

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., WAPITI
COKING COAL MINES CORP. AND CANADIAN BULLMOOSE MINES CO.,
LTD.**

SUPPLEMENT TO THE TWENTIETH REPORT OF THE MONITOR

December 1, 2024

INTRODUCTION AND PURPOSE

1. This report (“**Supplemental 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. The purpose of this Supplemental Twentieth Report is to update the Court with respect to its orders issued on November 19, 2024 in addition to recent developments subsequent to the issuance of the Twentieth Report of the Monitor dated November 18, 2024.

ORDERS ISSUED ON NOVEMBER 19, 2024

3. On November 19, 2024, three orders were issued by this Honourable Court:
 - (a) The first extended the stay of proceedings from November 30, 2024 to February 25, 2024;
 - (b) The second ordered the transcript of the hearing of September 17, 2024 be released to the parties of this action; and
 - (c) The third, issued after a Judicial Management Conference (the “**JMC Order**”), ordered among other things:
 - i. The cross-examination of Aref Amanat take place no later than December 16, 2024;
 - ii. A hearing shall be set for December 2, 2024 for any applications relevant to the cross-examination and the DIP Lender is granted short leave to file materials prior to that hearing no later than November 28, 2024; and

- iii. The transcripts of the hearings held on August 30, September 17, October 9, 17, 18, 21 and 22, 2024, are to be released to the parties of this action.
4. A copy of the JMC Order is attached as Appendix A.
5. On November 26, 2024, the Monitor received a Notice of Intention to Act in Person from Aref Amanat (copy attached as Appendix B).
6. Also on November 26, 2024, the Monitor received a letter advising that TaneMahuta Capital (“**TaneCap**”) was withdrawing its offer for the assets of Wapiti Coking Coal Mines Corp. (“**Wapiti**”) and Canadian Bullmoose Mines Co., Ltd. (“**CBM**”) as well as all of its filed and unfiled materials, evidence and submissions made by TaneCap and its counsel in connection with these CCAA proceedings (see copy attached as Appendix C).
7. As a result of TaneCap’s withdrawal, the Monitor notes that the Court may wish to consider striking those parts of the JMC Order relating to Mr. Amanat and TaneCap as they appear to now be irrelevant.
8. On November 28, 2024, counsel for the DIP Lender filed and served a Notice of Application seeking to have its purchase agreement dated October 9, 2024 approved by this Honourable Court and seeking a cost award against TaneCap.
9. While the Monitor is sympathetic to the relief sought by the DIP Lender relating to the cost award against TaneCap, the time set aside by the Court for this hearing was for any application relating to the cross-examination of Mr. Amanat. The Monitor is of the view that January 13 and 14 have been set aside for the sale approval and proper notice was not provided to the parties to address the cost award application. Moreover, if the only order of those contemplated for December 2nd is the costs application, then all other counsel can be excused or the matter can be adjourned to a date where other counsel do not have to be present.

THE TRANSCRIPT OF THE SEPTEMBER 17, 2024 HEARING

10. As indicated previously, on November 17, 2024, the Court granted an order to have the transcript of the September 17, 2024 (the “**Transcript**”) hearing released.
11. TaneCap obtained the Transcript and forwarded a copy to the Monitor, the Monitor’s counsel and CDI’s counsel on November 26, 2024.
12. A copy of the Transcript is attached as Appendix D.
13. The Monitor’s counsel enquired as to the cost of obtaining the transcripts for the hearings held on October 9, 17, 18, 21 and 22 and was advised that the transcripts would cost approximately \$9,000.
14. Given the limited resources and the position of the outstanding professional fees vis-à-vis the Administration Charge, neither the Monitor’s counsel nor CDI’s counsel has obtained those transcripts.
15. The hearing that occurred on September 17, 2024 was scheduled to consider binding offers received on or before September 6, 2024 for the Wapiti and Bullmoose assets.
16. The Monitor has reviewed the Transcript and makes the following observations:
 - (a) On page 14, paragraph 20 and again on page 37, paragraph 20, counsel for CDI made a submission about how the case law did not support Tanecap having standing to make submissions regarding the status of TaneCap given that they appeared to be an unsuccessful bidder. Despite this, the Court allowed TaneCap’s counsel to make submissions due to its allegations of bad faith;
 - (b) On page 46, paragraph 27, the Monitor’s counsel makes the submission that the Monitor supported the DIP Lender’s offer at that point primarily because the purchase price was \$1 million higher than TaneCap’s offer;

- (c) On page 48, paragraph 43, there is a discussion around the sanctity of the process and the Court observed that the Company asking TaneCap to be a back-up offer to the DIP Lender's offer may have been a change to the process; and
 - (d) On page 57, paragraph 28, after a lunch break wherein TaneCap was provided an opportunity to submit an asset purchase agreement, the Court notes that if TaneCap has a change of position, its up to them to try and articulate it and advance through some other course if they are indeed able to do that.
17. Given that the DIP Lender's offer was not approved on September 17, 2024, the Company and the Monitor continued to engage with TaneCap subsequent to the September 17 hearing as the parties did not think the Court had foreclosed TaneCap's ability to bring a new offer forward.
 18. In its Eighteenth Report dated October 8, 2024, the Monitor advised at paragraph 40 that subsequent to the hearing on September 17, 2024, TaneCap had informed the Monitor of its intent to submit a revised offer for a purchase price in excess of the DIP Lender's offer.
 19. In its Nineteenth Report dated October 16, 2024, the Monitor advised that a further offer in the form of an asset purchase agreement had been provided by TaneCap indicating a purchase price of \$2 million for CDI's shares of Wapiti and Bullmoose as well as the assets of both companies.
 20. The Nineteenth Report provides the Monitor's analysis on several cases involving Court ordered sale processes and concludes that the Court appears to have the authority to consider the TaneCap Sale Agreement.

THE WEST MOBERLY OFFER

21. On November 25, 2024, a letter was forwarded to the Monitor, the Monitor's counsel, CDI's counsel, the DIP Lender's counsel and counsel to Shougang and Canada Zhonghe advising that TaneCap had been acting on behalf of West Moberly First Nation ("**West Moberly**") with respect to its attempt to acquire the Wapiti and Bullmoose assets as the Nation preferred not to be directly involved in the CCAA proceedings.
22. The letter further indicated West Moberly was prepared to offer \$2.2 million for the Bullmoose and Wapiti assets and accordingly in addition to its letter a Purchase Agreement substantially in the form of the purchase agreement submitted by TaneCap was attached replacing West Moberly as the purchaser instead of TaneCap.
23. A copy of the letter from West Moberly and its Purchase Agreement are attached as Appendices E and F respectively.
24. The Monitor had a call with counsel for West Moberly to understand why it had chosen to work with TaneCap and why it had appeared to change its focus from Caribou preservation to protecting the coal licenses.
25. With respect to the issue of Caribou protection, West Moberly was originally focused on Caribou protection, however like many governing Nations it now sees value in the coal resource and wants to leave its options open to try and strike a balance between economic development and wildlife preservation.
26. The Monitor was satisfied with West Moberly's responses to its queries.
27. In the Monitor's view, for the same reasons as indicated in its Nineteenth Report, the Monitor believes the Court has the authority to consider the offer from West Moberly, especially given that the offer is \$550,000 higher than the purchase price indicated in the DIP Lender's purchase agreement.

NEXT STEPS IN THE SALE PROCESS

28. The Monitor notes the following observations with respect to the sale process:
- (a) The original offer received by the Monitor in the form of an email from counsel to the DIP Lender indicated a purchase price of \$600,000;
 - (b) Since that date, competitive tension between the DIP Lender and other interested parties has resulted in the proposed purchase price for the Wapiti and Bullmoose assets rising to \$2.2 million (an increase of \$1.6 million or 367%);
 - (c) To date, the Court has not issued an approval order for any purchase agreement relating to the Wapiti and Bullmoose assets;
 - (d) The Monitor understands that counsel for the DIP Lender made a submission at the last hearing that the DIP Lender had additional resources to increase its purchase, although at the date of this report the Monitor has not received a revised offer from the DIP Lender.
29. The Monitor is aware that this Honourable Court has set aside the dates of January 13 and 14, 2025 for a hearing to approve a purchase agreement with respect to the Wapiti and Bullmoose assets.
30. Given the history of submitting offers with revised purchase prices, it appears that neither of the DIP Lender or West Moberly have provided their best offer. The Monitor is therefore of the view that it would be appropriate to either have an auction between the DIP Lender and West Moberly or direct the DIP Lender and West Moberly to submit sealed bids prior to the hearing date of January 13 and 14, 2025.

31. Given the mounting professional fee costs, and the need for the bidders to bring their best foot forward well in advance of the sale approval hearing, the Monitor believes that a deadline for offers is necessary to bring finality to this so that an approval order may be granted by this Honourable Court on January 13 or 14 and that an asset purchase agreement can be closed shortly thereafter.

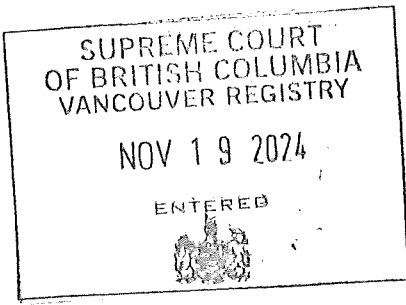
All of which is respectfully submitted this 1st day of December, 2024.

FTI Consulting Canada Inc.,
in its capacity as Monitor of Canadian Dehua
International Mines Group Inc., Wapiti Coking
Coal Mines Corp. and Canadian Bullmoose
Mines Co., Ltd.



Name: Craig Munro
Title: Managing Director,
FTI Consulting Canada Inc.

APPENDIX A



No. S-224444
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,

R.S.C. 1985, C. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF CANADIAN
DEHUA INTERNATIONAL MINES GROUP INC., WAPITI COKING COAL MINES CORP. AND
CANADIAN BULLMOOSE MINES CO., LTD.

PETITIONERS

ORDER MADE AFTER JUDICIAL MANAGEMENT CONFERENCE

BEFORE) THE HONOURABLE JUSTICE WALKER) November 19, 2024
)
)
)
)

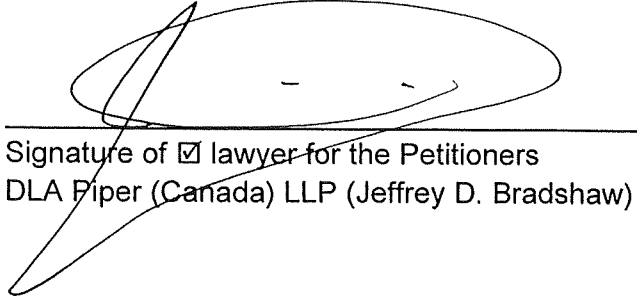
ON THE APPLICATION of the Petitioners coming on for hearing at 800 Smithe Street, Vancouver, BC V6Z 2E1 on November 19, 2024, and on hearing Jeffrey D. Bradshaw and Holly Yuen, Articled Student, counsel for the Petitioners and those other counsel listed on Schedule "A" hereto; AND UPON READING the material filed herein, including the Twentieth Report of FTI Consulting Canada Inc., in its capacity as monitor of the Petitioner (the "**Monitor**") filed November 18, 2024; AND pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended (the "**CCAA**"), the British Columbia Supreme Court Civil Rules and the inherent jurisdiction of this Honourable Court; and further to the Initial Order pronounced by this Court on June 3, 2022 (the "**Initial Order**") as revised, amended and restated from time to time including pursuant to the Amended and Restated Initial Order pronounced by this Court on June 9, 2022 (the "**ARIO**"), as amended from time to time; including the Seventh Amended and Restated Initial Order pronounced by this Court on October 9, 2024 (the "**Seventh ARIO**");

THIS COURT ORDERS that:

1. Notice of Application filed on November 15, 2024, and Notice of Application filed on October 15, 2024, to be heard on January 13 and 14, 2025;
2. The cross-examination of Aref Amanat take place no later than December 16, 2024;
3. A hearing shall be set for December 2, 2024, at 9am before Justice Walker for any applications relevant to the cross-examination and the interim lender Qu Bo Liu is hereby granted short leave to file materials prior to that hearing no later than November 28, 2024;
4. The extension of the stay of proceedings granted on November 19, 2024, extending the stay of proceedings to February 21, 2025, is made without prejudice to any position taken by the creditors at further applications and hearings in these proceedings;
5. A two full-day hearing shall be scheduled prior to the expiry of the stay of proceedings, to address the CCAA proceedings generally, if any further relief is sought, and the bankruptcy application of Shougang International Trade & Engineer Corporation ("**Shougang**") (the "**Proceeding Hearing**");
6. If the Petitioner seeks further relief in the CCAA proceedings at the Proceeding Hearing, the Petitioner must file and serve its materials 8 business days in advance of the Proceeding Hearing;
7. Shougang is granted leave to reset its bankruptcy application for either: (i) the same date as the Proceeding Hearing; or (ii) if no application is brought by the Petitioner for the Proceeding Hearing, then whichever date is provided for by the Court in a subsequent hearing;
8. The transcripts of the hearings held on August 30, September 17, October 9, 17, 18, 21, and 22, 2024, are to be released to the parties of this action; and

9. Endorsement of this Order by counsel and any unrepresented parties appearing on this application, other than counsel for the Petitioner, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of lawyer for the Petitioners
DLA Piper (Canada) LLP (Jeffrey D. Bradshaw)

BY THE COURT



REGISTRAR



SCHEDULE "A"

NAME OF COUNSEL	PARTY REPRESENTING
Eamonn Watson	Shougang International Trade & Engineer Corporation
Mia Laity	Monitor, FTI Consulting Canada Inc.
Erin Hatch	Canada Zhonghe Investment Ltd.
Barry Fraser, Helen Liu	Qu Bo Liu
Ashley Bowron, Kevan Hanowski	TaneMahuta Capital Ltd.

No. S-224444
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS
AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND
ARRANGEMENT OF CANADIAN DEHUA
INTERNATIONAL MINES GROUP INC., WAPITI COKING
COAL MINES CORP. AND CANADIAN BULLMOOSE
MINES CO. LTD.

PETITIONERS

ORDER MADE AFTER APPLICATION

DLA Piper (Canada) LLP
Barristers & Solicitors
Suite 2700, The Stack
1133 Melville St
Vancouver, BC V6E 4E5

Tel. No. 604.687.9444
Fax No. 604.687.1612

File No.: 080762-00014

JDB/day

APPENDIX B



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 OF COMPROMISE AND ARRANGEMENT OF
CANADIAN DEHUA INTERNATIONAL MINES GROUP INC., WAPITI COKING COAL
MINES CORPORATION AND CANADIAN BULLMOOSE MINES CO., LTD.

PETITIONERS

NOTICE OF INTENTION TO ACT IN PERSON

TAKE NOTICE that TaneMahuta Capital Ltd. now intends to act personally in this proceeding in place of Michael Feder, K.C., Lance Williams, Kevan Hanowski and Ashley Bowron of McCarthy Tétrault LLP.

DATE: November 25, 2024

A handwritten signature in black ink, appearing to read "Aref Amanat".

TaneMahuta Capital Ltd.
Per: Aref Amanat
Title: President

Address for service:

Registered Office
Suite 100 – 1515 West 7th Avenue
Vancouver, BC V6J 1S1

APPENDIX C

November 26, 2024

FTI Consulting Canada Inc.
700 West Georgia Street
Vancouver, BC V7Y 1C7
Attention: Craig Munro

Bennett Jones LLP
Suite 2500, Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7
Attention: David Gruber and Mia Laity

DLA Piper (Canada) LLP
Suite 2800, Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7
Attention: Collin Brousson and Jeffrey Bradshaw

VIA EMAIL

Dear Sirs/Mesdames:

RE: *Proceedings under the Companies' Creditors Arrangement Act for Canadian Dehua International Mines Group Inc. (the "CCAA Proceedings")*

TaneMahuta Capital Ltd. ("**TaneMahuta**") is withdrawing its offer set out in a purchase agreement submitted to FTI Consulting Canada Inc. (the "**Monitor**") on October 15, 2024 and attached to the Nineteenth Report of the Monitor, dated October 17, 2024 as Appendix A (the "**Offer**"). As Court approval of the Offer was not obtained in October 2024 as required, the Offer is withdrawn in accordance with its terms.

TaneMahuta also withdraws all filed and unfiled application materials, evidence and submissions made by TaneMahuta and its counsel in connection with the CCAA Proceedings. TaneMahuta does not intend to participate further in the CCAA Proceedings.

TaneMahuta authorizes the Monitor to deal with the deposit of \$650,000 held on TaneMahuta's behalf in accordance with the directions of West Moberly First Nations.

We trust this resolves all outstanding issues between TaneMahuta and the parties to the CCAA Proceedings, including any issues regarding a cross-examination of Mr. Amanat and access to TaneMahuta's central securities register.

Enclosed is a Notice of Intention to Act in Person, which we will circulate to the Service List shortly after delivery of this letter.

Very truly yours,

TaneMahuta Capital Ltd.

A handwritten signature in black ink, consisting of a stylized, cursive script that appears to read 'Aref Amanat'. The signature is written over a horizontal line.

By: _____

Name: Aref Amanat

Title: President

Enclosure Notice of Intention to Act in Person

APPENDIX D

S-224444
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
(BEFORE THE HONOURABLE MR. JUSTICE WALKER)**

Vancouver, B.C.
September 17, 2024

**THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, C. C-36, AS AMENDED**

AND

**IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF
CANADIAN DEHUA INTERNATIONAL MINES GROUP INC., WAPITI COKING COAL
MINES CORP. AND CANADIAN BULLMOOSE MINES CO., LTD.**

PETITIONERS

PROCEEDINGS IN CHAMBERS

ORIGINAL

SEALED

VERITEXT LEGAL SOLUTIONS

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**IN THE SUPREME COURT OF BRITISH COLUMBIA
(BEFORE THE HONOURABLE MR. JUSTICE WALKER)**

Vancouver, B.C.
September 17, 2024

**THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
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**IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF
CANADIAN DEHUA INTERNATIONAL MINES GROUP INC., WAPITI COKING COAL
MINES CORP. AND CANADIAN BULLMOOSE MINES CO., LTD.**

PETITIONERS

PROCEEDINGS IN CHAMBERS

SEALED

Counsel for the Petitioner:	D. Bradshaw
Counsel for FTI Consulting:	M. Laity
Counsel for Shougang International:	E. Watson
Counsel for Zhonghe Investment:	R. Wu
Counsel for Qubo Liu:	B. Fraser E. Liu
Counsel for Feicheng Mining Group:	R. He R. Tang
Counsel for Tanecap TaneMahuta Capital:	K. Fellowes A. Amanat

VERITEXT LEGAL SOLUTIONS

700 - 925 W. Georgia St. Vancouver, B.C. V6C 3L2
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MARKED FOR IDENTIFICATION

A	2-page photocopy document of an e-mail from Mia Laity.....	57
B	11-page colour-copied document with title "PURCHASE AGREEMENT"	57

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Vancouver, B.C.
September 17, 2024

(VIDEOCONFERENCE COMMENCES)

(PROCEEDINGS COMMENCE AT 10:11 A.M.)

THE CLERK: In the matter of [inaudible] Canadian
Dehua International Mines Group
[indiscernible/background noise], Justice.

THE COURT: Right. Okay. I'll take appearances.
Great.

CNSL J. BRADSHAW: Good morning, Justice. It's
Bradshaw.

THE COURT: Mr. Bradshaw.

CNSL J. BRADSHAW: B-r-a-d-s-h-a-w, first initial J.
My pronouns are he/him. I go by Mr. Bradshaw.
We are counsel for the petitioner, Canadian Dehua
International Mines Group Inc.

THE COURT: All right. Yes.

CNSL M. LAITY: Good morning. This is Mia Laity, last
name L-a-i-t-y, first initial M. My pronouns are
she and hers, and we're counsel for the monitor
in this matter FTI Canada Consulting.

THE COURT: All right. Thank you.

All right. Mr. Fraser?

CNSL B. FRASER: So it's Barry Fraser and Helen Liu.

THE COURT: Yes.

CNSL B. FRASER: Pronouns are he/him, she/her, and
we're here for the -- the [indiscernible]
possession lender --

THE COURT: Yeah, the DIP lender.

CNSL B. FRASER: -- Ms. Qubo, Q-u-b-o, Liu.

THE COURT: Okay. Thank you. And how do you spell
your -- your co-counsel's last name?

CNSL B. FRASER: L-i-u.

THE COURT: L-i-u. Thank you.

All right. Yes?

CNSL R. WU: Justice, my name is Wu, W-u, initial R,
counsel for the creditor Canada Zhonghe
Investment Ltd.

THE COURT: All right.

CNSL R. WU: I go by the pronouns she/her.

THE COURT: All right.

And Mr. Turner [sic]?

CNSL E. WATSON: Justice, it's Watson, W- --

THE COURT: Watson. Sorry, Watson.

2
Proceedings

1 CNSL E. WATSON: -- -a-t-s-o-n, first initial E,
2 counsel for Shougang International Trading and
3 Engineering International.
4 THE COURT: All right.
5 CNSL E. WATSON: Pronouns are he/him.
6 THE COURT: All right. Thank you.
7 All right. Anybody else? No? All right.
8 Very good. So who's going to go first, Mr.
9 Bradshaw or Ms. Laity?
10 CNSL J. BRADSHAW: It'll -- it'll be me, Justice, but
11 there are a few counsel that are appearing on --
12 THE COURT: Oh, right.
13 CNSL J. BRADSHAW: -- Team.
14 THE COURT: Oh, I'm sorry. I missed it. Okay. Let's
15 go through that. Mr. He. Right. You were here
16 before. You're in Toronto, right, Mr. He?
17 CNSL R. HE: Yeah, that's right, Your Honour. H-e,
18 first initial R. I'm counsel for the
19 proposed -- for the applicant brought by Feicheng
20 Mining, the applicants who is -- who is currently
21 trying to seek to be adjoined
22 [indiscernible/remote audio] to this
23 [indiscernible/remote audio] proceeding and --
24 THE COURT: Okay.
25 CNSL R. HE: -- the application is currently adjourned
26 at [indiscernible/remote audio].
27 THE COURT: Okay. All right. The next one,
28 you're -- to the left, I don't see a name there.
29 CNSL R. TANG: [Indiscernible/remote audio] I'm a
30 student [indiscernible/remote audio] He, and my
31 name is [indiscernible/remote audio] Tang. Tang
32 is the last name.
33 THE COURT: How do you spell your last name?
34 CNSL R. TANG: T-a-n-g.
35 THE COURT: All right. And you're with Mr. He;
36 correct? You're an article student?
37 CNSL R. TANG: Yes.
38 THE COURT: Okay. All right. Thank you.
39 Ms. Fellowes, I see you there.
40 CNSL K. FELLOWES: Yes. Good morning, Justice Walker.
41 For the record, my name is Fellowes,
42 F-e-l-l-o-w-e-s, initial K, and my pronouns are
43 she/her, and I'm counsel for TaneMahuta Capital
44 Limited.
45 THE COURT: Oh, right. Okay.
46 CNSL K. FELLOWES: And I believe my client, Mr.
47 Amanat -- a representative of my client,

1 Mr. Amanat is present in the courtroom as well.
2 THE COURT: Okay. There he is. All right. I
3 remember you. That's right. You were here last
4 time.
5 Okay. Very good. So where do things stand,
6 Mr. Bradshaw? I -- I saw uploaded in the FTS
7 link late yesterday, the latest report from the
8 monitor.
9 CNSL J. BRADSHAW: Yes. Has the court had a chance to
10 review that?
11 THE COURT: Briefly. Briefly.
12 CNSL J. BRADSHAW: I -- then I -- I may propose to
13 take the court to a section of it. We can walk
14 through what's --
15 THE COURT: Okay.
16 CNSL J. BRADSHAW: -- happened since the last time we
17 appeared.
18 THE COURT: All right. I don't have a copy in front
19 of me. I only looked at it digitally. Do you
20 have a copy?
21 CNSL J. BRADSHAW: I can get a -- does anyone have a
22 copy? [Indiscernible/away from microphone].
23 Mr. Monroe [phonetic] for the monitor is
24 [indiscernible].
25 THE COURT: Thank you. All right.
26 CNSL J. BRADSHAW: So, Justice, as the court
27 undoubtedly remembers, we were here on September
28 30th.
29 THE COURT: Right.
30 CNSL J. BRADSHAW: There was an order made of this
31 court to provide for a short stay extension.
32 THE COURT: Right.
33 CNSL J. BRADSHAW: It provided a bid deadline of
34 September 6th at 4:00 p.m. --
35 THE COURT: All right. Okay. I see.
36 CNSL J. BRADSHAW: -- for binding offers to be
37 submitted.
38 THE COURT: September 6th for -- right. That's right.
39 Okay.
40 CNSL J. BRADSHAW: Yes. The -- the update since then
41 is found on page 3 of the monitor's report.

42
43 **SUBMISSIONS FOR PETITIONER BY CNSL J. BRADSHAW:**

44
45 CNSL J. BRADSHAW: Okay. So I'll start at paragraph
46 13 just for efficiency. Is that on September
47 6th, the monitor received a copy of a purchase

1 agreement from the interim lender. Now a copy of
2 that is attached to Appendix B to the report.
3 THE COURT: Okay. Okay.
4 CNSL J. BRADSHAW: The purchase agreement at paragraph
5 14 was for all the issued shares of Wapiti Coking
6 Coal Mines, all the issued shares of Canadian
7 Bullmoose Mines, and all the mineral titles and
8 coal licenses, all permit, mineral interests, and
9 coal licenses, geological and exploration data,
10 intellectual property used or held in directly or
11 indirectly by CDI in the Wapiti and Bullmoose
12 projects, including without limitation, all
13 permits, mineral license -- mineral interests,
14 coal licenses, and geological and exploration
15 data [indiscernible/overlapping speakers].
16 THE COURT: So remind me again of the various mines.
17 I mean, I -- these names are familiar, but
18 it's --
19 CNSL J. BRADSHAW: These are --
20 THE COURT: There's Wapiti.
21 CNSL J. BRADSHAW: There's Wapiti and Bullmoose.
22 THE COURT: All right.
23 CNSL J. BRADSHAW: Which are subject to these offers.
24 There are --
25 THE COURT: [Indiscernible/overlapping speakers].
26 CNSL J. BRADSHAW: There are another -- other -- there
27 are a number of other projects including Murray
28 River --
29 THE COURT: Right.
30 CNSL J. BRADSHAW: -- and the -- the name of the Iron
31 company. What was it?
32 UNIDENTIFIED SPEAKER: Iron Ross [phonetic].
33 CNSL J. BRADSHAW: The -- the Iron Cross [sic].
34 UNIDENTIFIED SPEAKER: Iron Ross.
35 CNSL J. BRADSHAW: Iron Ross. Iron Ross is the name
36 of the iron company.
37 THE COURT: All right.
38 CNSL J. BRADSHAW: And then there's minority interests
39 in various other --
40 THE COURT: All right.
41 CNSL J. BRADSHAW: There's the CKD issue which was
42 all --
43 THE COURT: Right. Yeah.
44 CNSL J. BRADSHAW: I -- I take the court to that
45 specific thing because it -- it is material to
46 the relief we're seeking today --
47 THE COURT: Mm-hmm.

1 CNSL J. BRADSHAW: -- as to what the scope of the
2 purchased assets are. The monitor then goes on
3 at paragraph 15 is that on September 6th, the
4 binding offer was delivered to the monitor's
5 counsel along with a bank draft in an amount
6 equal to the full purchase price. The offer
7 seeks to acquire all the rights, title, and
8 interest of CDI and then materially here or its
9 affiliates in and to all assets, property, and
10 undertaking of every kind and description
11 wheresoever situate in WCCMC and Bullmoose,
12 including but not limited to all coal licences,
13 geological exploration work, consultant report
14 samples, intellectual property, and all the
15 related assets.

16 Now, this is -- as the court knows, the only
17 petitioner here in these proceedings is Canadian
18 Dehua International Mines Inc.

19 THE COURT: Mm-hmm.

20 CNSL J. BRADSHAW: The subsidiaries, for example
21 Bullmoose and Wapiti are -- are not petitioners
22 in these proceedings.

23 THE COURT: Mm-hmm.

24 CNSL J. BRADSHAW: Receiving the offers twigged all
25 the parties to -- if the assets that are being
26 sought to be sold here or purchased by these
27 potential purchasers, then what notice should be
28 given to the Wapiti and Bullmoose creditors that
29 these assets are being sold?

30 The -- there was some discussion when a
31 vesting order came over from company counsel over
32 to the potential purchaser, the interim lender,
33 about the nature and scope of the vesting order
34 that the court would have jurisdiction to grant.

35 THE COURT: Mm-hmm.

36 CNSL J. BRADSHAW: And the -- the short stay extension
37 that we're seeking today is to add Bullmoose and
38 Wapiti to these proceedings, and also provide
39 notice at the same time that we'll be seeking
40 approval of the sale of those assets.

41 THE COURT: So remind me, then, because it -- this
42 goes back -- way back in time --

43 CNSL J. BRADSHAW: Yes.

44 THE COURT: When this CCAA proceeding started, it was
45 for -- started by Canadian Dehua?

46 CNSL J. BRADSHAW: Correct. Correct.

47 THE COURT: But I thought this just was intended just

1 to try and sell all of the assets including
2 Wapiti and Bullmoose. Am I correct in that?
3 CNSL J. BRADSHAW: The -- the intention was to sell
4 CDI's interest --
5 THE COURT: Oh, I see.
6 CNSL J. BRADSHAW: -- in those -- in those properties.
7 THE COURT: All right. Yeah.
8 CNSL J. BRADSHAW: Now, you -- you may remember that
9 there's minority holdings and a number of
10 companies and there's the CKD issue. There's
11 a -- a number of joint ventures here that -- that
12 various other creditors are involved in --
13 THE COURT: Right.
14 CNSL J. BRADSHAW: -- but the -- the intent was to
15 sell CDI's interest.
16 THE COURT: Right. Because it's not a -- it doesn't
17 hold these other assets fully.
18 CNSL J. BRADSHAW: Correct.
19 THE COURT: Okay. All right. Okay.
20 CNSL J. BRADSHAW: Correct.
21 THE COURT: And that explains it.
22 CNSL J. BRADSHAW: Yeah.
23 THE COURT: Okay. So the -- maybe I'll just turn now
24 for a second now -- now that I've highlighted
25 that issue for the court, I'll just turn to
26 the -- while I'm in the monitor's report --
27 THE COURT: Yeah.
28 CNSL J. BRADSHAW: -- and go through the rest of it.
29 Going to paragraph 17 is that both offers
30 were received by the deadline set by the court in
31 the order of September 30th.
32 THE COURT: What you do both officer was?
33 CNSL J. BRADSHAW: Oh, sorry. Sorry. I didn't take
34 you to the -- sorry.
35 Tanecap -- Tane -- actually, Ms. Fellowes, is it
36 Tanecap or Tane...
37 CNSL K. FELLOWES: TaneMahuta Capital.
38 THE COURT: Tane --
39 CNSL J. BRADSHAW: TaneMahuta Capital.
40 CNSL K. FELLOWES: Its short version is Tanecap.
41 THE COURT: Okay. Tanecap. Where is that?
42 CNSL J. BRADSHAW: Tanecap's offer is on
43 page -- is -- actually. Sorry these aren't page
44 number, but it's at Appendix B of the monitor's
45 report.
46 THE COURT: Just a minute.
47 CNSL J. BRADSHAW: Sorry, Appendix C.

1 THE COURT: C. Yeah.
2 CNSL J. BRADSHAW: Appendix B is the offer from the
3 interim [indiscernible/overlapping speakers].
4 THE COURT: From Ms. Liu. Yeah.
5 CNSL J. BRADSHAW: Yes.
6 THE COURT: Right.
7 CNSL J. BRADSHAW: So this offer is substantially in
8 the same form that the court reviewed at the last
9 hearing --
10 THE COURT: Right.
11 CNSL J. BRADSHAW: -- with the exception that it was
12 made binding.
13 THE COURT: Yeah.
14 CNSL J. BRADSHAW: There are -- this is an offer for
15 certain of the assets. Again, I've taken the
16 court to the description of those assets in -- in
17 the monitor's report, but the binding offer here
18 is for a purchase price of \$650,000 conditional
19 on court approval --
20 THE COURT: But that's for the interest in -- for the
21 same assets?
22 CNSL J. BRADSHAW: For the same assets.
23 THE COURT: Okay.
24 CNSL J. BRADSHAW: Essentially the same assets.
25 THE COURT: All right.
26 CNSL J. BRADSHAW: Then at the bottom of the letter,
27 TaneMahuta Capital notes that [as read in]:
28
29 We can move to execution of definitive
30 documents, including an asset purchase and
31 sale agreement forthwith.
32
33 THE COURT: So -- so even on their offer, you -- you
34 say you need to add Bullmoose and --
35 CNSL J. BRADSHAW: Correct.
36 THE COURT: How -- how are you going to add them?
37 Under what --
38 CNSL J. BRADSHAW: We --
39 THE COURT: They're not -- they're not in seeking
40 debtor creditor protection.
41 CNSL J. BRADSHAW: We -- we will be bringing an
42 application to bring them under the auspices of
43 the CCAA and now they'll be added as petitioners
44 into this procedure.
45 THE COURT: Okay. But --
46 CNSL J. BRADSHAW: The.
47 THE COURT: -- but your client doesn't own a -- does

1 your client own a majority or minority interest
2 in them?

3 CNSL J. BRADSHAW: Our client owns the entirety, I
4 believe, of both. Yeah. A hundred percent of
5 both Wapiti and Bullmoose.

6 THE COURT: Oh, I -- okay.

7 CNSL J. BRADSHAW: So they're wholly owned
8 subsidiaries.

9 THE COURT: Oh, all right.

10 CNSL J. BRADSHAW: The subsidiaries -- it's still
11 subject to some investigation that we're
12 undertaking right now on the approach, but we
13 meet the threshold questions of inclusion in the
14 CCAA. And then will be brought in by an
15 application.

16 THE COURT: And so then -- I'm not clear, then,
17 because the previous question I asked you about,
18 I said I thought that the intention throughout
19 was to sell the assets of -- including Wapiti and
20 Bullmoose. You say, well, your
21 client -- I -- I --

22 CNSL J. BRADSHAW: Oh, sorry. Just --

23 THE COURT: Perhaps I misunderstood.

24 CNSL J. BRADSHAW: The -- the intention of the
25 original sales process --

26 THE COURT: Yeah.

27 CNSL J. BRADSHAW: -- was to sell CDI's interest in a
28 number of companies. So it was only to sell
29 CDI's interest, which is the reason why CDI was
30 the only petitioner because we were only looking
31 to -- to sell CDI shares of Wapiti and Bullmoose.

32 THE COURT: But does any -- but if they -- if they
33 wholly own those two entities --

34 CNSL J. BRADSHAW: There may be claims of creditors
35 against the assets of those subsidiaries that
36 are -- A are not stayed, B can't
37 [indiscernible/low voice] off in the jurisdiction
38 of the court without including them in as
39 petitioners because then we need to give notice
40 to those creditors, bring them in, and give them
41 opportunity to present to the court their
42 position on any sale of the assets of those
43 subsidiaries and any claims they may have against
44 those assets.

45 THE COURT: Do you have a sense of how many creditors
46 there are?

47 CNSL J. BRADSHAW: We are currently undertaking that

1 process. We -- we have never looked at the
2 subsidiaries thinking that the -- the
3 shares -- we understood through the claims
4 process what the claim against the shares of
5 those companies was because there was claims
6 against CDI and those shares were a wholly owned
7 asset of CDI.
8 THE COURT: Okay.
9 CNSL J. BRADSHAW: But if -- if we're looking to sell,
10 for example, 10 years that are held in
11 Bullmoose's name --
12 THE COURT: Right.
13 CNSL J. BRADSHAW: -- is there a creditor possibly
14 that could come in and intercede in that chain to
15 be able to make a claim against the assets that
16 could not be made against CDI or a claim against
17 CDI that then can be made against the Bullmoose
18 or Wapiti [indiscernible/overlapping speakers] --
19 THE COURT: So the claim is -- the purchase -- the
20 purchase now is not the shares, it's for the
21 assets [indiscernible/overlapping speakers].
22 CNSL J. BRADSHAW: Correct.
23 THE COURT: All right.
24 CNSL J. BRADSHAW: Is that when the -- when the offers
25 came in --
26 THE COURT: Yeah.
27 CNSL J. BRADSHAW: -- is when the parties became alive
28 to the --
29 THE COURT: Yeah.
30 CNSL J. BRADSHAW: -- fact that the -- the offers were
31 for something substantially larger than CDI's
32 interest in those companies.
33 THE COURT: Okay. And do -- those two entities, do
34 they meet the statutory definition to qualify
35 for -- into the CCAA?
36 CNSL J. BRADSHAW: We -- we are of the position that
37 they do and will present to the court a fulsome
38 application --
39 THE COURT: Okay.
40 CNSL J. BRADSHAW: -- on their inclusion.
41 Now -- and that -- that is -- part of the
42 reason with the moving pieces --
43 THE COURT: Yeah.
44 CNSL J. BRADSHAW: -- and trying to get materials out
45 to the service list and -- and --
46 THE COURT: Yeah. Okay.
47 CNSL J. BRADSHAW: -- the competing priorities here is

1 why we're seeking a short stay extension is to
2 put those materials before the court, have them
3 included, provide notice to creditors,
4 potentially run a claims process --
5 THE COURT: Yeah.
6 CNSL J. BRADSHAW: An abbreviated claims process
7 against those assets.
8 THE COURT: Okay.
9 CNSL J. BRADSHAW: There -- there is the -- the first
10 indications of potential creditors --
11 THE COURT: Yes.
12 CNSL J. BRADSHAW: -- against those assets is that
13 many of them have participated, if not all of
14 them have participated in these proceedings in
15 the CDI claims process.
16 THE COURT: Okay.
17 CNSL J. BRADSHAW: So we're -- we're in -- we want
18 to --
19 THE COURT: Okay.
20 CNSL J. BRADSHAW: -- ensure that we're correct in
21 that assumption so that it may give the court
22 some comfort that they have noticed the
23 proceedings, they know what's going on, and
24 they're going to be materially improved in their
25 position on the debt stack by the retirement of
26 the interim lender's financing [indiscernible].
27 THE COURT: What is that? That purchase price from
28 Ms. Liu, is it?
29 CNSL J. BRADSHAW: 1.6 --
30 THE COURT: Yeah. How far does that take --
31 CNSL J. BRADSHAW: That --
32 THE COURT: -- take the parties?
33 CNSL J. BRADSHAW: -- that takes 1.49 million of the
34 interim lenders charge. I believe there's about
35 a 50,000 or --
36 UNIDENTIFIED SPEAKER: One million four fifty.
37 CNSL J. BRADSHAW: Oh, sorry. One million four fifty.
38 I believe that that leaves a 50 or \$60,000
39 interim lender's charge?
40 UNIDENTIFIED SPEAKER: Correct.
41 THE COURT: Yeah.
42 CNSL J. BRADSHAW: Yes. And then there is an
43 additional cash purchase price that's on top of
44 that amount of I believe 200,000 of which 165,000
45 in cash has been received on September 11th by
46 the company's [indiscernible/overlapping
47 speakers].

1 THE COURT: Right. So in terms of the -- and you say
2 the stack. How does that -- if -- if I approve
3 that sale on that purchase --
4 CNSL J. BRADSHAW: The --
5 THE COURT: -- where would -- how would the money
6 flow?
7 CNSL J. BRADSHAW: Well, the -- the money would flow
8 is that the cash would go into the assets of the
9 estate; right?
10 THE COURT: Right.
11 CNSL J. BRADSHAW: So I -- I'm -- I -- I -- in the
12 monitor's estimation and the company's
13 estimation, it's to fund a potential sales
14 process for other assets that may improve
15 recovery.
16 THE COURT: Okay. I see.
17 CNSL J. BRADSHAW: It'll also retire 1.45 of the
18 interim lender's financing charge --
19 THE COURT: Right.
20 CNSL J. BRADSHAW: -- moving all the un -- and
21 remember here there's no secured creditors.
22 THE COURT: I see. Oh, right. Okay.
23 CNSL J. BRADSHAW: And the -- so it -- it moves all of
24 the unsecured creditors up by that amount. Now,
25 a cash purchase price here of \$650,000 would
26 entirely go to Mrs. Liu.
27 THE COURT: Right.
28 CNSL J. BRADSHAW: Under the interim financing charge.
29 THE COURT: Okay.
30 CNSL J. BRADSHAW: And -- and would only minimally
31 improve the -- the position of the unsecured
32 creditors here.
33 THE COURT: Okay. And I think I saw that
34 you're -- that it's a short adjournment to the
35 end of October -- latter part of October. Does
36 that give the parties enough time to run an
37 abbreviated claims process and -- and even
38 consider a SISP --
39 CNSL J. BRADSHAW: We -- we are --
40 THE COURT: -- of those assets?
41 CNSL J. BRADSHAW: We will be back in very short order
42 to add them as parties with --
43 THE COURT: Yeah.
44 CNSL J. BRADSHAW: -- a plan for -- the question we
45 have for -- for -- which we're still
46 investigating with Bullmoose and -- and our
47 client through those companies is if it's a

1 coterminous pot of -- of creditors --

2 THE COURT: Oh, I see. Okay.

3 CNSL J. BRADSHAW: -- we may be able to run a very
4 abbreviated sales --

5 THE COURT: Yeah.

6 CNSL J. BRADSHAW: -- process. Once we get a handle
7 around that and the company's comfortable in
8 trying to bring those subs in, then we will come
9 back with a plan -- game plan on that. We expect
10 to do that in -- in very short order to get them
11 added.

12 THE COURT: Okay.

13 CNSL J. BRADSHAW: And then also at the same time
14 serve a notice of application to approve the sale
15 to the interim financier so that everyone has
16 notice of what's going on and why it's happening.

17 THE COURT: Mm-hmm. Okay.

18 CNSL J. BRADSHAW: The -- I'd return back to the
19 monitor's report.

20 THE COURT: Right.

21 CNSL J. BRADSHAW: I believe I dropped off at
22 paragraph 17. Yes. So that's on page 4 of 8.

23 THE COURT: Okay.

24 CNSL J. BRADSHAW: So at paragraph 18 [as read] the
25 monitor forwarded a copy of the offer from the
26 unsolicited purchaser to company's counsel.
27 After consulting with company's counsel, the
28 company decided to pursue the offer from the
29 interim lender, which the monitor supports for
30 the following reasons -- not to take the wind out
31 of Ms. Laity's sails, but it's material to
32 the -- to my submissions is that the purchase
33 price indicated in the purchase agreement was \$1
34 million more than the offer from the unsolicited
35 purchased. B --

36 THE COURT: Yeah.

37 CNSL J. BRADSHAW: -- is that the purchase agreement
38 was in a form that required no further
39 negotiation. The -- C is that the purchase
40 agreement would significantly reduce the amount
41 owing under the interim lender's charge, thus
42 benefitting the general body of creditors. The
43 purchase agreement could result in some residual
44 funds in the company to pursue additional asset
45 sales. And given that the interim lender is
46 currently the fulcrum secured creditor, deference
47 should be given to that offer.

1 Now, subsequent to the selection of the
2 purchase agreement, the company's counsel
3 prepared the asset investing order. That's where
4 it twigged all the parties to what was happening
5 and --

6 THE COURT: Yeah.

7 CNSL J. BRADSHAW: -- how, and there was further
8 negotiation after that.

9 The -- in addition -- accordingly, companies
10 can also -- the monitor advised the interim
11 lender's counsel that there was an issue of
12 notice and there was an issue of -- of
13 appropriateness in that order and jurisdiction.

14 The -- the interim lender's counsel at
15 paragraph 23 agreed the prudent step at this
16 point would be to seek a short extension of the
17 stay of proceedings. So that's supported
18 by -- by the bidder. They're encouraging of that
19 application.

20 The company would then seek to have the
21 purchase agreement and investing order approved
22 by the court upon the expiration of a claims bar
23 date. Again, we'll determine whether or not, A,
24 a claims process is required in the
25 circumstances, and also whether or not we can get
26 that done in -- in short order.

27 The monitor has been advised by the
28 company's counsel that the deposit of 10
29 percent --

30 THE COURT: Mm-hmm.

31 CNSL J. BRADSHAW: -- which is -- 165,000 has been
32 received.

33 Subsequent to those negotiations with the
34 interim financier, one other update that's not in
35 the monitor's report is that company's counsel
36 and the monitor reached -- or -- I believe it was
37 the monitor actually that reached -- no, it was
38 company's counsel that have reached out to the
39 TaneMahuta Capital to see if they would act as a
40 backup bidder should the court be uncomfortable
41 with -- with the sale, and they declined to act
42 as a backup bidder, and instead today I believe
43 are the only party opposing the application
44 today.

45 Is that -- I'm looking to my friends. Mr.
46 Watson [indiscernible/away from microphone].

47 UNIDENTIFIED SPEAKER: I -- I don't know their

1 position.
2 CNSL J. BRADSHAW: Yes.
3 UNIDENTIFIED SPEAKER: [Indiscernible/overlapping
4 speakers].
5 CNSL J. BRADSHAW: No, you're --
6 UNIDENTIFIED SPEAKER: [Indiscernible/overlapping
7 speakers].
8 CNSL J. BRADSHAW: -- right.
9 UNIDENTIFIED SPEAKER: I'm not opposed -- my --
10 CNSL J. BRADSHAW: Certainly.
11 UNIDENTIFIED SPEAKER: -- client's not --
12 CNSL J. BRADSHAW: Yes.
13 UNIDENTIFIED SPEAKER: -- opposed to
14 [indiscernible/overlapping speakers].
15 CNSL J. BRADSHAW: Yes, the creditors are not opposing
16 the application sought today.
17 Ms. Fellowes has indicated that she would
18 like to make submissions to the court today.
19 THE COURT: Okay.
20 CNSL J. BRADSHAW: As an officer of the court, I just
21 wanted to flag the *AbitibiBowater* decision on
22 standing of unsuccessful bidders. In the court
23 and -- and I have the case here if the court
24 would like. I understand the court may just want
25 to hear from the parties to understand their
26 positions, but I would reserve a right to make
27 submissions on standing --
28 THE COURT: All right.
29 CNSL J. BRADSHAW: -- the bidder following any
30 submissions from Ms. Fellowes.
31 THE COURT: All right.
32 THE COURT: Okay. So you're seeking to extend the
33 stay to October 25th, and then what do you -- you
34 arrange to get back in front of me but -- through
35 scheduling when you're ready to go?
36 CNSL J. BRADSHAW: In -- in very short order. We
37 expect to be in -- at your -- close to your
38 earliest availability.
39 THE COURT: Yeah. How long do you think it's going to
40 take you to -- to prepare the materials for
41 adding Bullmoose and Wapiti as parties?
42 CNSL J. BRADSHAW: We -- we are in process, and
43 we -- we should be ready to file as soon as we
44 understand who the list of creditors are --
45 THE COURT: So --
46 CNSL J. BRADSHAW: -- because we want to attach that.
47 THE COURT: -- do you have a sense of the time --

1 CNSL J. BRADSHAW: I -- I imagine by the end of the
2 week --
3 THE COURT: I see.
4 CNSL J. BRADSHAW: -- we'll be in a position to file
5 and serve.
6 THE COURT: Okay. Okay.
7 CNSL J. BRADSHAW: Again, subject to court
8 availability and --
9 THE COURT: Yeah. All right. Okay. And you're going
10 to be seeking at this -- not only to add them,
11 but an approval process of the -- approval order
12 of the --
13 CNSL J. BRADSHAW: If -- if one's required. If -- if
14 it's the view of the monitor and the company
15 that -- that there is a claims process that's
16 required in --
17 THE COURT: Right.
18 CNSL J. BRADSHAW: -- order to grant the order
19 sought --
20 THE COURT: Yeah.
21 CNSL J. BRADSHAW: -- then we'll come with -- with
22 that plan fleshed.
23 THE COURT: What about the application to have Mr.
24 Fraser's client's purchase price -- purchase
25 agreement?
26 CNSL J. BRADSHAW: We -- we will be --
27 THE COURT: Same time --
28 CNSL J. BRADSHAW: -- bringing that application --
29 THE COURT: -- as well?
30 CNSL J. BRADSHAW: -- at the same time.
31 Yeah. It -- it's just -- it
32 should -- we're -- we're -- our intention here is
33 to do a single service.
34 THE COURT: I see.
35 CNSL J. BRADSHAW: To get all of the materials out
36 into the hands of potential creditors.
37 THE COURT: All right. And where does Mr. He's client
38 stand in this?
39 CNSL J. BRADSHAW: Mr. He's client does not have a
40 position on the application today that's
41 indicated to us.
42 THE COURT: All right. Because his client wanted to
43 be added, but that's still -- that's opposed;
44 right?
45 CNSL J. BRADSHAW: It's -- it's opposed. It's opposed
46 as to whether or not he's it's appropriate for
47 him to be added in -- in the CDI claims process.

1 THE COURT: All right. That would have to be heard at
2 some point in any event; right?

3 CNSL J. BRADSHAW: It -- it will have to be heard, but
4 again, not until the distribution [indiscernible]
5 being grossly inefficient --

6 THE COURT: Yeah. Right.

7 CNSL J. BRADSHAW: -- to deal with that in any process
8 [indiscernible/away from microphone].

9 THE COURT: Okay. Thank you. Okay. So I'll hear
10 next from Ms. Laity?

11 CNSL J. BRADSHAW: Yes.

12 CNSL M. LAITY: Thank you.

13 CNSL J. BRADSHAW: Oh, and sorry, Justice, just one
14 other thing is that I have a copy -- vetted copy
15 of the extension order.

16 THE COURT: Okay. That's --

17 CNSL J. BRADSHAW: Yeah.

18 THE COURT: -- Not sure we're there yet. Let's --

19 CNSL J. BRADSHAW: Yeah.

20 THE COURT: Let's -- [indiscernible], Ms. Laity?

21 CNSL M. LAITY: Sure, Justice.

22

23 **SUBMISSIONS FOR THE MONITOR BY CNSL M. LAITY:**

24

25 CNSL M. LAITY: So my friend went through most of our
26 report --

27 THE COURT: Yeah.

28 CNSL M. LAITY: -- so there's not much left for me to
29 say. I will say that most of what he took you
30 through the report is -- forms the basis of why
31 we say the company is acting in good faith and
32 due diligence, and the monitor supports this
33 application for a short extension in order to
34 really finalize this. We say the sales -- the
35 amended sales process went through, there were
36 positive results. One offer was clearly
37 superior, and what -- going forward with that
38 offer, if a vesting order that they require can
39 be done by this short extension, then that should
40 be completed. So --

41 THE COURT: And it's an AVO; right? It's an AVO? Not
42 an RVO, but --

43 CNSL M. LAITY: I --

44 THE COURT: -- an AVO.

45 CNSL M. LAITY: -- I thought they did want an RVO.

46 CNSL J. BRADSHAW: It -- it's --

47 CNSL M. LAITY: I -- I suppose he can speak to that

1 [indiscernible/away from microphone].
2 CNSL J. BRADSHAW: Sorry, there -- there has -- there
3 have been discussions on -- on the mechanism, but
4 as it's contemplated, it's an asset. It's an
5 asset --
6 THE COURT: AV --
7 CNSL J. BRADSHAW: -- it's an asset vesting order.
8 THE COURT: AVO. All right.
9 CNSL J. BRADSHAW: An AVO.
10 CNSL M. LAITY: Okay.
11 THE COURT: If it's an RVO, it's a whole --
12 CNSL J. BRADSHAW: It -- it's [indiscernible/away from
13 microphone].
14 THE COURT: -- whole different drill.
15 CNSL M. LAITY: Okay. Sorry to raise that. I know
16 the courts are dealing with that as we speak,
17 so...
18 THE COURT: Right.
19 CNSL M. LAITY: Okay. So that's -- so we support
20 this.
21 A few points on the -- the process. This is
22 paragraph 28 of the monitor's report.
23 THE COURT: Right.
24 CNSL M. LAITY: And so we just want to say that we
25 think that the -- the process has been a
26 reasonable one. The business and assets of both
27 have been extensively marketed. The sales
28 process was fair and transparent and provided all
29 participants with equal access to information and
30 opportunity to submit an offer, and in fact, then
31 this Tanecap was -- was offered to potentially be
32 the backup bidder as well after all this came
33 about, and so we note that as well.
34 And the purchase price and other terms of
35 the purchase agreement are fair and reasonable
36 and demonstrated through the sales process, and
37 it represents the best offer available. And
38 so --
39 THE COURT: I haven't -- I haven't read through all
40 the offers, but apart from the purchase price,
41 are they essentially like for like, both offers?
42 CNSL M. LAITY: In one material aspect in that I think
43 this issue of the vesting order would be similar.
44 I mean, I'll -- I'll let Miss Fellowes speak to
45 this of -- of whether she thinks her offer is
46 different.
47 I mean, one is a purchase agreement, and one

1 is an offer that would then need to negotiate a
2 purchase agreement. So I -- I would say those
3 are different in that respect too.
4 THE COURT: But otherwise, it -- both -- they're both
5 designed to purchase the assets including Wapiti
6 and Bullmoose.
7 CNSL M. LAITY: Yes. My -- and --
8 THE COURT: The difference is the purchase price.
9 CNSL M. LAITY: Yes.
10 THE COURT: Right. Okay.
11 CNSL M. LAITY: Now, my friend Mr. Fraser might have
12 some details of -- that he -- he might say on his
13 own, but yes, as -- as -- as it appears, it's the
14 \$1,000,000 and the not being subject to
15 negotiation.
16 THE COURT: Right.
17 CNSL M. LAITY: And -- and just a comment on the few
18 points where we say the -- the offer is superior.
19 If I can take you back to paragraph 19 of the
20 monitor's report --
21 THE COURT: Okay.
22 CNSL M. LAITY: -- which, again, my friend went
23 through, but I just want to note that on -- the
24 point on E, if I could put it a different way is
25 that any closing risk would be borne by the DIP
26 lender in this situation, and that's what we
27 mean. We don't necessarily mean deference to the
28 DIP lender, but the fact that the only person
29 that would receive the sort of cash offer or the
30 only person that would deal with the closing risk
31 would be the DIP lender, and in that case there's
32 no real closing risk.
33 THE COURT: Okay.
34 CNSL M. LAITY: And so that -- that was the point I
35 wanted to make about that. And so yes, it
36 doesn't appear the creditors are opposing, and in
37 fact, the extra \$200,000 in this case would be
38 able to further the process and -- and bring much
39 more value to the body of creditors.
40 THE COURT: So then when the -- when -- the idea is
41 that it would provide funds to engage in a
42 further marketing program?
43 CNSL M. LAITY: For the other assets, yes.
44 THE COURT: And remind me the -- just in brief manner,
45 the other assets, they are?
46 CNSL M. LAITY: Murray River --
47 THE COURT: Right.

1 CNSL M. LAITY: -- primarily, and then there is the
2 Iron Ross.
3 THE COURT: Iron Ross. Okay.
4 CNSL M. LAITY: Yeah.
5 THE COURT: Yeah.
6 CNSL M. LAITY: Yeah.
7 THE COURT: All right.
8 CNSL M. LAITY: Yes.
9 THE COURT: And I recall from past submissions that
10 they're said to have significant value.
11 CNSL M. LAITY: Yes, those are the -- the --
12 THE COURT: The big ones?
13 CNSL M. LAITY: -- the bigger ones.
14 THE COURT: Yeah.
15 CNSL M. LAITY: That's correct. And the idea is that
16 this process can allow to get the offers. As you
17 recall, there was multiple offers --
18 THE COURT: Right.
19 CNSL M. LAITY: -- for them, but they didn't
20 exactly --
21 THE COURT: Right.
22 CNSL M. LAITY: -- go anywhere.
23 THE COURT: No.
24 CNSL M. LAITY: And so that would be the bulk of
25 where --
26 THE COURT: Okay.
27 CNSL M. LAITY: -- we say the value would come from.
28 Subject to any questions, that's essentially
29 our submissions on this.
30 THE COURT: Hence Mr. He's client's application to get
31 brought in so that he can try to participate in
32 distribution if the other assets are sold.
33 CNSL M. LAITY: For another day, but yes.
34 THE COURT: Right. But that's -- that's why? All
35 right.
36 CNSL J. BRADSHAW: And, sorry, just -- just for
37 completeness, there's also the CKD issue which
38 has been parked for the moment --
39 THE COURT: Yeah.
40 CNSL J. BRADSHAW: -- which was Mr. Jackson's
41 [phonetic] client.
42 THE COURT: Right.
43 CNSL J. BRADSHAW: There also may be significant value
44 in the CKD assets.
45 THE COURT: Right. Okay.
46 CNSL J. BRADSHAW: So that -- there's -- there's
47 various other --

1 THE COURT: Okay. Let me just turn to the creditors
2 first. So, Mr. Watson and Ms. Wu, do you have
3 anything you want to say?
4

5 **SUBMISSIONS FOR CREDITOR CANADA ZHONGHE BY CNSL R. WU:**
6

7 CNSL R. WU: As a general comment, Canada Zhonghe
8 hasn't been satisfied with the delays
9 [indiscernible/low voice].

10 THE COURT: Has been?

11 CNSL R. WU: Has not been satisfied --

12 THE COURT: Oh, I see.

13 CNSL R. WU: -- because of all the delays. And --

14 THE COURT: All right.

15 CNSL R. WU: -- it -- it's been a number of years.

16 THE COURT: Right. I think Mr. Bursona [phonetic]
17 said it's the longest running CCAA he -- he's
18 aware of.

19 CNSL R. WU: So I just want to start with that. There
20 have been a number of --

21 THE COURT: Right.

22 CNSL R. WU: -- delays. Not, you know, blaming
23 counsel for anything, but we --

24 THE COURT: Yeah.

25 CNSL R. WU: -- this last report we got yesterday
26 with -- the first time that we were provided with
27 details of the -- of the newest offer from the
28 DIP letter, for example. There is a bankruptcy
29 process that has been started.

30 THE COURT: Right.

31 CNSL R. WU: It's been adjourned. It would be kind of
32 Zhonghe's preference to proceed with that step --

33 THE COURT: Yeah.

34 CNSL R. WU: -- you know, as soon as practicable, and
35 so because of the timing of the materials having
36 been provided so late, there really was no time
37 to do anything other than come here today and not
38 oppose the -- the extension being sought.

39 But we do question the necessity or even the
40 appropriateness of the further steps that the
41 company is proposing taking with respect to
42 adding these two companies or doing a -- a -- a
43 claims process and a vesting order, or whether or
44 not that's even necessary or needed is question.
45 So we don't -- we're not condoning any of that
46 in -- in not opposing this day.

47 So by default we're not opposing the

1 extension, but we do reserve all our rights --

2 THE COURT: Right.

3 CNSL R. WU: -- to -- to take positions when the
4 ultimate application is brought for whatever is
5 being planned by the company.

6 THE COURT: All right. Thank you.

7 CNSL R. WU: No further comments.

8 THE COURT: Thank you.

9 Mr. Watson?

10 CNSL E. WATSON: Thank you, Justice.

11

12 **SUBMISSIONS FOR SHOUGANG INTERNATIONAL BY CNSL E.**

13 **WATSON:**

14

15 CNSL E. WATSON: I -- I'd -- I'd adopt those
16 submissions as relates to relief. Not opposing
17 today. Also have some concerns. I would just
18 flag two things from Mr. Bradshaw's submissions.

19 First, I -- I don't think there's any
20 necessity to complete the transaction the way
21 it's sort of been alluded to. They could sell
22 the shares in these companies, and that could be
23 the purchases. It could be a share purchase
24 agreement. Not an RVO, but a share purchase
25 agreement completed in this proceeding without
26 any parties being added. I think that is
27 possible.

28 THE COURT: Mm-hmm.

29 CNSL E. WATSON: I also don't believe it is necessary
30 legally to -- to run a claims process before
31 completing that. As you know, a vesting order
32 would vest out and then the proceeds would stand
33 in -- in the place when he claimed. So our
34 claims process, if necessary, could be run after.
35 It is not a necessity to run it before. And
36 again, we're very unclear as to why these parties
37 need to be added and need to be -- need to assess
38 that to determine with creditor perspective what
39 the most appropriate path forward is.

40 THE COURT: Right. Sorry, have you communicated that
41 to Mr. Bradshaw, your -- those views that -- none
42 of that -- none of that -- none of that -- those
43 steps and the associated expense are necessary?

44 CNSL E. WATSON: I haven't had a chance to talk to Mr.
45 Bradshaw, but [indiscernible] has talked to the
46 monitor about it --

47 THE COURT: Okay.

1 CNSL E. WATSON: -- and raised the issue, and I think
2 generally speaking the company is aware -- Mr.
3 Bradshaw is aware that there are concerns as to
4 whether or not these steps are necessary --

5 THE COURT: Okay.

6 CNSL E. WATSON: -- and the creditors are looking at
7 it to -- to view -- you know, does it make sense?
8 Is it going to ultimately end with coverage for
9 them? Is it going to add expense to the CCAA?

10 THE COURT: Right.

11 CNSL E. WATSON: Or delay or any of these other
12 questions. All of which I think hopefully will
13 come to a head at the next hearing --

14 THE COURT: All right.

15 CNSL E. WATSON: -- when it's all before the court.

16 THE COURT: Okay. Thank you.

17 Okay. Mr. Fraser, we'll turn to you next.

18

19

SUBMISSIONS FOR THE DIP LENDER BY CNSL B. FRASER:

20

21 CNSL B. FRASER: So -- so, Justice, needless to say my
22 client is, you know, supporting the process as
23 it's going forward --

24 THE COURT: Yeah.

25 CNSL B. FRASER: -- but it -- it strikes me that Ms.
26 Fellowes is the only counsel who's opposing it,
27 and -- and I would just suggest we could hear
28 from Ms. Fellowes, and then perhaps I could
29 respond to her --

30 THE COURT: All right.

31 CNSL B. FRASER: -- once I understand what her
32 position is.

33 THE COURT: Okay. Just before I turn to her, Mr. He,
34 is there anything you want to add to this?

35

36

SUBMISSIONS FOR THE PROPOSED APPLICANT BY CNSL R. HE:

37

38 CNSL R. HE: Not really. I -- I agree that at this
39 stage we're not in -- we're not -- we don't have
40 any standing to make any objections, but I do
41 share the submissions of the other creditors
42 regarding whether this one -- this process is
43 appropriate, but anyway --

44 THE COURT: Okay.

45 CNSL R. HE: -- I think we are going to
46 [indiscernible/remote audio] when we
47 are -- when -- when we are hearing our

1 applications.

2 THE COURT: Okay. Very good. All right. Thank you.
3 All right. Ms. Fellowes.
4

5 **SUBMISSIONS FOR TANEMAHUTA CAPITAL BY CNSL K.**
6 **FELLOWES:**
7

8 CNSL K. FELLOWES: Thank you, Justice Walker. I -- I
9 hope you can hear me all right.

10 THE COURT: I can. Thank you.

11 CNSL K. FELLOWES: Excellent. Thank you.

12 Yes. My client -- maybe I can address first
13 the issue of standing.

14 THE COURT: Mm-hmm.

15 CNSL K. FELLOWES: I wasn't present the last time this
16 matter was before yourself, Justice Walker, on
17 August 30th, but I have seen a copy of the order,
18 and the order that was made at the time directed
19 the parties to make final binding bids by
20 September 6th. On that same day, the monitor
21 sent a notice specifically to my client directing
22 them to the order, directing them that if they
23 wish to make a final bid, they should do so by 4
24 o'clock on September 6th, and it should be
25 accompanied by a deposit.

26 Paragraph 4 of your order of August 30th
27 then goes on to state [as read in]:
28

29 Binding offers shall be considered at a
30 one-day hearing on September 17th.
31

32 My client in good faith complied with that order.
33 They increased their offer substantially, up to
34 \$650,000 cash and not only provided a -- a bank
35 draft for a portion of that purchase price, they
36 provided a bank draft for the full amount of the
37 purchase price, a 100 percent deposit. There is
38 no closing risk with respect to my client's
39 offer.

40 They were invited to participate in this
41 process. They did so in good faith. They put
42 all their money down, and I should note that this
43 money is real cash and can go towards funding the
44 process and selling the other assets in this
45 estate. And, in fact, is a lot more money than
46 what the DIP lender is proposing to [inaudible].
47

We complied with the deadlines. We heard

1 nothing from the monitor or company counsel until
2 a September, I believe, 11th, when we inquired
3 what was going on. The monitor simply told us
4 that a superior offer had been selected, and when
5 we asked to see a copy of that order or
6 understand the details of that offer, the monitor
7 said we'd have to speak to company counsel.

8 Last Thursday, company counsel reached out
9 to me and did ask if my client would be
10 interested in being a backup bidder, and I, of
11 course, said, "Backup bidder to what?" because we
12 hadn't seen any details as to what the other
13 offer is.

14 I asked again to see copy of -- of that
15 information, and counsel told me she would have
16 to seek instructions in order to reveal that to
17 me.

18 Later this week, we are still waiting for
19 word on what's going on, and to our surprise, we
20 receive an application not for approval of the
21 competing offer, but for yet another extension.

22 I don't think I need to remind the court
23 that the CCAA process is not a right but a
24 privilege, and a debtor company needs to show
25 that they are making good faith efforts towards a
26 viable restructuring. My client has a
27 very -- has a lot of concerns about the good
28 faith that the company is exhibiting. They did
29 not receive an opportunity from the company to
30 negotiate an APA. I remind the court that the
31 DIP lender in this case is the 50 percent owner
32 of the debtor company and is the wife of the
33 principal of the debtor company. Although they
34 are separately represented by Mr. Fraser, in
35 essence, the company is negotiating with itself.
36 So perhaps there's no surprise that they have a
37 fully executed APA while my client was denied the
38 opportunity to even negotiate with them.

39 That being said, my client's offer is clean.
40 Money is paid. There are no conditions attached
41 to the offer, and we're seeking the exact same
42 set of assets that the DIP lender's offer
43 encompasses.

44 We're talking about wholly owned
45 subsidiaries, so the reference to shares is a
46 little confusing to me, and the reference for a
47 need to run a separate process two years into the

1 proceeding is -- is very confusing to me.

2 Our offer is for all the assets of CDI,
3 including the shares of its wholly-owned
4 subsidiaries. Our offer is clean. Our money is
5 up front. If the issue is an executed APA, if
6 given an opportunity to negotiate one, we can do
7 so within 24 hours. 48 hours, maybe.

8 We -- there's no magic to the -- an asset
9 purchase agreement. We can model ours on the
10 same model that is already before the court.

11 THE COURT: Have you now seen the -- the agreement
12 that's been tendered on behalf of Mr. Fraser's
13 client?

14 CNSL K. FELLOWES: Yes. We saw it on Friday, I think,
15 when --

16 THE COURT: Okay.

17 CNSL K. FELLOWES: -- the company delivered its
18 materials.

19 THE COURT: So there is a difference -- there's a
20 significant difference in the purchase price.
21 What do you say about that?

22 CNSL K. FELLOWES: Well, there's a difference in the
23 purchase price, but there's also a difference on
24 the value that it brings to this process. I
25 should note as well that the DIP lender's offer
26 was not compliant with your order on August 30th
27 because it was not accompanied by a deposit.
28 Instead, although we scrambled to put together a
29 hundred percent deposit by the bid deadline on
30 September 6th, I understand that the DIP lender
31 put -- paid no deposit until September 11th, and
32 that deposit is only 10 percent of the purchase
33 price. It's much smaller than my client's
34 deposit.

35 So the value we bring and our offer brings
36 to this process is more money to fund the process
37 going forward, certainty, and speed. We can
38 close quickly.

39 THE COURT: But if -- if I -- if your
40 client's -- sorry. I'll back up.

41 Your client's offer would only go to -- to
42 Mr. Fraser's client in the sense that it would
43 reimburse the DIP lender's [indiscernible]. It
44 wouldn't benefit --

45 CNSL K. FELLOWES: Well --

46 THE COURT: -- anyone else.

47 CNSL K. FELLOWES: You know, if the DIP lender or the

1 company see some value in keeping some of that
2 money aside and not making an interim
3 distribution to the DIP lenders to fund the
4 process going forward, that's up to the company.
5 What they choose to do with the sale process,
6 this \$650,000 that we're injecting into the
7 process is up to them. The DIP lender doesn't
8 have to sweep it all away. They can choose to
9 use some or all of it in negotiations with the
10 company.

11 THE COURT: So what do you -- what are you asking me
12 to do, then, today?

13 CNSL K. FELLOWES: Well, Justice Walker, I'd -- I'd
14 like all the parties here to follow your order of
15 August 30th, which states that binding offers
16 will be -- shall be considered on September 17th.
17 I see no reason for yet another extension. I
18 don't think it brings value to the process.

19 This company -- these are wholly-owned
20 subsidiaries. They -- surely they know who their
21 creditors are and what assets they hold. These
22 are their companies. Why they need to run a
23 claims process now, increase the professional
24 fees by, you know, bringing another CCAA
25 application to bring new parties in --

26 THE COURT: Yeah.

27 CNSL K. FELLOWES: -- it's -- it's not a benefit to
28 anyone in this process. My client feels like
29 once again it's been led down the garden path,
30 encouraged to persist -- participate in a process
31 which is stacked against them. They comply with
32 all of the deadlines, they comply with your
33 orders, but the company continually seeks to kick
34 the can down the road. It's been two
35 years -- over two years since the CCAA was first
36 initiated, and not one asset has been sold.

37 If -- if once again, the -- this company
38 gets another one-month extension. I think that's
39 exactly what they want. I don't think they want
40 to sell anything. I think they just want to
41 delay this matter as long as possible.

42 THE COURT: Why do you say that? What -- in what
43 basis?

44 CNSL K. FELLOWES: On the basis that they are not
45 negotiating in good faith with my client, and
46 they are continually, at the last minute before
47 every hearing, seeking extensions.

1 UNIDENTIFIED SPEAKER: Sorry, Justice.

2 THE COURT: And -- and the basis to say they're not
3 negotiating in good faith with your client?

4 CNSL K. FELLOWES: They refused to negotiate an APA
5 with us. They refused to show us a copy of the
6 bid that we were competing against while asking
7 us to act as a backup bidder with a -- by
8 refus -- yet refusing to tell us what we were
9 being back up to. And, you know, by -- they need
10 to play by the same rules that we're playing by.
11 We met the bid deadline. We put a substantial
12 deposit up. They -- while they met the bid
13 deadline, they put no deposit down, and then the
14 whole process is shrouded in secrecy until one or
15 two days before the hearing. It's not giving
16 people an appropriate amount of time to react, to
17 understand what their options are, and to get
18 full instructions.

19 THE COURT: All right. So then ultimately you're
20 asking me today to -- to look at the two offers
21 and -- and just determine which one should be
22 accepted?

23 CNSL K. FELLOWES: Correct.

24 THE COURT: Okay. All right. Thank you.

25 Who'd like to address this in reply? Who
26 wants to start first?

27 UNIDENTIFIED SPEAKER: Should [indiscernible]?

28 CNSL J. BRADSHAW: Oh, sorry.

29 UNIDENTIFIED SPEAKER: He has not spoken yet.

30 CNSL J. BRADSHAW: Justice, Mr. Fraser hasn't had a
31 chance --

32 THE COURT: I know. But I [indiscernible/overlapping
33 speakers] --

34 CNSL J. BRADSHAW: Oh.

35 THE COURT: -- Mr. Fraser --

36 UNIDENTIFIED SPEAKER: Oh.

37 CNSL J. BRADSHAW: Oh, yes.

38 THE COURT: Who wants to -- I assume Mr. Fraser will
39 reply to the question who wants to go first.

40 CNSL B. FRASER: Well, I -- I don't mind going first.

41 THE COURT: Okay, Mr. Fraser.

42 CNSL B. FRASER: Is it possible, perhaps, to be
43 [inaudible].

44

45 **REPLY FOR DIP LENDER BY CNSL B. FRASER:**

46

47 CNSL B. FRASER: So we've heard a lot of suggestions

1 from Ms. Fellowes about parties not acting in
2 good faith, some kind of collusion going on
3 between my client and the -- and the company.
4 They're all without any foundation whatsoever.
5 But I just want to -- like to just, you know,
6 bring a -- a little bit of history, you know,
7 before the court.

8 And on -- on reviewing the -- the monitor's
9 reports of -- I was looking -- looking at the
10 15th report of the monitor, which made reference
11 to a July 31st letter of intent from TaneMahuta.

12 THE COURT: Okay.

13 CNSL B. FRASER: And in the 15th report, the monitor
14 referred to having received a letter from
15 TaneMahuta for \$400,000, and that -- that letter
16 of intent required a -- a number of
17 conditions -- imposed a number of conditions, for
18 example, TaneMahuta, its offer required the
19 company CDI to make its best efforts to negotiate
20 an asset purchase agreement.

21 So it's -- it's a -- a requirement to lock
22 the company into good faith negotiations. There
23 had to be an exclusivity period so the company
24 could only negotiate with TaneMahuta and could
25 not solicit from anyone else. The offer had to
26 be kept confidential. And except for exclusivity
27 and confidentiality, there was no binding
28 agreement until the APA was executed and
29 delivered.

30 The proposed material terms included the
31 same definition of target assets. I'm going to
32 come back to it because Ms. Fellowes has placed a
33 construction on the definition of target assets
34 in the TaneMahuta document, which she says that
35 now should be construed as being limited to just
36 the shares of the subsidiaries. In -- in my
37 submission, there's no reasonable construction
38 that could be placed on the definition of target
39 assets that -- that -- that limits the TaneMahuta
40 on a proposal to just the shares of the
41 subsidiaries, but I -- I'll -- I'll come back,
42 and I'll -- I'll read that --

43 THE COURT: Sure.

44 CNSL B. FRASER: -- to -- to the court.

45 So -- so the -- the -- the original
46 exclusivity negotiation document was rejected for
47 good reasons, and then there was a July 31st

1 letter of intent from TaneMahuta, and we looked
2 at that back on August the 30th. The court found
3 that July 31st, 2024, letter of intent, and in
4 the July 31st, 2024, letter of
5 intent -- now -- now -- what was being proposed,
6 again, was a proposal to negotiate --

7 THE COURT: Mm-hmm.

8 CNSL B. FRASER: -- a -- a binding asset purchase
9 agreement. It's the same \$400,000, and
10 what -- what -- what happened as of July 31st,
11 the only change was that TaneMahuta said, "We
12 won't insist if CDI agrees to this approach, on
13 locking CDI into a period of exclusivity for
14 negotiation and no solicitations." Again, that
15 was thought to be inadequate, inappropriate, and
16 so then, you know, we get -- we get back
17 to -- before the court at the -- at the -- back
18 in September, and at this time when we were back
19 before the court in September, we -- we hear a --
20 a lengthy submission from Mr. Amanat about how
21 the July 31st document was a binding offer --

22 THE COURT: Yeah.

23 CNSL B. FRASER: -- and the court had a chance to look
24 at that document. And of course it was anything
25 but a binding offer, and -- and so we had
26 to -- we had TaneMahuta before the court on the
27 last appearance with its representative saying
28 they had presented a binding offer, but in fact,
29 it wasn't a binding offer. The -- the -- it was
30 subject to -- it said right on its face that
31 unless and until asset purchase agreement had
32 been negotiated and executed by both parties,
33 there was no legal obligation on the part of any
34 parties.

35 So the court said parties have to make
36 binding offers, and that was the order made on
37 August the 30th. And -- and I know that Ms.
38 Fellowes said that the order of this court
39 required the deposit to be paid at the same time
40 as the binding offer was submitted.

41 THE COURT: Is the order in the binder? I don't --

42 CNSL K. FELLOWES: I hope it would be. August 30th.

43 Checking with --

44 UNIDENTIFIED SPEAKER: It is.

45 THE COURT: It is in the binder?

46 UNIDENTIFIED SPEAKER: It is unfortunately not in the
47 binder.

1 THE COURT: It's not there.
2 CNSL B. FRASER: But I -- but I can -- I can hand
3 this up.
4 THE COURT: All right.
5 CNSL B. FRASER: I haven't written on this -- on
6 this -- this document.
7 THE COURT: All right.
8 CNSL B. FRASER: It -- it says binding offers have to
9 be made. It doesn't speak to the timing of the
10 deposit.
11 THE COURT: All right. And the point you made a
12 moment ago about the target assets, you say,
13 well, the bid speaks of target assets, which
14 include Bullmoose and Wapiti, the assets.
15 CNSL B. FRASER: Yes, and -- and their assets.
16 THE COURT: And their assets, yeah.
17 CNSL B. FRASER: Yes.
18 THE COURT: And so you say now if it's -- if it's a
19 share sale, and there's a share acquisition of
20 CD -- who has interests or shares, that's a
21 different matter?
22 CNSL B. FRASER: Yes, but the --
23 THE COURT: Yeah.
24 CNSL B. FRASER: -- the thing is the -- you have to
25 be, you know, respectful of the bid process.
26 THE COURT: Yeah.
27 CNSL B. FRASER: The bid was put in by -- by
28 TaneMahuta, and the description of the assets to
29 be purchased, the target assets, is not limited
30 to the shares owned by CDI. I think Mr. -- I
31 think that's made clear in the monitor's report.
32 THE COURT: Well, in fact, the order speaks of binding
33 offers for their Wapiti and Bullmoose assets.
34 CNSL B. FRASER: That -- that -- that's right. It's
35 not -- not limited to the shares.
36 THE COURT: Right.
37 CNSL B. FRASER: It's -- it's broader than that.
38 THE COURT: And you say there's no requirement for the
39 deposit to be paid?
40 CNSL B. FRASER: No. And -- and -- and the -- the
41 requirement as to when the deposit be paid is
42 actually set out in the SISP order --
43 THE COURT: Okay.
44 CNSL B. FRASER: -- which said the deposit has to be,
45 you know, paid before the monitor's -- the offer
46 is accepted by the company, before the monitor's
47 application goes to the court for approval.

Reply for the DIP Lender by Cnsl B. Fraser

1 And so our client's 165,000 dollars, 10
2 percent deposit, was paid in accordance with that
3 order.

4 THE COURT: Okay.

5 CNSL B. FRASER: So I think that Ms. Fellowes just
6 misunderstands the -- the order that was made by
7 this court. And so -- so then to -- to -- to go
8 to the -- the offers that were made. So that's
9 the offers that were made --

10 THE COURT: Yeah.

11 CNSL B. FRASER: -- set out in the --

12 THE COURT: I've got them.

13 CNSL B. FRASER: -- attached to the monitor's --

14 THE COURT: Yeah.

15 CNSL B. FRASER: -- 17th report.

16 THE COURT: I've got them.

17 CNSL B. FRASER: No. We just -- my client's proposed
18 purchase agreement, it's at Appendix B. I see
19 the pages aren't numbered, but --

20 THE COURT: Well, they are at the top. When you move
21 through it, they -- at the top of the page.

22 CNSL B. FRASER: Oh, yes. At the top. All right.

23 But -- but I think it's obvious, Justice,
24 when you look at the effort that went into this
25 document that this is intended to be a fully
26 perfected purchase document that, you know, upon
27 acceptance and the necessary vesting order, that
28 deal was done, and so a lot of effort was put
29 into it.

30 We've heard Miss Fellowes make suggestions
31 that somehow her client wasn't given an
32 opportunity to negotiate an asset purchase
33 agreement like this, but my client was.
34 The -- the fact of the matter is this situation
35 is a little more complicated than usual, and I
36 actually reached out to Mr. Bradshaw, if he had a
37 precedent that he suggest we could use. He had
38 no precedent. This document, this purchase
39 agreement, this is crafted from scratch, you
40 know, by, you know, the solicitors that we
41 employed to -- to -- to draft this document.

42 And so if I can just show you the assets
43 that are being purchased. If you look at page 2,
44 you'll see a --

45 THE COURT: Yeah.

46 CNSL B. FRASER: -- the -- in s. 1.1 --

47 THE COURT: Right. Okay.

1 CNSL B. FRASER: -- [indiscernible] of the shares, so
2 the shares then are the shares of the two
3 companies. The Bullmoose project mineral tunnels
4 and coal licences --

5 THE COURT: Yeah. Okay. All right. Yeah.

6 CNSL B. FRASER: So there is a series of -- of coal
7 licences that are called -- that -- they're being
8 held for the Bullmoose project, but they're
9 actually registered in the name of CDI.

10 THE COURT: Mm-hmm.

11 CNSL B. FRASER: And then all of mineral interest,
12 coal licences, geological data, et cetera,
13 including -- if you go to the last lines -- all
14 permits, mineral interest, coal licences,
15 geological data held by Wapiti.

16 So to step back just for one -- just to put
17 this in perspective, so it's anything that CDI
18 can sell us. Well, that's not going to be an
19 issue because they're -- they're already a
20 petitioner. The shares of the two subsidiaries
21 which are 100 percent owned, but also,
22 [indiscernible] separately buying the assets to
23 those companies. And -- and the reason for that
24 is -- we can put this in perspective.

25 The -- and this is set out in the lengthy
26 petition. There were complicated joint venture
27 agreements with Chinese government entities for
28 these projects. Disputes have arisen about
29 actions taken by the Chinese government and
30 entities who have acquired an arbitral award in
31 one case and --

32 THE COURT: Mm-hmm.

33 CNSL B. FRASER: -- default judgment in another case.
34 The -- the -- the CDI itself is not in a position
35 to give any representations and warranties and
36 doing due diligence -- any lawyer presented with
37 the question of due diligence would say, "That
38 can't be done. I can't give a client assurance
39 based on due diligence that if a purchase
40 proceeds, a title will be -- will be granted."

41 So the only way around that when -- when we
42 looked at this was to say -- we want the assets
43 to CDI. That's fine. We'll buy the shares of
44 the two subsidiaries Wapiti and Canadian
45 Bullmoose. But we also need a process by which
46 we can get clear titles to the assets of those
47 two companies because there's -- there's just too

1 much risk that some entity who has not yet been
2 party to a claims process will step forward and
3 say, "We have claims to these -- these assets."
4 Not when one's -- someone's paying, you know,
5 \$1,650,000, you know, plus all the private legal
6 fees that are required to actually move forward
7 with this process.

8 So -- so our client prepared this agreement
9 from scratch, and if we can just compare this to
10 the Tanecap, which is at Appendix C.

11 THE COURT: Right. I have it.

12 CNSL B. FRASER: Now, the -- this -- the -- the
13 letter from a Mr. Amanat in the second paragraph
14 refers to the binding offer conditional only upon
15 court approval. That's not exactly right. And
16 if the court will turn to Schedule A, first of
17 all with respect to target assets.

18 THE COURT: Mm-hmm. It's the same.

19 CNSL B. FRASER: Yes. It's the same. And -- and
20 so -- and so Ms. Fellowes doing today is by
21 saying, "We'll -- we'll take just the shares, and
22 we -- don't worry about having clear title."
23 That's not the offer that was presented. So
24 after you make your bid, and you're before the
25 court on a consideration of it, and you shouldn't
26 be tempting, in my submission, to rewrite the
27 bid.

28 And in -- in her correspondence with Mr.
29 Bradshaw, she said, you know, we -- we can use
30 the same purchase agreement that Miss Liu has
31 presented because that purchase agreement
32 requires the -- the assets of the two
33 subsidiaries, Wapiti and Canadian Bullmoose, to
34 be free and clear of the claims.

35 THE COURT: Mm-hmm. So you say even if I were to
36 engage in the consideration of the two bids today
37 I would have to adjourn it, grant the extension
38 of the stay in order to allow time for the
39 parties to determine if the assets could be
40 delivered free and clear?

41 CNSL B. FRASER: Yes.

42 THE COURT: Is that right?

43 CNSL B. FRASER: Yes. That -- that -- that's a
44 hundred percent correct.

45 THE COURT: Yeah.

46 CNSL B. FRASER: And so if we just scroll down the
47 terms of the offer a bit further --

1 THE COURT: Right.

2 CNSL B. FRASER: -- you'll see there's a box that
3 says "definitive documentation."

4 THE COURT: Right.

5 CNSL B. FRASER: It says [as read in]:

6

7 Upon acceptance of this offer, the parties
8 will enter into an asset purchase agreement
9 or other purchase and sale agreement
10 customary for CCAA transactions of this
11 nature.

12

13 And you're -- go back to my, you know, point
14 about my discussion, there is no customary
15 transaction of this nature. So that's actually
16 an acknowledgment by TaneMahuta that this is not
17 a binding offer that can simply be accepted.
18 It -- it would be a first stage to negotiation of
19 an asset purchase agreement.

20 Then the next box says [as read in]:

21

22 The corporation shall use commercially
23 reasonable efforts to obtain any third party
24 consent requirement.

25

26 Now, that third party consent required, that was
27 in their original proposal, you know, back in
28 early July. It was in their July 31st proposal.
29 This has been a consistent issue in their
30 documentation. They don't define who the third
31 party -- parties are that -- for which consent
32 would be required, and strangely, that paragraph
33 goes on to say [as read in]:

34

35 In an attempt to give the impression, no
36 doubt that this is final and binding -

37

38 Although by the time we get down to the consent,
39 you know, that -- that ship has sailed. It says
40 [as read in]:

41

42 Provided no third-party consent shall be a
43 condition precedent to closing of the
44 transaction (except for certain consents to
45 be agreed).

46

47 THE COURT: Mm-hmm.

1 CNSL B. FRASER: So there -- there's another issue
2 that would be the subject of negotiation.

3 And then it says in brackets "or a final and
4 non-appealable court order dispensing with the
5 need for such consents."

6 And I was thinking non-appealable court
7 order. Well, where and how would that arise?
8 I'm not aware of -- in -- in these
9 jurisdictions --

10 THE COURT: Yeah.

11 CNSL B. FRASER: -- any orders that would be
12 not -- not appealable. So the -- so the -- so
13 the -- the proviso which you gain is an attempt
14 to demonstrate that nothing really needs to be
15 done here, it's based on a -- a fiction that
16 there could be a non-appealable order.

17 And then of course binding nature. It says
18 [as read in]:

19
20 This binding offer represents a binding
21 commitment of the buyer subject only to
22 court approval.
23

24 Well, no. It's subject to the negotiation of
25 the -- an asset purchase agreement, resolution of
26 third-party consents, and not just court
27 approval, but a -- a final and non-appealable
28 court order.

29 TaneMahuta's been at this for a long time.
30 It's a little difficult for me to determine
31 exactly what their game plan is; although, when I
32 was here last time, I thought that their game
33 plan was to try to be approved as a stalking
34 horse bid so they could get \$50,000 worth of
35 expenses back and a 5 percent fee if somebody
36 came in over them, but
37 I -- it -- I'm -- I'm -- I'm still not -- I'm
38 still mystified by the submissions that are being
39 made.

40 So -- so to go back to -- to -- to where we
41 are, and if I can summarize this. The TaneMahuta
42 offers for the same assets as my client is
43 seeking to buy. This requires a further process.
44 It's perhaps unfortunate that people weren't
45 thinking at an early stage --

46 THE COURT: I know.

47 CNSL B. FRASER: -- but that's --

Reply for the DIP Lender by Cnsl B. Fraser

1 THE COURT: I was going to say.

2 CNSL B. FRASER: -- water under the bridge.

3 And as the -- the monitor explains,
4 you'll -- the -- the advantages are substantial.
5 More than \$1 million greater offer. No further
6 negotiation of agreements is required. The DIP
7 loan would be significantly reduced if my
8 client's offer was approved. In fact, it's down
9 to \$50,000 with another \$200,000 in the bank for
10 the monitor and the company to pursue the
11 monetization of other assets. And there are
12 people who are -- probably know more about this
13 than I do, but I was looking at this project,
14 they called the Gething Coal Project. Over \$100
15 million invested in this -- in this project. My
16 client -- sorry, CDI only has a minority
17 interest, but that -- that holds a significant
18 promise, at least it appears to in the face, that
19 there could be greater monetization from these
20 assets if there was a further process.

21 And when we talk about the -- the \$200,000
22 available, that's \$200,000 available without any
23 issue that -- that was -- that was made here in
24 our offer. The \$200,000 is available to be
25 spent. The TaneMahuta offer, according to Ms.
26 Fellowes, would depend entirely upon the charity
27 of Miss Liu to not take the TaneMahuta \$650,000,
28 but to leave at least \$200,000 of it behind.

29 Really -- really the -- the TaneMahuta seems
30 to be predicated upon Miss Liu sacrificing
31 herself and carrying on indefinitely to finance
32 the company for the benefit of other creditors.
33 It's -- it's a... And so the -- to go back to
34 the -- the essential purposes of CCAA, it's --
35 it's to try to monetize the assets as best as
36 possible for the benefit of all the unsecured
37 creditors.

38 The TaneMahuta offer is predicated on
39 benefiting TaneMahuta to the exclusion of all the
40 other unsecured creditors.

41 So in submission, we've already been at this
42 for two years --

43 THE COURT: Mm-hmm.

44 CNSL B. FRASER: -- but there's something real on the
45 table, and there is money in the bank, and it
46 will be of benefit to creditors, and the short
47 extension to perfect the legal process, which is

Reply for the DIP Lender by Cnsl B. Fraser

1 just an administrative process, it seems to me to
2 be readily warranted.

3 THE COURT: Okay. Thank you.

4 CNSL B. FRASER: Those are my submissions. Thank
5 you.

6 THE COURT: Mr. Bradshaw?

7

8

REPLY FOR PETITIONER BY CNSL J. BRADSHAW:

9

10 CNSL J. BRADSHAW: Justice, I'm -- I'm going to rise
11 on a few points. First is on the standing
12 question because I -- I -- I believe that this is
13 exactly why the policy prohibitions against
14 unsuccessful bidders having standing in court.

15 THE COURT: I know, but -- but it's a little bit
16 different here because there's an allegation in
17 the submission of bad faith.

18 CNSL J. BRADSHAW: I -- I would -- I would say to the
19 court that there is no allegation before the
20 court on proper evidence, is that the allegations
21 of bad faith, the allegations do not, are not
22 accompanied by a sworn affidavit.

23 THE COURT: No, because -- but -- just to sort of
24 synthesize what I heard from Ms. Fellowes --

25 CNSL J. BRADSHAW: Yes.

26 THE COURT: -- there hasn't been sufficient time to do
27 that because it's all come at the last minute.
28 They haven't had the -- they had to -- they had
29 to work hard to get a copy of the other
30 agreement, and -- you -- you heard it all. In
31 other words, there's been insufficient time to
32 come before the court to give me the evidence
33 they would need to back up bad faith.

34 CNSL J. BRADSHAW: Justice, I just want to go back to
35 the timing here. The bids were received on
36 Friday afternoon at 4:00 a.m.

37 THE COURT: Right.

38 CNSL J. BRADSHAW: There was a meeting on Monday with
39 the monitor where we review the bids. Now, this
40 bid did not come in in a one-page term sheet like
41 TaneMahuta, but came in as a fully formed and
42 baked purchase agreement that the company would
43 have to accept.

44 THE COURT: Right.

45 CNSL J. BRADSHAW: It took time for legal review to
46 understand it. That was -- that was on the 10th,
47 which was. The 11th was the first day that we

1 sought instruction to -- to -- which bid we
2 were -- we were selecting, the company was
3 selecting. At that point, there was already
4 communication with Ms. -- with Ms. Fellowes
5 [indiscernible/low voice].

6 Mr. Fraser stood up in court in August 30th
7 and said that his intention was to arrive on
8 September 6th with a fully executable APA.
9 TaneMahuta has never asked to be part of the data
10 room. They don't understand the nature of the
11 ownership of these assets. They took no steps to
12 try and negotiate an executable document prior to
13 the bid deadline. So all -- all of this is
14 without foundation either in the evidence or in
15 the facts. The -- the last piece is that when
16 they were invited, which was the day after
17 the -- the other bid was selected, which was to
18 be the backup bidder, they declined to even
19 engage with the company on the material issues
20 and said "We're --" you know, "No, we're not
21 going to act as a backup bidder. Because at that
22 point we would have talked about all of the
23 issues with trying to get a vesting order and
24 asset purchase agreement and what the --

25 THE COURT: So are you -- so are you saying that when
26 Ms. Fellowes -- her characterization, the reason
27 why they -- they didn't engage in the process of
28 being a backup bidder is because they didn't know
29 what they were bidding against? You say that
30 that's incorrect?

31 CNSL J. BRADSHAW: It -- it's -- they didn't know what
32 they were bidding on. I would say that that --

33 THE COURT: Her point was that she had asked for a
34 copy of the other agreement --

35 CNSL J. BRADSHAW: And -- and we --

36 THE COURT: -- and she didn't get it.

37 CNSL J. BRADSHAW: We got extent. We got it -- we got
38 it -- we got instructions on that on the 12th,
39 and Miss -- Miss Fellowes, I believe, received it
40 on the 12th.

41 THE COURT: That was --

42 CNSL J. BRADSHAW: The day after it was selected as a
43 successful bid. So up until then there was a
44 confidentiality requirement until it was
45 selected; right? We're not going to put the
46 information from both bidders in the hands of the
47 other bidders; right? We did the same to the

1 company. The company was the only one to see.
2 Mrs. Liu didn't see any of -- like, Mr. Fraser
3 didn't receive a copy of TaneMahuta's
4 [indiscernible]. It was -- through that
5 negotiation, once it was selected, then the
6 bid --
7 THE COURT: So --
8 CNSL J. BRADSHAW: -- was provided --
9 THE COURT: -- so --
10 CNSL J. BRADSHAW: -- to Ms. Fellowes.
11 THE COURT: -- Ms. Liu didn't see it, but her
12 husband's the principal of the company.
13 CNSL J. BRADSHAW: I mean, that allegation --
14 THE COURT: And so that's the -- that's the -- the
15 [indiscernible/overlapping speakers].
16 CNSL J. BRADSHAW: In -- in -- I -- I -- I'm -- I'm
17 not going to stand here today without evidence to
18 try and prove a negative, but I -- what I will
19 say is that it is essentially the same offer that
20 was put before the court last time --
21 THE COURT: All right.
22 CNSL J. BRADSHAW: -- that just says now it's binding.
23 Right? There was no further development of the
24 offer, there was no further discussion about the
25 nature of the assets that were [indiscernible/low
26 voice].
27 So there was -- in the determination of
28 that, it took two days for us to review an asset
29 purchase agreement, identify some issues, try and
30 figure out if we can negotiate a vesting order,
31 draft a vesting order, get it over to the
32 potential purchaser, flag some issues, speak with
33 the monitor, come back, select it as the
34 successful bid subject to us coming to terms on
35 the vesting order, going to Ms. Fellowes's client
36 on -- on Thursday saying, "Would you like to be
37 the backup bidder because we'd like to engage you
38 in negotiation," and then electing not to. And
39 then asking for a copy of [indiscernible/low
40 voice].
41 THE COURT: So if I were to turn to Ms. Fellowes and
42 ask her if -- if her -- if she wants a short
43 adjournment so her client can actually prepare
44 and submit an APA in respect of the offer or
45 engage as a backup offer for a short period of
46 time, what would your response -- and she said
47 yes, what's your response to that?

1 CNSL J. BRADSHAW: It's -- it's the submission that
2 everyone's had here. This has taken far too
3 long.

4 THE COURT: Yeah.

5 CNSL J. BRADSHAW: Is that we're not in a place here
6 where we're seeking to negotiate an asset
7 purchase agreement. We have an asset purchase
8 agreement.

9 THE COURT: Yeah.

10 CNSL J. BRADSHAW: We accepted it. We need to do some
11 notice to get the vesting order.

12 THE COURT: Yeah.

13 CNSL J. BRADSHAW: Right? We're -- we're
14 down -- we're down the path. The bid deadline
15 has passed. They -- TaneMahuta made an election
16 to not take Mr. Fraser seriously when he said he
17 was coming with a --

18 THE COURT: Yeah.

19 CNSL J. BRADSHAW: -- fully formed asset purchase
20 agreement, didn't negotiate or reach out or send
21 an e-mail to company counsel at all until the
22 bid -- until after the bid deadline. So there
23 was nothing that was done to try and advance that
24 interest. There's no -- there should be no
25 standing here today to actually seek any relief,
26 especially without notice, without evidence and
27 foundation, and without application. Right? Ms.
28 Fellowes is essentially asking you to select her
29 bid in --

30 THE COURT: Yeah.

31 CNSL J. BRADSHAW: -- the face of the process
32 that -- you know, and -- and to the detriment of
33 other creditors to the tune of at least
34 \$1,000,000.

35 THE COURT: Okay.

36 CNSL J. BRADSHAW: Thank you, Justice.

37 THE COURT: Just before I hear from -- the monitor's
38 account, so I want to go back to Ms. Fellowes.
39 So you're not asking for an adjournment, you're
40 asking me to consider the two offers today based
41 upon the order that was issued on August 30th;
42 right?

43 CNSL K. FELLOWES: If I may, Justice Walker,
44 just -- just to -- just to correct the record,
45 Mr. Fraser makes some reference to the fact that
46 my clients offer is only for shares and not for
47 all the assets. That's absolutely incorrect.

1 Our offer stands as it is attached to the
2 monitor's report. The monitor has confirmed that
3 this is a valid and binding offer --
4 THE COURT: Okay.
5 CNSL K. FELLOWES: -- only subject to approval of the
6 course, it is for the exact same assets that the
7 DIP lenders offer contemplates. For some reason
8 the DIP lenders and the company think they have
9 to now put these subsidiaries through some
10 process.
11 THE COURT: Well --
12 CNSL K. FELLOWES: That's the only real difference
13 between --
14 THE COURT: Well --
15 CNSL K. FELLOWES: -- our offer and theirs. We don't
16 really think that's necessary or understand why
17 that's happening.
18 THE COURT: Well, but it's -- it's -- Mr. Fraser
19 points out it's -- the additional process is to
20 ensure that the -- the assets of Bullmoose and
21 Wapiti can be delivered free and clear.
22 CNSL K. FELLOWES: That's -- that happens all the time
23 when you buy shares; right? You buy shares and
24 you buy the shares of the company, you get the
25 shares free and clear, but not necessarily the
26 assets. My client's willing to take --
27 THE COURT: No, but your -- but your client --
28 CNSL K. FELLOWES: -- to proceed on that basis.
29 THE COURT: But your client's offer is for the assets,
30 not just -- it's not framed as the shares.
31 I -- I agree -- I understand what you're saying.
32 If it's a share purchase, they take subject to
33 whatever might clot or charge those assets, but
34 it's -- it says in here, "The target assets are
35 of Bullmoose and Wapiti, including -- free and
36 clear of all claims and liens by virtual of
37 vesting orders. So wouldn't -- wouldn't the
38 process have to be adjourned in any event to make
39 sure that they -- that they can be delivered in
40 accordance with your clients offer. Because
41 that's the problem.
42 CNSL K. FELLOWES: Well, my client's --
43 THE COURT: It's not a share -- it's not a share
44 offer.
45 CNSL K. FELLOWES: That's right. It's not a share
46 offer.
47 THE COURT: Yeah.

1 CNSL K. FELLOWES: But the assets being purchased as
2 shares, and my client is willing to close on that
3 basis. All they're asking for, Justice Walker,
4 is a fair chance here.
5 THE COURT: No, no, no, but just a minute.
6 CNSL K. FELLOWES: A transparent and fair process.
7 THE COURT: I understand that, but -- but look at
8 Schedule A. All right, title, and interests of
9 the company or its affiliates and into all the
10 assets, property, and undertakings of every kind
11 of description whatsoever relating to Wapiti and
12 Bullmoose, including but not limited to all coal
13 licences and geological exploration where consult
14 reports -- et cetera -- free and clear of all
15 claims. So that that's the problem. The way
16 it's framed is that the -- the reader would think
17 your clients offer or bid is for all of the
18 assets of -- of Canadian Dehua and Bullmoose and
19 Wapiti delivered free and clear. That's the way
20 it's framed.
21 CNSL K. FELLOWES: Yeah. Well, those were the assets
22 that were put up for sale --
23 THE COURT: I know.
24 CNSL K. FELLOWES: -- in this process.
25 THE COURT: So --
26 CNSL K. FELLOWES: -- under the SISP, and we're just
27 participating -- the SISP, I guess,
28 has -- has -- has long past.
29 THE COURT: Well --
30 CNSL K. FELLOWES: All we're asking is that there's
31 some finality and framework and a fair
32 transparent process.
33 THE COURT: All right. I -- I get that. But what I
34 want to make sure is that we're on the same page
35 here. It's not a share -- it's not to purchase
36 the shares of Canadian Dehua, and
37 its -- indirectly its interest in Wapiti and in
38 Bullmoose. It's to purchase Bullmoose and
39 Wapiti's assets free and clear. That's the way I
40 read it. Am I understanding the -- the offer?
41 CNSL K. FELLOWES: Yes, that's right. That's right.
42 Because those were what's -- what were offered up
43 for sale in this process.
44 THE COURT: So then --
45 CNSL K. FELLOWES: And that's what --
46 THE COURT: And that --
47 CNSL K. FELLOWES: -- the DIP lender is also seeking

1 to get.

2 THE COURT: Right. But the DIP lender's standing
3 before me as is the monitor's counsel telling me
4 that to ensure they can be delivered free and
5 clear, this matter needs to be adjourned so that
6 they can engage in the process to -- to make sure
7 they can be delivered in that manner.

8 CNSL K. FELLOWES: Well, we've been given very little
9 information, but we are prepared to close on the
10 basis of our offer. The -- this issue about an
11 executed APA is a bit of a red herring. We've
12 been given no opportunity to negotiate with the
13 company. They don't engage with us. They
14 haven't been engaging with us since July --

15 THE COURT: Okay. But --

16 CNSL K. FELLOWES: -- because it's clear they favour
17 the DIP lender, who is, in essence, you know --

18 THE COURT: But --

19 CNSL K. FELLOWES: -- the ultimate related party.

20 THE COURT: But respectfully, you're sort of moving
21 away from where -- the question I'm -- you know,
22 your -- your client wants to speak, but
23 he's -- he's got counsel. He's waving his hand.
24 With -- respectfully, you're moving away
25 from the question I'm trying to get at, and that
26 is if your client's offer is for assets free and
27 clear, including those of Bullmoose and Wapiti,
28 presumably you wouldn't take them if
29 they're -- they're not delivered free and clear.
30 So then there has to be a process in which to
31 determine that they can be delivered in
32 that -- on that basis; right?

33 CNSL K. FELLOWES: Well, we can negotiate our APA
34 this -- often, asset purchase agreements where
35 they negotiate, you know, they attach schedules
36 that describe, you know, permitted encumbrances
37 or -- or those sorts of things, permitted claims.
38 We -- we could have an opportunity to do that. I
39 don't think that they need to go through an
40 entire CCAA process just to find out what claims
41 there are. It's their company. They should know
42 what claims there are.

43 THE COURT: Mm-hmm. So you're saying, then, that your
44 client may be prepared to take the assets if
45 they're not delivered free and clear.

46 CNSL K. FELLOWES: Well, free and clear through a
47 vesting order, and we can negotiate the terms of

1 a vesting order once we understood what claims
2 they're concerned about. We've been given no
3 information.
4 THE COURT: Yeah. I appreciate that. I -- but
5 I -- with respect again, I -- I just -- this
6 seems to be going around in a circle, and I can't
7 get a clear answer. I say that very respectfully
8 as to -- I read the offer, and the -- the bid.
9 It's for the assets for -- delivered free and
10 clear. It's fine for you to say well, you don't
11 have enough information. If -- if -- but don't
12 you agree there has to be a process, then, to
13 determine that the assets can be delivered free
14 and clear? Unless your client now says, "Well,
15 we'll take them in whatever manner they come,
16 as-is, where-is," which would be different than
17 the offer that's been presented. Right?
18 CNSL K. FELLOWES: Well, free -- yeah, no, I think it
19 is as-is, where-is sale. Obviously we don't have
20 an APA before the court, but my client actually
21 drafted one over the weekend on essentially the
22 same terms as the one the DIP lender is
23 proposing.
24 THE COURT: So --
25 CNSL K. FELLOWES: And we don't have -- there's no
26 form of vesting order attached to it, et cetera.
27 Like, these details need to be worked out, but my
28 client isn't even given an opportunity to
29 negotiate these.
30 THE COURT: All right. So you say your client has
31 prepared an APA that hasn't been given over to
32 Mr. Bradshaw or the monitor?
33 CNSL K. FELLOWES: No, because we just got an
34 opportunity to see it two days ago, and we just
35 got the monitor's report yesterday.
36 THE COURT: All right. So when can you -- you said
37 you'd have an APA delivered in 24 hours? Is that
38 I heard you said earlier?
39 CNSL K. FELLOWES: My client's in the court, and I
40 think he has one in his -- in his hand right now.
41 THE COURT: Well...
42 CNSL M. LAITY: Justice, would you like to hear from
43 us in reply?
44 THE COURT: I will. I will.
45 CNSL M. LAITY: Okay.
46 THE COURT: All right.
47 CNSL M. LAITY: I just note the time.

1 THE COURT: Thank you, Ms. Fellowes. I'm going to
2 have to hear from my court's officer on this.

3 CNSL M. LAITY: Yes.

4 THE COURT: I want to hear from you firstly on the
5 submission concerning bad faith.

6 CNSL M. LAITY: Yes. Absolutely.

7 THE COURT: And then whether or not I should allow --
8 adjourn this for 24 or 48 hours to let them
9 present an APA. Because what -- I -- I'm
10 hearing, respectfully, two different submissions.
11 One, the -- the bid requires the assets to be
12 delivered free and clear, but then -- but then
13 I'm hearing at the same time, but maybe they
14 won't have to be delivered free and clear, which
15 of course could alter -- potentially alter my
16 view of the appropriateness and value in the
17 offer and what course of action should be taken.
18 So I need to hear from you.

19 CNSL M. LAITY: Yes, absolutely.

20

21

REPLY FOR THE MONITOR BY CNSL M. LAITY:

22

23 CNSL M. LAITY: So as a first point, we agree
24 with -- on the law that bidder -- bidders do not
25 have standing, and this is one of the reasons.
26 But if it's an issue of good faith --

27 THE COURT: Yeah.

28 CNSL M. LAITY: -- we want to address that head on --

29 THE COURT: Please.

30 CNSL M. LAITY: -- because of course the monitor has
31 said that based on everything they have seen and
32 based on the 17th report, that the company is
33 acting in good faith. And so you would have to
34 accept Ms. Fellowes's submissions on that over
35 the monitor's report, the court officers. And so
36 the first thing when you ask specifically of Ms.
37 Fellowes, "What is the basis for this allegation
38 of not operating in good faith?" She provided
39 three things, and I'll address them directly.

40 One is she said the court needs to remember
41 that the DIP lender is the 50 percent owner of
42 the debtor and the wife.

43 THE COURT: Mm-hmm.

44 CNSL M. LAITY: And I want to say very -- like, very
45 clearly that that would be, in my respectful
46 submission, a collateral attack on the necessary
47 and appropriateness of the DIP lender's loan that

1 happened very early on in this process. So the
2 court did consider that is this appropriate, is
3 it necessary, and allowed Miss Liu to be the DIP
4 lender. At this point, to say that that was
5 improper would be a collateral attack on that.
6 So I just -- I -- for the sanctity of the
7 process --
8 THE COURT: Yes.
9 CNSL M. LAITY: -- and -- and to respect the court, I
10 think I need to make that clear.
11 Second, she said that there's -- didn't
12 follow the process. There was no deposit.
13 And -- and --
14 THE COURT: I don't need to hear from you on that.
15 CNSL M. LAITY: Okay.
16 THE COURT: The orders -- Mr. -- yeah.
17 CNSL M. LAITY: Oh.
18 THE COURT: Now that I see the order, there was no
19 requirement.
20 CNSL M. LAITY: Yeah. The only thing I would notice
21 is it's also a credit bit, so --
22 THE COURT: Yeah.
23 CNSL M. LAITY: -- that -- that issue is a little bit
24 more [indiscernible].
25 So then she said it's more money.
26 THE COURT: Yeah.
27 CNSL M. LAITY: And I think there is \$1,000,000
28 elephant in this room that they cannot overcome
29 unless Miss Fellowes came to court today and said
30 1.65 million, that is our offer, then I just
31 think there is \$1,000,000 gulf that this court
32 despite the intricacies of the agreements cannot
33 say that one bid is better than the other.
34 And Miss Fellowes says, "Well, you know, it
35 depends how Mrs. Liu will spend that money."
36 That money could go directly and well with --
37 with all due respect --
38 THE COURT: Mm-hmm.
39 CNSL M. LAITY: -- you cannot ignore the priorities in
40 this case to say something different could happen
41 than the priorities that exist.
42 Then thirdly, she said, "Well, there's --"
43 we were refused to negotiate an APA. Again,
44 I -- it's not the monitor's process, but from
45 what the monitor has seen is that the company
46 engaged, offered a backup bid -- I think you can
47 still be a backup bid based on whatever you think

1 is your best offer without knowing what the other
2 offer is and no -- and there wasn't a requirement
3 in the order that all the offers be made public.
4 And so there was a concern, and I think that
5 that's a valid concern.

6 And so to say that she was refused the
7 opportunity to negotiate an APA, again, I go back
8 to the -- it -- that -- again, why negotiate an
9 AP with \$1,000,000 less offer as well.
10 The -- the purchase price, I think, speaks to
11 that a little bit. She says that they were
12 failing to play by the same rules.

13 THE COURT: Mm-hmm.

14 CNSL M. LAITY: Respectfully, we did not see that. We
15 did not see a process shrouded in secrecy. We
16 saw only engagement, and again, only last night
17 did we hear that Miss Fellowes would like both
18 offers considered. And it -- it wasn't actually
19 that we heard she wanted both offers considered.
20 She said we are going to ask the court to accept
21 our offer. And so in my understanding of the
22 order it was that both offers be considered,
23 which the monitor's report does.

24 THE COURT: Mm-hmm.

25 CNSL M. LAITY: And the monitor's reports is supposed
26 to be evidence of this court failing -- it
27 doesn't need to be attached to an affidavit.

28 THE COURT: Mm-hmm.

29 CNSL M. LAITY: And so in order for this court
30 to -- to actually accept something over the
31 monitor's report, there needs to be evidence of
32 that because the monitor's report is evidence.
33 And so I think those are mainly the reasons she
34 talked about good faith, and she says that it
35 doesn't appear that they want to sell anything.
36 They are seeking last-minute extensions.

37 THE COURT: Mm-hmm.

38 CNSL M. LAITY: Again, there is money in --

39 THE COURT: Yeah.

40 CNSL M. LAITY: -- Mr. Fraser's account, and all we've
41 seen is that they want this process to -- to be
42 completed as well.

43 And was there something else you asked for
44 submissions on besides the good faith
45 allegations? You said first -- oh, the 24-hour
46 extension.

47 THE COURT: Yeah. Her client's waving a -- a paper

1 and a sandwich. I assume is a -- an APA? Should
2 I --
3 CNSL M. LAITY: So --
4 THE COURT: Should I let -- since the monitor asked
5 for if they'd be interested in backup offers?
6 CNSL M. LAITY: Not the monitor. Pardon me.
7 THE COURT: Oh, sorry. Mr. --
8 CNSL M. LAITY: Yes.
9 THE COURT: -- Bradshaw's client.
10 Should I let them present the APA? Because
11 I'm hearing that they may be -- may -- and I put
12 that in quotes, may be content to acquire the
13 assets on an as-is, where-is basis, which is what
14 just -- Ms. Fellowes just said. Well, we haven't
15 had an opportunity to fully consider preparing an
16 APA, but then I'm told they have one.
17 CNSL M. LAITY: Well, I -- I believe the court is
18 supposed to consider two main things when we're
19 talking about a sales process; right?
20 THE COURT: Yeah.
21 CNSL M. LAITY: What is most accretive to the
22 estate --
23 THE COURT: Right.
24 CNSL M. LAITY: -- and to the sanctity of the process?
25 THE COURT: Right.
26 CNSL M. LAITY: And so what's most secretive to the
27 state is we say a no brainer in that case is that
28 why an APA for \$1,000,000 less offer? We don't
29 see the -- the reason that that would be helpful
30 in order to extend this to -- to present that
31 offer. If it's for more money, then -- then
32 sure. And again, while Ms. Fellowes says more
33 money is -- is money that is, you know, not a
34 credit bit, that's not the way this works.
35 Credit bids are quite common.
36 THE COURT: Yeah.
37 CNSL M. LAITY: Two is the sanctity of the process.
38 THE COURT: Yeah.
39 CNSL M. LAITY: And you said bids need to be
40 delivered --
41 THE COURT: I know. But --
42 CNSL M. LAITY: -- by at a certain date and --
43 THE COURT: -- but then why was there a request for a
44 backup bid? If we're dealing with the sanctity
45 of the process, then it's been --
46 CNSL M. LAITY: Closing risk.
47 THE COURT: -- diluted in a sense by a request for a

1 backup bid.
2 CNSL M. LAITY: Out of an abundance of --
3 THE COURT: So --
4 CNSL M. LAITY: -- caution to keep players --
5 THE COURT: So --
6 CNSL M. LAITY: Yeah, I understand.
7 THE COURT: Let's just -- Let's just walk this down
8 the line a bit.
9 If the APA was for purchase at 6:50 but
10 completely as-is, where-is, and it avoided
11 further applications, the cost associated with
12 them, and -- and the risk that in the process of
13 investigating potential claimants to Bullmoose
14 and Wapiti, there's significant -- there are
15 significant claims. It may be that the 650 taken
16 on an as-is, where-is basis is superior.
17 CNSL M. LAITY: To \$1,000,000 more?
18 THE COURT: I don't know that. I'm just -- I'm asking
19 you that.
20 CNSL M. LAITY: That -- that -- that that seems
21 to -- to --
22 THE COURT: By why wouldn't you look at it? What I'm
23 saying is why wouldn't you at least look at what
24 they're -- and you may come back to me and say,
25 "It's not as-is, where-is, Judge. It's the same
26 thing, and they've had their chance, and that's
27 it.
28 CNSL M. LAITY: If that would provide solace to the
29 court --
30 THE COURT: It would.
31 CNSL M. LAITY: -- and then --
32 THE COURT: Well --
33 CNSL M. LAITY: -- and then -- absolutely.
34 THE COURT: There has to be --
35 CNSL M. LAITY: I -- I would say that it would be very
36 simple for Tanecap here to say, "We will accept
37 as-is, where-is." That's not something that
38 needs to be, you know, very detailed in a report.
39 THE COURT: Yeah.
40 CNSL M. LAITY: If they add that submission, I think
41 the monitors -- we would be in a different
42 position. But that seems like an if.
43 THE COURT: Well, it -- it was --
44 CNSL M. LAITY: If it would provide solace to see it
45 in an agreement, then that does make sense.
46 THE COURT: It would -- let's put it this way. To
47 ensure fairness in the process.

1 CNSL M. LAITY: I'm just going to speak to my
2 [indiscernible].
3 THE COURT: Why not let the monitor see it and then
4 tell me as my courts officer? Look it -- this is
5 my view of it.
6 CNSL M. LAITY: So this is something new that's
7 arisen.
8 THE COURT: Of course.
9 CNSL M. LAITY: Do you mind if I just stand down --
10 THE COURT: No, of course.
11 CNSL M. LAITY: -- for a second while -- okay. Yes.
12 UNIDENTIFIED SPEAKER: Justice, if I may while Ms.
13 Laity is [indiscernible].
14 THE COURT: She's back.
15 UNIDENTIFIED SPEAKER: Oh.
16 CNSL M. LAITY: Well, I just sought instructions, and
17 we have no problem with the 24 hours. We do
18 think that --
19 THE COURT: No, I was thinking over the lunch break,
20 and then --
21 CNSL M. LAITY: Okay.
22 THE COURT: -- I have counsel coming in at 2:15, but I
23 can call them and tell them -- we can get them
24 called them and tell them to come at 2:30.
25 CNSL M. LAITY: Sure. We -- okay. Well, if it's just
26 over the lunch break, perhaps the instructions
27 are a little different, but we thought that. The
28 opportunity should be open to the other bidder as
29 well in order to, you know --
30 THE COURT: What to look at it?
31 CNSL M. LAITY: Yes. And to --
32 UNIDENTIFIED SPEAKER: Well, if it is true that they
33 want to just buy the shares as-is, where-is, I
34 think Mr. Fraser's client should be given the
35 same opportunity.
36 THE COURT: Well, we don't know what it -- the thing
37 is --
38 UNIDENTIFIED SPEAKER: That's -- that's what --
39 THE COURT: -- we don't know --
40 UNIDENTIFIED SPEAKER: -- I'm saying.
41 THE COURT: -- what it says. So --
42 UNIDENTIFIED SPEAKER: If it is that, I don't know.
43 But if it is, I think they should be given the
44 same opportunity to adjust it [indiscernible/away
45 from microphone].
46 THE COURT: So I think what should happen is you look
47 at it over the lunch break, and then we --

1 everyone comes back at 2:15 and tell me what
2 should happen next. If it's -- if it's the same
3 terms, it's -- if it's like for like as Mr.
4 Fraser's clients and it's free and clear. That's
5 one thing. And that's. But if it's something
6 different, if it's for the shares, then -- then
7 it may be a different matter. And -- and I say
8 this because it's completely unclear to me from
9 Ms. Fellowes' submissions if -- what exactly her
10 client wants. On the one hand, it appears to be
11 free and clear, but other hand, it's as-is,
12 where-is and there's a recent decision with the
13 Court of Appeal divorcing me on something where I
14 have to ensure that there's absolute fairness in
15 this process. And if someone's
16 asking -- standing up and saying, "There isn't
17 fairness. There was bad faith," there needs to
18 be some time allowed to consider that and -- and
19 make sure that there's complete fairness in the
20 entire process.

21 So Ms. Fellowes is here. There's a draft.
22 There's an APA ready to be handed over. I think
23 it should be looked at, and it may lead to
24 something or may lead to naught, and then I grant
25 the extension as sought, so...

26 CNSL M. LAITY: Understood.

27 THE COURT: Let's come back --

28 CNSL B. FRASER: Justice, may I just say --

29 THE COURT: Yes, Mr. Fraser?

30 CNSL B. FRASER: -- they were well accommodated
31 because we've heard Ms. Fellowes go on at some
32 length cost and expense --

33 THE COURT: Yeah.

34 CNSL B. FRASER: -- as though her client was actually
35 concerned about that. But in the monitor's last
36 report, the monitor said there's still \$42,000.
37 My [indiscernible] is put up by way of
38 financing --

39 THE COURT: Right.

40 CNSL B. FRASER: -- which is available and sufficient
41 to carry this process through to its conclusion.
42 So there's no need, in my submission, for anybody
43 to be concerned about the assets of the company
44 being eroded in some significant way. My client
45 has funded this process --

46 THE COURT: Yeah.

47 CNSL B. FRASER: -- through its conclusion.

1 THE COURT: Right. I understand that. At I think no
2 interest.

3 CNSL B. FRASER: And no interest.

4 THE COURT: And no interest. I'm aware of that.

5 Okay. So, Ms. Laity, Mr. Monroe [phonetic],
6 what I just want to hear from you on is at -- at
7 2:15. What's his offer say, and what's
8 the -- what's my court's officers view on what
9 should happen next?

10 UNIDENTIFIED SPEAKER: Sorry, and, Justice, if company
11 counsel could review too over the lunch.

12 THE COURT: Why shouldn't this offer be made available
13 to everyone of you, including Mr. Fraser's
14 client -- Mr. Fraser and his client?

15 UNIDENTIFIED SPEAKER: Yes, if -- if the court's
16 agreeable to that, then
17 [indiscernible/overlapping speakers].

18 THE COURT: Yeah, no, I think -- and I think creditors
19 represented by Ms. Wu and Mr. Watson should have
20 an opportunity to look at it as well. And Mr. He
21 wants a copy, get it to him. So let's
22 just -- let's just --

23 UNIDENTIFIED SPEAKER: Given -- given Ms. Fellowes
24 is -- is remote, I can take the -- and run it to
25 my office and scan it and send it to the
26 [indiscernible/overlapping speakers].

27 THE CLERK: I can send it to you.

28 UNIDENTIFIED SPEAKER: [Inaudible].

29 THE CLERK: Okay. 2:15 sharp, and I'll put the other
30 matter off till 2:30. Thank you.

31 THE CLERK: Order in chambers.

32

33 (VIDEOCONFERENCE PAUSES)

34

35 (PROCEEDINGS ADJOURNED AT 12:02 PM)

36 (PROCEEDINGS RESUMED AT 2:17 PM)

37

38 (VIDEOCONFERENCE RESUMES)

39

40 THE CLERK: Back on record, Justice.

41 THE COURT: Yes.

42 I understand Miss Fellowes is not here,
43 she's not appearing?

44 CNSL M. LAITY: That -- that's correct. We have an
45 e-mail from her -- well, because we asked her to
46 confirm her position --

47 THE COURT: Yes.

1 CNSL M. LAITY: -- and our understanding of the
2 agreement. So she did pass over and -- she did
3 e-mail us -- or, sorry, e-mail company's counsel
4 CC'ing us, responding to what we understood the
5 agreement to be saying, which is that it's
6 substantially similar to the DIP lender and is
7 not a -- different in being an as-is, where-is
8 just for the shares, and upon our reading, which
9 I will pass it up as well.

10 THE COURT: Wait. Just a minute. So who -- so who's
11 here sitting at counsel table, then?

12 CNSL M. LAITY: Mr. -- Mr. Amanat.

13 CNSL A. AMANAT: Mr. Amanat for TaneMahuta Capital
14 Inc.

15 THE COURT: And so you don't have your counsel here?

16 CNSL A. AMANAT: In -- she's unfortunately unavailable
17 at 2 o'clock. She had another hearing --

18 THE COURT: And she didn't --

19 CNSL A. AMANAT: -- and so I am forced to represent
20 the company.

21 THE COURT: Why didn't she tell me that before we
22 adjourned?

23 CNSL A. AMANAT: Well, there didn't seem to be much
24 time for it, I think. But there may -- but I am
25 nevertheless prepared to speak to the company's
26 interests --

27 THE COURT: All right.

28 CNSL A. AMANAT: -- and expound upon Ms. Fellowes'
29 e-mail if there any questions.

30 THE COURT: All right. Okay.
31 Okay. Go ahead.

32 CNSL M. LAITY: I also have a copy of the purchase
33 agreement if you would like for yourself.

34 THE COURT: Sure.

35 CNSL M. LAITY: So I can walk you through it.
36 And -- so the bottom line is that in
37 even -- either offer, the issue of free and clear
38 title to these assets means that an adjournment
39 would be necessary.
40 So -- and Miss Fellowes doesn't appear to
41 say otherwise in that e-mail.

42 THE COURT: Right.

43 CNSL M. LAITY: What she says if I'm -- but Mr. Amanat
44 couldn't clarify is that the difference is that
45 she takes the position that no claims process is
46 necessary that, you know, there should be -- the
47 creditors should be known and -- and that it

1 doesn't seem to be an issue. However, as the
2 company and as the monitor's supports is that
3 it -- it's not about the creditors we know about,
4 it's -- it's who do we not know about for those
5 assets, and so we would need to bring in or at
6 least the company believes that we need to bring
7 in Bullmoose and Wapiti in order to have that
8 process and to be able to give everyone notice.

9 And so you asked before the break, you know,
10 is it as-is, where-is, or is it the same as the
11 DIP lenders agreement? Do you need title in the
12 same way? And it appears to us to be no question
13 but that they do need title in the same way the
14 DIP lender does.

15 So we don't see --

16 THE COURT: Okay.

17 CNSL M. LAITY: -- any further issue on that and it
18 seems to be -- an adjournment would be
19 inevitable.

20 THE COURT: Is there something you wanted to say,
21 then?

22 CNSL M. LAITY: I can walk you through it by the way,
23 if you would like. Yeah.

24 THE COURT: Just show me -- just before you
25 [indiscernible] dealing with the clear title.

26 CNSL M. LAITY: Yes. I mean -- so you can start even
27 in the background, so you go on the 1st page it
28 says A, B, C, D. On the second page is E. And
29 you'll see that, you know, if it was just for the
30 shares here, then it would, that's where it would
31 end, but it goes on.

32 THE COURT: Right. So it's not a share purchase
33 agreement.

34 CNSL M. LAITY: No. The assets in its definition, and
35 then importantly on page 3, 3(2).

36 THE COURT: Yeah.

37 CNSL M. LAITY: You see again that it includes the
38 shares, the mineral titles, coal licences,
39 mineral interest pool licenses. In fact,
40 they -- they -- they added to the --

41 THE COURT: Free and clear of all pledges, liens --

42 CNSL M. LAITY: Exactly.

43 THE COURT: All right. You don't need to take me
44 through any more.

45 CNSL M. LAITY: Okay.

46 THE COURT: Thank you.

47 Will you do me a favour? I'm going to

1 mark -- can I -- can I keep these and mark these
2 as exhibits on the application? But will you
3 please attach -- whoever received these, attach
4 these in affidavits so they're in the record?

5 UNIDENTIFIED SPEAKER: Yes, Justice.

6 THE COURT: Please. I think they should be in the
7 record.

8 UNIDENTIFIED SPEAKER: Yes.

9 THE COURT: All right. Yes, go ahead. So I'll hear
10 from you.

11 CNSL A. AMANAT: If I may. Thank you, Justice. So
12 the confusion about what exactly is being
13 purchased --

14 THE COURT: Yes.

15 CNSL A. AMANAT: -- is something I'm hoping to clear
16 up. There are mineral licenses which are the
17 primary valuable assets --

18 THE COURT: Yeah.

19 CNSL A. AMANAT: -- of Bullmoose that are held
20 directly by the parent company Dehua. There are
21 also shares of the two subsidiary companies that
22 are held by Dehua, and if I understand correctly,
23 the company has stated that its unknown what
24 creditors may exist at the subsidiary level.

25 THE COURT: Mm-hmm.

26 CNSL A. AMANAT: We do know that the vesting order
27 issued by the court could nevertheless clear the
28 mineral licences held by the parent company from
29 any encumbrances in a sale. The reason why
30 there's a reference to assets and shares is
31 because part of the mining project's assets are
32 held at the parent company level, meaning
33 Bullmoose titles.

34 What we are offering, and I want to make it
35 abundantly clear, and I'm afraid there may be a
36 misunderstanding. We are offering the purchase
37 price for the Bullmoose titles which are held by
38 the parent free and clear of all encumbrances and
39 liens, and the shares of the two subsidiary
40 companies. We recognize that there has been a
41 suggestion that the shares or the -- the assets
42 of the subsidiary companies are encumbered or
43 could be encumbered by claims. I will point out
44 that these assets have been marketed for two
45 years. In March of last year in the sixth
46 monitor's report, there was -- there was a
47 company buying 60 percent of Wapiti that flew

1 from China for nine days, and it's only today
2 that we learned that there could be some
3 encumbrances that nobody has ever thought of
4 before, and they've just come alive to this fact.
5 I -- I simply find that [indiscernible] credible.

6 We are nevertheless, despite the risk that
7 there could be encumbrances at the subsidiary
8 level, willing to take the shares of the
9 subsidiaries, recognizing that those subsidiary
10 encumbrances may exist and cannot be discharged
11 by this court, we nevertheless are willing to
12 take those shares. So do you want the assets at
13 the parent level unencumbered, the shares
14 themselves unencumbered, the subsidiary level
15 assets, if there are encumbrances. Come with me,
16 we're willing to take the risk. So --

17 THE COURT: The difficulty is that's not what this
18 APA -- this is what this document says. If you
19 read "interpretation assets," paragraph 1.1 B --

20 CNSL A. AMANAT: Yes.

21 THE COURT: -- it includes the -- the permits without
22 limitation. All permits, mineral interests, coal
23 licences, geological and exploration data,
24 intellectual property held by Wapiti and
25 Bullmoose. Held by.

26 So I -- I hear what you're saying, but
27 unfortunately that's not what this agreement
28 says, and that's not what the bid is. That's the
29 difficulty. And -- I mean, so it -- it's -- it's
30 not -- it's not that. So that's not what it
31 says.

32 CNSL A. AMANAT: Okay.

33 THE COURT: Okay. If you want to present -- if you
34 wanted to present something else than that, it
35 would have been up to you, but it -- it's not
36 what it says.

37 CNSL A. AMANAT: Right.

38 THE COURT: Yeah.

39 CNSL A. AMANAT: That is --

40 THE COURT: That's not what it says.

41 CNSL A. AMANAT: Yes.

42 THE COURT: Right.

43 CNSL A. AMANAT: It is our intention that we buy that.

44 If there needs to be an amendment paid, we are
45 happy to comply with that amendment in order to
46 make it clear. We are willing to accept
47 encumbrances at the subsidiary level, and we

1 simply took --

2 THE COURT: Okay.

3 CNSL A. AMANAT: -- a form of agreement that had been
4 negotiated for convenience because in the very
5 short timeline that we've had, we understood that
6 that's being accepted by the company. So that's
7 our logic for the form that you see before you.

8 THE COURT: Well -- all right. Thank you. You can
9 have a seat. I'm going to mark these two
10 documents as an exhibit. The first is the e-mail
11 from Ms. Fellowes to Miss -- Mr. Bradshaw and the
12 others of today's date, and then a draft purchase
13 agreement, an APA. We'll mark as Exhibits A and
14 B for identification. And --

15 UNIDENTIFIED SPEAKER: Justice?

16 THE COURT: -- the -- what I'm going to do is -- today
17 is grant the order sought by the company
18 adjourning the -- extending this date, October
19 25th. I'm not making any other orders. And what
20 I will say is that the -- the bid that's been
21 submitted and supported by the purchase agreement
22 on behalf of -- that -- that Ms. Fellowes spoke
23 about does not indicate in any way that it's
24 prepared -- that the companies prepared to
25 acquire the assets of Wapiti and Bullmoose on and
26 as-is, where-is basis with whatever encumbrances
27 and liens may file -- be filed against it.

28 If they have a change of position, that's up
29 to them to try and articulate it and advance
30 through some other course if they're indeed able
31 to do that, but they've had since Friday to come
32 up with a -- a proposal, and there's simply
33 nothing here in which I can properly say -- which
34 I can say that their offer beats the offer that's
35 presented by Mr. Fraser's client. It's
36 just -- it's just not there before me.

37 So, Mr. Registrar, we'll mark A and B for
38 identification.

39 THE CLERK: Yes, Justice.

40
41 **MARKED A FOR IDENTIFICATION: 2-page**
42 **photocopy document of an email from Mia**
43 **Laity**

44
45 **MARKED B FOR IDENTIFICATION: 11-page**
46 **colour-copied document with title "PURCHASE**
47 **AGREEMENT"**

1 THE COURT: You have the --
2 CNSL J. BRADSHAW: Vetted copy --
3 THE COURT: -- vetted order, please.
4 CNSL J. BRADSHAW: And a copy for Mr. Registrar.
5 Sorry, Justice, I'm just realizing. Given
6 the issues that were raised on standing, Miss
7 Fellowes wasn't listed on this schedule of
8 counsel. I just realized she
9 [indiscernible/overlapping speakers].
10 THE COURT: She should be -- she should be.
11 CNSL J. BRADSHAW: She should be, and how you would
12 like to deal with the submissions this afternoon.
13 THE COURT: I should write both of their names on the
14 back. I should write it -- can you --
15 CNSL J. BRADSHAW: Yeah.
16 THE COURT: -- write it in --
17 CNSL J. BRADSHAW: Yeah.
18 THE COURT: -- on here?
19 CNSL J. BRADSHAW: I can write -- I can write them
20 right here.
21 THE COURT: And then hand it back to me and then I'll
22 sign it.
23 And you -- did you have a provision that the
24 endorsements of others are dispensed with?
25 CNSL J. BRADSHAW: Are dismissed.
26 THE COURT: All right. Dispensed with.
27 CNSL J. BRADSHAW: And, Justice, I would -- Mr. Amanat
28 is appearing in his personal capacity, I assume,
29 not as counsel.
30 THE COURT: Right.
31 CNSL J. BRADSHAW: And, sorry, how do you spell your
32 last name, sir?
33 CNSL A. AMANAT: A-m-a-n-a-t.
34 CNSL J. BRADSHAW: A-m-a-n-a-t. [Indiscernible/away
35 from microphone]. T-a-n-e-m-a-h?
36 CNSL A. AMANAT: Yes.
37 CNSL J. BRADSHAW: [Indiscernible/away from
38 microphone].
39 THE COURT: Mr. Clerk, you can give this back to Mr.
40 Bradshaw too.
41 CNSL J. BRADSHAW: Thank you, Justice. Apologize.
42 THE COURT: Give you back the binder and that.
43 CNSL J. BRADSHAW: Thank you.
44 THE COURT: I've marked up the -- the monitor support,
45 so...
46 CNSL J. BRADSHAW: I'm sure Mr. Monroe [phonetic] has
47 a few of those [indiscernible/overlapping

1 speakers].
2 THE COURT: Yeah. All right. You -- I start a very
3 long trial on the 7th of October.
4 UNIDENTIFIED SPEAKER: Okay.
5 THE COURT: So I can -- I can hear you at 9 o'clock
6 Monday, but if you want to get in front of you
7 before then, I have some other applications on
8 too. As you know, you get a hold of me through
9 scheduling with as many dates and times as you
10 can. Indicate, and I'll do my best --
11 CNSL J. BRADSHAW: Excellent.
12 THE COURT: -- for you as soon as I can.
13 CNSL J. BRADSHAW: Yeah. Our -- our current
14 thinking -- we should be in a position to
15 file -- to file and serve materials by Friday.
16 THE COURT: Yeah.
17 CNSL J. BRADSHAW: We'll send a letter to scheduling
18 today.
19 THE COURT: What's the date? All right.
20 CNSL J. BRADSHAW: Requesting dates, and then we'll
21 proceed.
22 THE COURT: You're going to have to give me a sense of
23 whether it's a one-hour matter, or we're going to
24 be opposed and other things like that. It
25 impacts on what I do.
26 CNSL J. BRADSHAW: I can -- I can foreshadow what I
27 believe the circumstances to be. I think we will
28 find that most if not all of the creditors are
29 [indiscernible/low voice] with the main
30 proceedings --
31 THE COURT: Right.
32 CNSL J. BRADSHAW: -- against CDI. The question of
33 the claims process is whether -- whether that's
34 actually something that's relevant here is still
35 alive issued.
36 THE COURT: All right.
37 CNSL J. BRADSHAW: We can't foreclose it, but we see
38 it as a small risk. So I imagine it'll be fairly
39 quick and perfunctory to get [indiscernible].
40 THE COURT: Well, all right. But as a -- as a matter
41 of procedural fairness and ensuring complete
42 transparency so there's no complaint later that
43 there was no notice given, please send -- deliver
44 a -- send a copy to Ms. Fellowes.
45 CNSL J. BRADSHAW: Yes.
46 THE COURT: Of all materials as well. So if she and
47 her client want to do something, they -- they're

1 aware of everything that's going on.
2 CNSL J. BRADSHAW: Yes. Ms. Fellowes is now on these
3 service list, so...
4 THE COURT: Okay. Good. All right. Thank you --
5 CNSL J. BRADSHAW: [Indiscernible/low voice].
6 THE COURT: -- very much.
7 CNSL J. BRADSHAW: [Indiscernible].
8 THE COURT: Okay. All right. Thank you, then.
9 CNSL J. BRADSHAW: Thank you, Justice.
10 UNIDENTIFIED SPEAKER: Thank you.
11 THE CLERK: Order in chambers. Chambers is adjourned.

12
13 (VIDEOCONFERENCE CONCLUDES)

14
15 (PROCEEDINGS ADJOURNED GENERALLY AT 2:30
16 P.M.)
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36 I certify that the proceedings from timestamp
37 10:11 a.m. to timestamp 2:30 p.m. inclusive are a
38 true and accurate transcript of these proceedings
39 recorded on a sound recording apparatus,
40 transcribed to the best of my skill and ability
41 in accordance with applicable standards.
42

43
44
45
46
47


C. Berekoff

APPENDIX E



Sage Legal LLP

INDIGENOUS RIGHTS LAWYERS

Sage Legal LLP

2312 McNeill Avenue
Victoria, BC V8S 2Y9
www.sagelegal.ca

Reply to:
Joshua J. Lam
Email: josh@sagelegal.ca
Phone: 778.922.6595

November 25, 2024

File: 00059

Craig Munro
FTI Consulting Canada Inc.
craig.munro@fticonsulting.com

Via Email

Dear Mr. Munro,

**Re: Canadian Dehua International Mines Group Inc., et al. (“Dehua”)
Proceedings under the *Companies Creditors Arrangement Act*
Court File number: S-22444
 (“CCAA Proceedings”)**

I am legal counsel for West Moberly First Nations (“West Moberly”) and I write on their behalf with respect to the Dehua CCAA Proceedings. In particular, I write to clarify the relationship between West Moberly and TaneMahuta Capital Ltd. (“TaneMahuta”) and to submit a bid on behalf of West Moberly to the Dehua CCAA Proceedings.

West Moberly First Nations is a community of Dunne-za, Sauteau, Cree, and Tse’khene peoples located in northeast British Columbia. West Moberly is dedicated to protecting and revitalizing their community, culture, and way of life, including through efforts to restore caribou populations and regulate industrial activities like coal mining.

In the context of West Moberly’s long-term efforts towards recovery of caribou populations, land stewardship, and, ultimately, self-determination, West Moberly has been seeking to purchase the Wapiti and Bullmoose projects of Dehua. West Moberly asked TaneMahuta and Aref Amanat to bid in the CCAA Proceedings on West Moberly’s behalf, as the Nation preferred not to be directly involved. To confirm and clarify, West Moberly is the sole and exclusive investor and source of funds for TaneMahuta’s bids in the CCAA Proceedings. The funds for TaneMahuta’s \$2 Million bid, including the \$650,000 already deposited with you, are all West Moberly’s funds which have been dedicated to this particular purpose.

West Moberly understands that distracting questions have been raised in the CCAA Proceedings concerning the source of TaneMahuta's funds and the purposes of its bid. I trust that those questions have now been put to rest.

West Moberly has decided to step into the CCAA Proceedings directly, with its own bid. To avoid further delay, West Moberly hereby submits a bid of **\$2,200,000** (Two Million Two Hundred Thousand Dollars) for the Wapiti and Bullmoose projects. West Moberly has adopted the same form of asset purchase agreement and vesting order previously negotiated between TaneMahuta and Dehua. Both documents are attached hereto. We can confirm that sufficient funds continue to sit in trust with counsel, and confirm that, in accordance with TaneMahuta's recent letter, the \$650,000 deposit of TaneMahuta can continue to be held by the CCAA Monitor for West Moberly's bid.

We understand that there was also an insider bid submitted by one of Dehua's owners in these CCAA Proceedings. We are supportive of whatever bid process the Court and you consider fair in the circumstances and will participate and engage in the bid process as directed by the Court.

Should you have any questions or require any further information from me or West Moberly, please feel free to call (778-922-6595) or email me (josh@sagelegal.ca).

Yours truly,
Sage Legal LLP



Joshua J. Lam*

MANAGING PARTNER

*LAW CORPORATION

CC: David Gruber, Bennett Jones
Mia Laity, Bennett Jones
Jeffrey Bradshaw, DLA Piper
Holly Yuen, DLA Piper
Eamonn Watson, Dentons
Erin Hatch, Harper Grey
Barry Fraser, Fraser Litigation

APPENDIX F

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT is made effective as of November 25, 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:

WEST MOBERLY FIRST NATIONS, an Indian Band pursuant to the *Indian Act* and having an address at PO Box 90, Moberly Lake, BC, V0C 1X0 (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, if any, within the Vendors’ estates or control to convey, 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, if any, within the Vendors’ estates or control to convey, 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 Purchaser is a community of Dunne-za, Saulteau, Cree, and Tse'khene peoples located in Treaty No. 8 territory in northeastern British Columbia (where the Projects are located), and has a long history of land stewardship, including the conservation, protection, and recovery of Caribou and Caribou habitat in and around their territory.
- F. 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, if any, within the Vendors' estates or within the Vendors' control to convey;
- (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) "**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, if any, within the Vendors' estates or within the Vendors' control to convey;

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

- 6.1 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) possession of any 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 and intellectual property, used or held in or for the Wapiti Project and the Bullmoose Project, to the extent that any such assets listed in this subparagraph (j) are in the Vendors' possession or control; and
- (j) 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. General

10.1 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.

10.2 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.

10.3 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

To the Purchaser:

Sage Legal LLP, 2312 McNeill Avenue, Victoria, BC

Attention: [Joshua](#) Lam, josh@sagelegal.ca

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.)

10.4 Time of Essence

Time is of the essence of this Agreement.

10.5 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.

10.6 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.

10.7 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.

10.8 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.

10.9 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.

10.10 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.

10.11 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.

10.12 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

WEST MOBERLY FIRST NATIONS

Per: _____
Authorized Signatory