacific Time on the second Business Day prior to the date each DIP Advance is to be made. DIP Advances shall only be requested and made in increments of \$5,000.</p> <p>DIP Advances shall be paid to the Borrower and deposited into a bank account at a financial institution (the “<b>Borrower’s Account</b>”) and utilized by the Borrower in accordance with the terms of this DIP Commitment Letter. The Borrower’s Account shall be subject to the DIP Priority Charge. Each of the DIP Advances shall be a draw term loan and may not be re-borrowed once repaid.</p>
<b>CONDITIONS PRECEDENT TO DIP ADVANCES:</b>	<p>The DIP Lender’s agreement to make DIP Advances is subject to satisfaction of the following conditions precedent, as determined by the DIP Lender in its sole discretion (the “<b>Conditions Precedent</b>”):</p> <ol style="list-style-type: none"><li>1. the Borrower’s application materials in connection with their application or an Amended and Restated Initial Order (“<b>ARIO</b>” which for greater certainty shall include the DIP Order, as defined below), substantially in the form attached hereto as <b>Schedule “A”</b>, shall be satisfactory to the DIP Lender and such application shall be made on or before June 9, 2022 (the date on which the application is actually made being the “<b>Application Date</b>”);</li><li>2. the Court shall have issued the ARIO, which must be satisfactory to the DIP Lender, and which ARIO shall not have been amended, restated or modified without the consent of the DIP Lender;</li><li>3. the Court shall have issued and entered an order within three calendar days of the Application Date, in form and substance satisfactory to the DIP Lender, approving this DIP Commitment Letter and the DIP Facility, granting the DIP Priority Charge on the Collateral of the Borrower securing all obligations owing by the Borrower to the DIP Lender hereunder including, without limitation, all principal, interest and DIP Lender’s fees and expenses (the “<b>DIP Order</b>”) and such order shall not have been amended, restated or modified without the consent of the DIP Lender. Without limiting the foregoing, the DIP Order shall provide that the DIP Priority Charge shall have priority over all liens,</li></ol>

	<p>charges, mortgages, encumbrances, hypothecs, and security interests of every kind and nature whatsoever granted by the Borrower or against the Collateral of the Borrower (collectively, “<b>Liens</b>”) in form and substance satisfactory to the DIP Lender subject in priority only to the Administration Charge on the Collateral of the Borrower;</p> <ol style="list-style-type: none"><li>4. the DIP Lender shall have received and approved an initial 13 week cash flow projection prepared by the Borrower with the assistance of the Monitor reflecting the Borrower’s projected cash requirements, the projected receivables and the projected disbursements of the Borrower, in each case calculated on a weekly basis, in form and substance, and containing such details as shall be, satisfactory to and approved by the DIP Lender attached as <b>Schedule “B”</b> (the “<b>Cash Flow Projection</b>”);</li><li>5. following the first DIP Advance, the DIP Lender shall have received and approved updated Cash Flow Projections every four weeks, on a 13 week rolling basis, which approval will be granted provided that the Cash Flow Projections are not inconsistent with the previous Cash Flow Projections provided to the DIP Lender;</li><li>6. the DIP Lender continues to be satisfied that there are no Liens ranking ahead of the DIP Security, except as provided for herein;</li><li>7. the DIP Lender shall have received from the Borrower a drawdown certificate (the “<b>Drawdown Certificate</b>”) requesting a DIP Advance, with such drawdown certificate to be in substantially the form attached hereto as <b>Schedule “C”</b> and executed by the Borrower;</li><li>8. the requested DIP Advance shall not, if advanced, cause the aggregate amount of all DIP Advances to exceed the Maximum Commitment;</li><li>9. all DIP Fees and Expenses shall have been paid to the DIP Lender or will be paid from the proceeds of the requested DIP Advance;</li><li>10. the Borrower shall be in compliance with all covenants hereunder;</li><li>11. no Default or Event of Default shall have occurred and be continuing or would result from the making of any requested DIP Advance;</li></ol>
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	<p>12. for greater certainty, the DIP Lender shall not be obligated to make any DIP Advance unless and until all of the foregoing conditions have been satisfied at the time the DIP Advance is to be made.</p>
<p><b>REPRESENTATIONS AND WARRANTIES:</b></p>	<p>The Borrower hereby represents and warrants to the DIP Lender, upon which the DIP Lender relies in entering into this DIP Commitment Letter that:</p> <ol style="list-style-type: none"><li>1. the transactions contemplated by this DIP Commitment Letter including the DIP Security:<ol style="list-style-type: none"><li>(a) are within the powers of the Borrower;</li><li>(b) have been duly authorized by all necessary corporate approval;</li><li>(c) have been duly executed and delivered by or on behalf of the Borrower;</li><li>(d) upon the granting of the DIP Order, constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms;</li><li>(e) upon the granting of the DIP Order, do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings that may be made to register or otherwise record the DIP Security;</li><li>(f) will not violate the charter documents or by-laws of the Borrower or any applicable law relating to the Borrower; and</li></ol></li><li>2. no Default or Event of Default has occurred and is continuing.</li></ol>
<p><b>AFFIRMATIVE COVENANTS:</b></p>	<p>The Borrower hereby covenants and agrees to, and the DIP Order shall:</p> <ol style="list-style-type: none"><li>1. use the proceeds of the DIP Facility only for the purposes described herein in a manner consistent with the restrictions set out herein and the Cash Flow Projections;</li><li>2. comply with the provisions of the Court orders made in connection with the CCAA Proceedings (collectively, the “<b>Restructuring Court Orders</b>” and each a “<b>Restructuring Court Order</b>”); provided that if any such Restructuring Court Order</li></ol>

	<p>contravenes this DIP Commitment Letter or the DIP Facility Documentation in a manner detrimental to the DIP Lender, the same shall be an Event of Default hereunder;</p> <ol style="list-style-type: none"><li>3. duly and punctually pay or cause to be paid to the DIP Lender all amounts payable by it under this DIP Commitment Letter (including, without limitation, all DIP Fees and Expenses within five Business Days of receipt by the Borrower of a request for such payment from the DIP Lender);</li><li>4. forthwith notify the DIP Lender of the occurrence of any Default or Event of Default, or Material Adverse Change or of any event or circumstance that may constitute an adverse change from the Cash Flow Projections; and</li><li>5. take all actions necessary or available to defend the ARIO, the DIP Order and any Restructuring Court Order from any appeal, reversal, modifications, amendment, stay or vacating not expressly consented to in advance by the DIP Lender;</li></ol>
<b>REPORTING REQUIREMENTS:</b>	While any portion of the DIP Facility or any interest thereon remains outstanding, the Borrower shall provide to the DIP Lender an updated, rolling 13 week, Cash Flow Projections every four weeks following delivery of the initial Cash Flow Projections;
<b>NEGATIVE COVENANTS:</b>	<p>The Borrower agrees not to do the following other than with the prior written consent of the DIP Lender:</p> <ol style="list-style-type: none"><li>1. allow the transfer, lease or otherwise dispose of all or any part of its property, assets or undertaking over \$100,000 at any one time or through a series of related transactions, or more than \$1,000,000 in the aggregate, excluding transfers, leases and dispositions (a) in the ordinary course of business and (b) in accordance with any sale and investment solicitation process which might be approved in the CCAA;</li><li>2. permit any new Liens to exist on any of its properties or assets other than the Administration Charge and Liens in favour of the DIP Lender as contemplated by this DIP Commitment Letter;</li><li>3. create or permit to exist any other claim, administrative or otherwise, which is senior to or <i>pari passu</i> with the</li></ol>

	<p>super priority claims of the DIP Lender, other than as provided in the Administration Charge;</p> <ol style="list-style-type: none"><li>4. cease (or threaten to cease) to carry on their business or activities as they are currently being conducted or change their operations or business practices without the prior approval of the DIP Lender;</li><li>5. seek, or consent to the appointment of, a receiver or trustee in bankruptcy without the prior consent of the DIP Lender; or</li><li>6. transfer the proceeds of any DIP Advance to any other account of any Borrower other than the Borrower's Account.</li></ol>
<p><b>INDEMNITY:</b></p>	<p>The Borrower agrees to indemnify and hold harmless, the DIP Lender from and against any and all actions, lawsuits, proceedings (including any investigations or inquires), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or asserted against any of the DIP Lender as a result of, in connection with, or in any way related to credit having been extended, suspended or terminated under the DIP Facility, the proposed or actual use of proceeds of the DIP Facility, this DIP Commitment Letter, the CCAA Proceedings, or any bankruptcy or insolvency proceedings, upon demand, to pay and reimburse the DIP Lender for any reasonable legal or other out of pocket fees and expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including, without limitation, any inquiry or investigation) or claim (whether or not the DIP Lender is a party to such action or proceeding out of which such expenses arise).</p>
<p><b>EVENTS OF DEFAULT:</b></p>	<p>The occurrence of any one or more of the following events shall constitute an event of default (each, an “<b>Event of Default</b>”) under this Commitment Letter:</p> <ol style="list-style-type: none"><li>1. the entry of an order (i) dismissing the CCAA Proceedings or lifting the stay in the CCAA Proceedings to permit the enforcement of any security against the Borrower or the Collateral, the appointment of a receiver, interim receiver or similar official, an assignment in bankruptcy, or the making of a bankruptcy order or receiving order against or in respect of the Borrower, (ii) granting any other claim super priority status or a lien equal or superior to that granted to the DIP Lender other than the Administration Charge, or (iii) staying, reversing, vacating or otherwise modifying this DIP Commitment Letter, any Court Order (including the ARIO and the DIP Priority Charge) or the entry of an</li></ol>



	<p>order by the Court having the equivalent effect, without the prior written consent of the DIP Lender;</p> <ol style="list-style-type: none"><li>2. the ARIO is vacated, stayed or otherwise caused to become ineffective or is amended in a manner not acceptable to the DIP Lender (in its sole and absolute discretion);</li><li>3. failure of the Borrower to pay amounts that come due under this DIP Commitment Letter due or under the DIP Facility;</li><li>4. failure of the Borrower to perform or comply with any term, covenant or negative covenant in this DIP Commitment Letter;</li><li>5. the Borrower ceases (or threatens to) to carry on business in the ordinary course, except where such cessation occurs in connection with a sale of all or substantially all of the assets of the Borrower or other restructuring or reorganization of the Borrower, which has been consented to by the DIP Lender and approved by the Court;</li><li>6. any action or event after the date hereof (other than the issuance of the ARIO and DIP Order) has occurred which has resulted in, or may result in, a change, condition, event or occurrence, which, when considered individually or together with all other changes, conditions, events or occurrences, could reasonably be expected to have a material adverse effect on: (i) the condition (financial or otherwise), business, performance, prospects beyond the period covered by the Cash Flow Projections, (ii) the ability of the Borrower to carry on its business as presently conducted; (iii) the ability of the Borrower to timely and fully perform any of its obligations under this DIP Commitment Letter or any Court Order; or (iv) the Collateral; (any one of the above circumstances being a “<b>Material Adverse Change</b>”);</li><li>7. unless consented to by the DIP Lender, the expiry without further extension of the stay of proceedings provided for in the ARIO;</li><li>8. any representation or warranty made by the Borrower shall prove to have been incorrect or misleading in any material respect when made.</li></ol>
<b>REMEDIES:</b>	Upon the occurrence of an Event of Default, the DIP Lender may, subject to the ARIO, elect to (i) terminate, or reduce, the

	<p>Maximum Commitment or the DIP Lender's commitment to make DIP Advances and (ii) accelerate all amounts outstanding under the DIP Facility. In addition, upon the occurrence of an Event of Default, the DIP Lender may, subject to the DIP Order:</p> <ol style="list-style-type: none"><li>1. declare the obligations in respect of the DIP Facility Documentation to be immediately due and payable;</li><li>2. apply to the Court (i) for the appointment of an interim receiver, a receiver or a receiver and manager of the undertaking, properties and assets of the Borrower, (ii) for the appointment of a trustee in bankruptcy of the Borrower or (iii) seek any other relief in its sole discretion;</li><li>3. exercise the powers and rights of a secured party under the <i>Personal Property Security Act</i> (BC) or any other legislation of similar effect applicable to the DIP Security; and</li><li>4. exercise all such other rights and remedies available to it at law or equity.</li></ol>
<b>DIP LENDER APPROVALS:</b>	<p>All consents of the DIP Lender hereunder shall be in writing. Any consent, approval, instruction or other expression of the DIP Lender to be delivered in writing may be delivered by any written instrument, including by way of electronic mail.</p>
<b>CURRENCY:</b>	<p>Unless otherwise stated all monetary dominations shall be in Canadian dollars.</p>
<b>TAXES:</b>	<p>All payments by the Borrower to the DIP Lender, including any payments required to be made from and after the exercise of any remedies available to the DIP Lender upon an Event of Default, shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country (collectively "<b>Taxes</b>"); provided, however, that if any Taxes are required by applicable law to be withheld ("<b>Withholding Taxes</b>") from any amount payable to the DIP Lender, the amount so payable to the DIP Lender shall be increased to the extent necessary to yield to the DIP Lender on a net basis after payment of all Withholding Taxes and the Borrower shall provide evidence satisfactory to the DIP Lender that the Taxes have been so withheld and remitted.</p>

<b>EVIDENCE OF INDEBTEDNESS:</b>	The DIP Lender shall open and maintain accounts and records evidencing the DIP Advances. The DIP Lender's accounts and records constitute, in the absence of manifest error, <i>prima facie</i> evidence of the indebtedness of the Borrower to the DIP Lender pursuant to the DIP Facility.
<b>FURTHER ASSURANCES:</b>	The Borrower shall at their expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the DIP Lender may reasonably request for the purpose of giving effect to this DIP Commitment Letter and the DIP Security.
<b>ENTIRE AGREEMENT; CONFLICT:</b>	This DIP Commitment Letter, including the schedules hereto and the DIP Facility Documentation, constitute the entire agreement between the parties relating to the subject matter hereof.
<b>AMENDMENTS, WAIVERS, ETC.:</b>	No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the DIP Lender.
<b>ASSIGNMENT:</b>	Neither this DIP Commitment Letter nor any right and obligation hereunder may be assigned by the Borrower without the prior written approval of the DIP Lender. The DIP Lender may assign its rights and obligations under this DIP Commitment Letter, in whole or in part, to any party without the prior written consent of the Borrower (subject to providing the Monitor with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the DIP Lender hereunder and, if necessary, approval of the Court).
<b>TIME IS OF THE ESSENCE:</b>	Time is of the essence in this DIP Commitment Letter and the time for performance of the obligations of the Borrower may be strictly enforced by the DIP Lender.
<b>SEVERABILITY:</b>	Any provision in the DIP Commitment Letter which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.
<b>COUNTERPARTS AND FACSIMILE SIGNATURES:</b>	This DIP Commitment Letter may be executed in any number of counterparts and may be transmitted by facsimile or other electronic transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same

	instrument. Any party may execute this DIP Commitment Letter by signing any counterpart of it.
<b>GOVERNING LAW AND JURISDICTION:</b>	This DIP Commitment Letter shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Each of the parties irrevocably submits to the exclusive jurisdiction of the Court, waives any objections on the ground of venue or forum <i>non conveniens</i> or any similar grounds, and consents to service of process by mail or in any other manner permitted by relevant law.
<b>NOTICES</b>	<p>All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by electronic mail to the addresses specified below. Any party hereto may change its address or electronic mail address for notices and other communications hereunder by notice to the other parties hereto.</p> <p>If to the Lender:</p> <p>Qubo Liu <b>ADDRESS</b></p> <p>Attention: Qubo Liu Email: lqb9168@gmail.com</p> <p>If to the Borrower:</p> <p>Canadian Dehua International Mines Group Inc. 202-2232 West 41<sup>st</sup> Avenue Vancouver, BC V6M 1Z8</p> <p>Attention: Naishun Liu Email: lns9168@hotmail.com</p> <p>with a copy to the Borrower's counsel</p> <p>DLA Piper (Canada) LLP 2800 Park Place 666 Burrard Street Vancouver, BC V6C 2Z7</p> <p>Attention: Colin D. Brousson Email: colin.brousson@dlapiper.com</p> <p>and with a copy to the Monitor:</p> <p>FTI Consulting Canada Inc. 701 West Georgia Street</p>

	<p>Suite 1450, PO Box 10089 Vancouver, BC V7Y 1B6</p> <p>Attention: Craig Munro Email: <a href="mailto:Craig.Munro@fticonsulting.com">Craig.Munro@fticonsulting.com</a></p>
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**IN WITNESS HEREOF**, the parties hereby execute this DIP Commitment Letter as at the date first above mentioned.

**DIP Lender**

Name: \_\_\_\_\_  
QUBO LIU

**Canadian Dehua International Mines Group Inc.**

Per: \_\_\_\_\_

Name: NAISHUN LIU

Title: DIRECTOR

I have the authority to bind the corporation

**SCHEDULE "A"**

**DRAFT ARIO**

(See Attached)

**SCHEDULE "B"**  
**INITIAL CASH FLOW PROJECTIONS**

(See Attached)



## SCHEDULE "C"

### DRAWDOWN CERTIFICATE

TO: Qubo Liu  
(the "DIP Lender")  
  
Attention: Qubo Liu  
Email: lqb9168@gmail.com

FROM: Canadian Dehua International Mines Group Inc. (, the "Borrower")

DATE: <\*>

RE: Drawdown Certificate No. <\*>

This Drawdown Certificate is delivered to you, as DIP Lender, pursuant to the DIP Commitment Letter dated as of <\*>, 2020 (as amended, restated, modified, supplemented or replaced from time to time, the "DIP Commitment Letter") between the Borrower, as borrower, the DIP Lender as lender. Capitalized terms used but not defined herein shall have the meanings given to them in DIP Commitment Letter.

1. The Borrower hereby requests a DIP Advance on the terms set out below.
2. The drawdown date shall be <\*> (the "Drawdown Date"). [a date not earlier than two (2) Business Days from the date this Drawdown Certificate is submitted to the DIP Lender for review]
3. The principal amount of the requested DIP Advance is \$<\*> [DIP Advances must be in increments of \$5,000].
4. The undersigned, being the Director of the Borrower, and not in his personal capacity and without liability, do hereby certify that:
  - (a) All of the conditions precedent to a DIP Advance that have not been waived in writing by or on behalf of the DIP Lender have been satisfied.
  - (b) No Default or Event of Default has occurred and is continuing or which would constitute an Event of Default with the giving of notice or lapse of time or both, or will result from the DIP Advance requested hereby.
  - (c) The requested DIP Advance is within the cash flow requirements identified in the applicable Cash Flow Projections and will not result in outstanding DIP Obligations in excess of the DIP Commitment.

The information contained herein is for the benefit of the DIP Lender and may be relied upon for the purposes of making DIP Advances pursuant to the terms of the DIP Commitment Letter.

IN WITNESS WHEREOF, each of the undersigned has duly executed this Drawdown Certificate as of the first date written above.

**Canadian Dehua International Mines Group Inc.**

Per: \_\_\_\_\_  
Name:  
Title:

I have the authority to bind the corporation

This Drawdown Certificate if approved by the Monitor

**FTI Consulting Canada Inc. in its capacity as  
Monitor**

Per: \_\_\_\_\_  
Name:  
Title:

I have the authority to bind the Monitor