



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.

SECOND SUPPLEMENT TO THE TWENTY-SIXTH REPORT OF THE
MONITOR

JULY 27, 2025

INTRODUCTION AND PURPOSE

1. This 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**”) as a Second Supplement to the Twenty-Sixth Report (the “**Second Supplemental Twenty-Sixth Report**”).
2. The purpose of the Second Supplemental Twenty-Sixth Report is to provide this Honourable Court with an update regarding these proceedings since the issuance of the Supplemental Twenty-Sixth Report.
3. 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

4. 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**").
5. 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; and
6. 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.
7. 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.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

THE PROCEEDS FROM THE WAPITI AND BULLMOOSE SALE

9. As indicated in the Twenty-Sixth Report, the sale of CDI's shares of Wapiti Coking Coal Mines Corporation ("Wapiti") and Canadian Bullmoose Mines ("CBM") to West Moberly First Nation ("West Moberly") closed on March 28, 2025.
10. As a result, sale proceeds in the amount \$2.45 million were forwarded by counsel for West Moberly to counsel for the Company.
11. An accounting of the sale proceeds from the Wapiti and CBM sale were provided by the Company's counsel which is summarized as follows:

		Notes
Sale proceeds	\$ 2,450,000.00	
Uses		
Repayment of DIP Loan	(1,499,331.16)	
Outstanding professional fees of the Monitor	(155,822.27)	For time incurred up to April 30, 2025
Outstanding professional fees of the Monitor's counsel	(149,143.88)	For time incurred up to April 30, 2025
Outstanding professional fees of Company's counsel	(645,702.69)	For time incurred up to April 30, 2025
	(2,450,000.00)	
	\$ -	

12. The Monitor notes that the payment April 2025 invoices of the professionals was pro-rated as there were insufficient funds to pay the invoices in full.
13. As indicated, the sale proceeds from the Wapiti and CBM sale have been exhausted and as discussed in a subsequent section, there are still amounts owing to the professionals for their April 2025 invoices.

THE PROPOSED SISP

14. As indicated in the Twenty Sixth Report and Supplement to the Twenty Sixth Report, the Company's remaining assets consist of ownership interests as follows:
- (a) A 24% interest in Canadian Kailuan Dehua Mines Co, Ltd. ("**CKD**");
 - (b) A 51% interest in Canadian Dehua Lvliang International Mines Corp. ("**CDLV**") which owns a 40% interest in HD Mining International Limited ("**HD Mining**"), the owner of the Murray River project;
 - (c) A 100% interest in Vancouver Island Iron Ore Corporation ("**VIIO**");
 - (d) A 100% interest in Canadian Dehua Drilling Ltd. ("**CDD**"); and
 - (e) A 100% interest in Iron Ross.
15. The Monitor notes that a creditor has brought to its attention that the Company may have provided the Monitor with an incorrect name for CDLV which the Monitor has now corrected above.
16. In the Supplement to the Twenty Sixth Report, the Monitor provided a copy of a sale and investment solicitation process (the "**SISP**") that the Company was seeking Court approval for in order to deal with its remaining assets (excluding its interest in CKD).
17. In addition to the SISP, the Company was seeking the Court's approval for two Stalking Horse Sale Agreements; one for the shares of CDLV and a second for the shares of VIIO, CDD and Iron Ross (the "**SH APAs**").
18. The terms of the SH APAs and the details of the SISP are included in the Supplement to the Twenty Sixth Report.

19. However, the Company's application for approval of the SISP and SH APAs did not proceed as Shougang sought to reset its application for a bankruptcy order against CDI.
20. As a result of the competing applications, the Court directed the parties to schedule a date for a subsequent hearing at which time both applications could be heard.
21. In the ensuing weeks, the Monitor encouraged the parties to try and seek a consensual resolution in order to avoid the costs of professionals for an expected four-day hearing.
22. On July 16, 2025 the Monitor's counsel scheduled a call which was attended by counsel to Shougang, Zhonghe, the Company, Huiyong and Mrs. Liu to try to facilitate such a resolution.
23. The without prejudice meeting concluded with a discussion regarding the Monitor preparing a framework proposal for the parties to consider for reaching a consensual basis in order to move forward without the need for a lengthy court hearing.
24. A copy of the framework proposal (the "**Framework**") is attached as Appendix A.
25. Subsequent to the issuance of the Framework, the Monitor has received feedback from counsel to Huiyong and Zhonghe requesting some additional conditions. However, as at the date of this report the Monitor has not heard from Company counsel, counsel for Mrs. Liu nor counsel for Shougang whether the Framework or the additional conditions are acceptable.

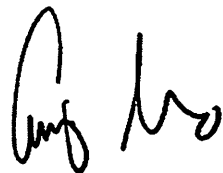
THE ADMINISTRATION CHARGE

26. As indicated in previous reports, the Initial Order provided a Court-ordered administration charge (the "Administration Charge") in the amount of \$350,000 that ranks in priority to all other charges and security interests of CDI.
27. As a result of the repayment of the DIP Loan, the Company currently has no funding as outlined earlier in this report.
28. As of the date of this report, the Company's counsel has advised the Monitor that its outstanding accounts receivable and unbilled work in progress are approximately \$170,000. In addition, the outstanding fees and expenses of the Monitor and its counsel are approximately \$40,000 and \$30,000 respectively.
29. Accordingly, in total there is currently approximately \$240,000 owing under the Administration Charge.
30. In the event that the SH APAs are approved, the funding provided pursuant to the SH APAs in addition to the closing proceeds would appear to be adequate to cover the fees of the professionals without the need to seek an increase to the Administration Charge.
31. However, if the parties are unable to reach a consensual agreement and a four-day hearing is required to hear the competing applications, then the Monitor instructed its counsel to reset its prior application seeking the Court's approval for an increase in the amount of the Administration Charge.

32. As indicated in its Supplement to the Twenty Sixth Report, the Monitor believes that the SISP and SH APAs, if approved by this Court, set a path to conclude these proceedings within a reasonable period of time. In conjunction with the additional powers suggested to be given to the Monitor as outlined in the Framework, the Monitor is of the view that this would address the concerns raised by the major creditors.
33. Accordingly, the Monitor would strongly encourage the stakeholders to reach a consensual agreement to advance these proceedings and avoid the substantial costs that would be incurred in further court hearings.

All of which is respectfully submitted this 27th day of July, 2025.

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



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

APPENDIX A

July 22, 2025

Jeffrey Bradshaw, DLA Piper
Carole Hunter, DLA Piper
Eamonn Watson, Dentons Canada LLP
Erin Hatch, Harper Grey LLP
Barry Fraser, Fraser Litigation Group
Ryan Laity, Borden Ladner Gervais LLP

Re: Canadian Dehua International Mines Group Inc. ("CDI")

Further to the call on July 16, 2025 among several of the stakeholders involved in the CCAA proceedings of CDI, it was discussed that FTI Consulting in its capacity as the court-appointed Monitor of these proceedings prepare a framework proposal for the parties to reach a consensual basis in order to move forward without the need for a lengthy hearing scheduled for July 27-30, 2025. Accordingly, the following is a proposed set of terms for the stakeholders to consider:

1. The SISP proposed by CDI (as conducted by the Monitor) including the stalking horse offers signed as between Mrs. Liu and CDI (the "SH Sales") be allowed to proceed for Court approval;
2. Any portion of the DIP Loan outstanding after closing the SH Sales to be repaid from the proceeds of the SH Sales with no further advances thereafter;
3. CDI will abandon any claims disputes as to judgment debts (but may continue to dispute amounts as to costs or interest);
4. The Monitor's powers be expanded to include:
 - a. the resolution of the CKD contingent claim with costs not to exceed a budget to be approved by the Court;
 - b. adjudication of the outstanding claims filed in the Claims Process; and
 - c. upon agreement of the CKD contingent claim as between the parties or order of the court, the Monitor to seek approval for a process to monetize CDI's shares in CKD;
5. CDI to consent to being assigned into bankruptcy following the disposition of the last of its assets.