



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.**

TWENTY FIFTH REPORT OF THE MONITOR

February 17, 2025

INTRODUCTION AND PURPOSE

1. This report (“**Twenty Fifth Report**”) has been prepared by FTI Consulting Canada Inc. in its capacity as the court-appointed Monitor (the “**Monitor**”) of Canadian Dehua International Mines Group Inc. (“**CDI**” or the “**Company**”) by an order of the Supreme Court of British Columbia (the “**Court**”) pronounced June 3, 2022 (the “**Initial Order**”), pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c.36, as amended (the “**CCAA**”).
2. As detailed in the First Report:
 - (a) CDI was incorporated in British Columbia on December 29, 2004;
 - (b) The Company is owned 50% by Mr. Naishun Liu (“**Mr. Liu**”) and 50% by his spouse, Mrs. Qubo Liu (“**Mrs. Liu**”);
 - (c) Mr. Liu is the sole director and officer of the Company;
 - (d) The Company currently owns 100% of the shares of two mining projects and a drilling company, namely Wapiti Coking Coal Mines Corporation (“**Wapiti**”), Canadian Bullmoose Mines (“**CBM**”) and Canada Dehua Drilling Ltd. (“**CDD**”);
 - (e) CDI has a partial ownership interest in the following companies:
 - i. Canadian Kailuan Dehua Mines Co., Ltd. (“**CKD**”);
 - ii. Canadian Dehua Lvliang Corp. (“**CDLV**”) which holds a 40% interest in HD Mining International Ltd. (“**HD Mining**”);
 - iii. Vancouver Island Iron Ore Corporation (“**VIIO**”); and
 - iv. An interest in a mining project referred to as Iron Ross.

3. On April 6, 2022, China Shougang International Trade & Engineering Corporation (“**Shougang International**”) filed a petition for a bankruptcy order against CDI (the “**Bankruptcy Application**”).
4. In response to the Bankruptcy Application, on June 3, 2022, CDI sought and obtained a stay of proceedings pursuant to the provisions of the CCAA.
5. On June 9, 2022, CDI was granted an Amended and Restated Initial Order (the “**ARIO**”) which included an extension of its stay of proceedings to August 19, 2022, as well as approving a Debtor-in-possession loan facility (the “**DIP Loan**”) in an amount not to exceed \$350,000 from Mrs. Liu (the “**DIP Lender**”).
6. The ARIO also granted a charge for the DIP Loan (the “**DIP Lender’s Charge**”) against the assets of the Company subordinate only to the Administration Charge.
7. On June 28, 2022, the Company sought and obtained the approval of a claims process (the “**Claims Process**”) which set a claims bar date of August 15, 2022.
8. On August 18, 2022, the Company sought and obtained an order approving a Sales and Investment Solicitation Process (the “**SISP Order**”).
9. In addition, on August 18, 2022, the Company was granted a Second Amended and Restated Initial Order which included an extension of its stay of proceedings to December 1, 2022, in addition to increasing the approved amount of the DIP Loan and DIP Lender’s Charge to \$820,000.
10. On November 30, 2022, the Company was granted a Third Amended and Restated Initial Order which included an extension of its stay of proceedings to March 17, 2023, in addition to increasing the approved amount of the DIP Loan and DIP Lender’s Charge to \$1,090,000.
11. On November 30, 2022, the Company was also granted a Modified Sales and Investment Solicitation Process (the “**Modified SISP Order**”). The Modified SISP Order expanded the company’s sale process by including its shares of CBM and HD Mining.

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

22. On July 4, 2024, the Company sought and was granted an extension of its stay of proceedings to August 9, 2024.
23. On August 9, 2024, the Company sought and was granted an extension of its stay of proceedings to August 30, 2024.
24. On August 30, 2024, the Company sought and was granted an extension of its stay of proceedings to September 20, 2024. In addition, the Court directed parties to submit binding offers for the Wapiti and Bullmoose assets to the Monitor no later than 4:00 p.m. on September 6, 2024.
25. On September 17, 2024, the Company sought and was granted an extension of its stay of proceedings to October 25, 2024.
26. On October 9, 2024, the Company sought and was granted a Seventh Amended and Restated Initial Order adding Wapiti and CBM as petitioners in these proceedings (collectively with CDI, the “**Petitioners**”).
27. On October 10, 2024, the Petitioners filed an application seeking approval of an asset purchase agreement from the DIP Lender for the shares of Wapiti and CBM owned by CDI in addition to the assets of Wapiti and CBM (the “**Assets**”) for a purchase price of \$1,650,000 (the “**DIP Lender APA**”).
28. On October 15, 2024, TaneMahuta Capital Ltd. filed an application, acting as an agent for West Moberly First Nation (“**West Moberly**”) for the Assets for a purchase price of \$2,000,000 (the “**West Moberly APA**”).
29. On October 22, 2024, the Company sought and was granted an extension of its stay of proceedings to November 30, 2024.
30. On November 19, 2024, the Company sought and was granted an extension of its stay of proceedings to February 21, 2025.

31. On January 28, 2025, the Monitor sought and obtained an order approving its activities to date as well as its fees and expenses and those of the Monitor's counsel from the date of commencement of these proceedings to December 31, 2024.
32. On February 3, 2025, the Company sought and obtained an order approving the sale of the Assets to West Moberly as well as granting a vesting order with respect to the Assets.
33. The purpose of the Twenty Fifth Report of the Monitor is to provide this Honourable Court with an update on the status of the Company's restructuring efforts since the date of the Twenty Fourth Report.
34. The reports of the Monitor and other information in respect of these proceedings are posted on the Monitor's website at <http://cfcanada.fticonsulting.com/canadiandehuainternational>

TERMS OF REFERENCE

35. In preparing this report, the Monitor has relied upon unaudited financial information, other information available to the Monitor and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").
36. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
37. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

38. Future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
39. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

STATUS OF PROCEEDINGS

40. On February 13, 2025, the Petitioners filed and served a notice of application seeking an order to extend the stay of proceedings to March 21, 2025. Absent an order, the current stay of proceedings would expire on February 21, 2025.
41. As indicated previously, an order was granted by this Honourable Court on February 3, 2025 approving the sale of the Assets to West Moberly.
42. Once the sale transaction closes, Wapiti and CBM will be removed as Petitioners in these proceedings.
43. At that time, the remaining assets of CDI will consist of a 100% interest in CDD and partial ownership interests in CKD, CDLV, VIIO and Iron Ross.
44. In the Third Report of the Monitor dated August 16, 2022, the following details were provided with respect to CDI's interest in CKD:
 - (a) CDI owns 24% of the shares of CKD;
 - (b) The other shareholders of CKD are Shougang International Canada Investment Ltd., an affiliate of Shougang International (25%) and Canada Zhonghe Investment Ltd. ("**Zhonghe**") (51%);
 - (c) CDI's contribution to the CKD joint venture was a mine site in northeastern BC referred to as the Gething Coal Project;

- (d) At the time of the formation of the CKD joint venture, CDI agreed to indemnify CKD for any losses it might suffer as a result of CDI's transfer of the Gething Coal Project to CKD (the "**CKD Indemnity Claim**");
 - (e) Subsequent to the formation of the CKD joint venture, CKD registered a security interest over CDI's shares of CKD in support of the CKD Indemnity Claim, although CDI does not recognize CKD's security interest; and
 - (f) CKD was excluded from having to file a proof of claim pursuant to the Claims Process Order.
45. To date CDI has not had the resources to value the CKD Indemnity Claim. Due to the uncertain quantum of the CKD Indemnity Claim, the Company has been reluctant to pursue a sale of its interest.
46. As reported in the Affidavit #1 of Mr. Liu, as at December 31, 2021 CKD held cash of approximately \$51.9 million and had net shareholder equity of \$127.9 million.
47. Accordingly, CDI's interest in the shareholder equity would approximate \$31 million prior to taking into account the CKD Indemnity Claim.
48. The Monitor understands that CDI is now in discussions with counsel for CKD regarding a process to value the CKD Indemnity Claim such that CDI could then market its interest in CKD with certainty being established as to the value of the CKD Indemnity Claim.
49. The Monitor is of the view that this would be a significant step in furthering the Company's restructuring efforts.
50. The Monitor has considered the tests that the Court must be satisfied with in order to grant an extension of the stay of proceedings to the Company, namely that:

- (a) The Company must be acting in good faith and with due diligence; and
 - (b) The Company satisfy the Court that circumstances exist that make the order appropriate.
51. The Monitor is of the view that an extension of the Company's stay of proceedings is warranted in order to:
- (a) Close its sale transaction for the Assets to West Moberly;
 - (b) Agree on a process with CKD to value the CKD Indemnity Claim; and
 - (c) Consider its options with respect to monetizing its remaining assets.
52. The Monitor is also of the view that the Company is acting in good faith and with due diligence.
53. Accordingly, the Monitor supports the Company's request for an extension of the stay of proceedings to March 21, 2025.

All of which is respectfully submitted this 17th day of February, 2025.

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



Name: Craig Munro
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