This is the 1st affidavit
of Naishun Liu in this case
and was made on May 19, 2025

District of British Columbia
Division No. 03-Vancouver
Vancouver Registry
Court No. B-220142
Estate No. 11-254383

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF CANADIAN DEHUA INTERNATIONAL MINES GROUP INC.

AFFIDAVIT

I, Naishun Liu of Suite 202 - 2232 West 41st Avenue, Vancouver, businessman, AFFIRM THAT:

1. I am a director of Canadian Dehua International Mines Group Inc. ("**CDI**"), and as such have personal knowledge of the facts and matters hereinafter deposed to save and except where the same are stated to be made upon information and belief and where so stated, I verily believe them to be true.

2. I am authorized to make this Affidavit on behalf of the Petitioner.

BACKGROUND

3. CDI is a company incorporated in 2004 pursuant to the laws of British Columbia in order to develop underground core mining properties, and consequently invests in, and operates, mining assets in British Columbia and elsewhere.

4. CDI primarily cooperated on mining projects with major Chinese mining companies and steel factories as partners. However, for various reasons, a number of the projects did not proceed as planned. This has resulted in significant debt and limited revenue while CDI finds new buyers and develops new mining projects.

5. On June 3, 2022, CDI commenced proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").

CDI'S ASSETS

6. Until the closing of a purchase transaction with West Moberly First Nations in March 2025, CDI wholly owned two mining projects:

 (a) the Wapiti River coal project (the "**Wapiti Project**"), where CDI is the sole shareholder of the company that owns and operates the project, Wapiti Coking Coal Mines Corporation ("**WCCMC**"). The Wapiti Project is a large-scale underground mine at the senior exploration stage located near Tumbler Ridge, British Columbia; and

 (b) the Bullmoose coalfield exploration project (the "**Bullmoose Project**") located near Tumbler Ridge, British Columbia.

7. CDI's remaining assets include:

 (a) a 51% interest in Canadian Dehua Lvliang International Mining Inc., which owns of 40% interest in HD Mining International Limited ("**HDL**"). HDL owns the Murray River project which involves the construction, operation and decommissioning of an underground coal mine and supporting infrastructure located near Tumbler Ridge, British Columbia (the "**Murray River Project**"). As a result, CDI has a 20.4% indirect interest in the Murray River Project;

 (b) a 24% interest in Canadian Kailuan Dehua Mines Co., Ltd. ("**CKD**"); and

 (c) a mining project known as the Iron Ross Project and CDI's shares in Canada Dehua Drilling Ltd. and Vancouver Island Iron Ore Corporation (the "**Remaining Assets**").

8. On April 22, 2025, CDI and Qu Bo Liu, a shareholder of CDI who has provided interim financing to CDI during the course of its CCAA proceedings (in such capacity, the "**Interim Lender**") negotiated stalking horse sales agreements for the Murray River Project (the "**Murray River APA**") and the Remaining Assets (the "**Remaining Assets APA**").

9. The Murray River APA provides for a purchase price of $1,400,000. The Remaining Assets APA provides for a purchase price of $400,000.

10. If the CCAA proceedings are permitted continue, a sales and investment solicitation process ("**SISP**") will be completed over a 90 day period and will make use of the stalking horse bids in the Murray River APA and the Remaining Assets APA to set a floor price for other offers in the SISP.

CKD - BACKGROUND

11. The only asset that will not be included in the SISP is CDI's shares in CKD.

12. There are two other shareholders in CKD, namely, Shougang International Canada Investment Ltd., an affiliate of Shougang International (25%) ("**Shougang**") and Canada Zhonghe Investment Ltd. (51%) ("**Zhonghe**"). Shougang and Zhonghe are both state-owned entities in the People's Republic of China.

13. On October 18, 2010, CDI, Zhonghe and Shougang entered into a joint development agreement (the "**CKD JDA**") pursuant to which, CDI would invest its ownership interest in a coal mine in northeastern British Columbia known as the Gething Coal Project to the joint venture and Zhonghe and Shougang would invest capital into CKD.

14. On November 16, 2012, after the formation of the CKD joint venture, CDI agreed to indemnity CKD for any losses it might suffer as a result of CDI's transfer, on a tax rollover basis, of the Gething Coal Project mine site to the joint venture (the "**CKD Indemnity Claim**"). Attached hereto and marked as **Exhibit "A"** is a true copy of a translation of the indemnification agreement between CDI and CKD relating the CKD Indemnity Claim.

15. On December 1, 2016, CDI and CKD entered into a further indemnification agreement pursuant to which (i) the definition of "liabilities" for which CDI would be required to indemnify CKD for was significantly expanded; and (ii) CDI pledged its shares in CKD as collateral for its indemnification obligations (the "**2016 Indemnification Agreement**"). Attached hereto and marked as **Exhibit "B"** is a true copy of the 2016 Indemnification Agreement.

16. CDI did not receive any independent legal advice regarding the 2016 Indemnification Agreement. The document was provided to me in English and as a result the trust that I placed in CKD's president, Fa Liang Wang, I did not have the agreement translated so that I could read it. I simply signed the agreement at the request of Fa Liang Wang.

17. On December 7, 2016, CKD registered a security interest over CDI's shares in CKD in support of the CKD Indemnity Claim (the "**CKD Security Interest**").

18. Although the intent of the CKD JDA was the development of the Gething Coal Project for benefit of the shareholders of CKD, the project has not been developed. CKD and its assets remain in the control of the majority shareholder, Zhonghe.

19. Based on the financial statements of CKD for the year ended December 31, 2020, December 31, 2021, December 31, 2022 and December 31, 2023 (collectively, the "**CKD Financials**"), the value of the CKD share capital is approximately $128 million meaning that CDI's 24% interest in CKD was worth in excess of $30 million. Attached hereto and marked as **Exhibit "C"** are true copies of the CKD Financials.

<u>LITIGATION WITH ZHONGHE</u>

20. On May 10, 2021, Zhonghe commenced proceedings in British Columbia against CDI to enforce certain obligations under a promissory note relating to the Bullmoose Project.

21. Although CDI became aware of the proceedings commenced by Zhonghe on May 14, 2021, CDI did not seek legal advice on the proceedings commenced by Zhonghe.

22. On August 30, 2021, Zhonghe obtained default judgment against CDI in the principal amount of $4,781,310.20 plus interest and costs in respect of a promissory note executed by CDI in favour of Zhonghe (the "**Zhonghe Judgment**").

23. On September 10, 2021, Zhonghe took steps to realize on the Zhonghe Judgment and appointed a bailiff, Accurate Court Bailiff Services Ltd. ("**Accurate**") to seize and market CDI's shares in CKD.

24. On September 17, 2021, as a result of the registration of the CKD Security Interest, Accurate reached out to CKD for permission to seize and sell the shares owned by CDI in CKD (the "**CKD Shares**"). CKD provided its permission for the seizure so long as the CKD Security Interest remained registered against the CKD Shares.

25. Without CDI's knowledge or consent, an auction was held on November 24, 2021.

26. The successful bidder for the CKD Shares was Witcool Technology Co. Ltd. ("**Witcool**") for a purchase price of $55,000. Witcool has restored in British Columbia on November

12, 2021, just 12 days prior to the auction. Attached hereto and marked as **Exhibit "D"** is a true copy of the BC Registry Services Company Summary dated May 13, 2025, together with the Certificate of Restoration dated November 12, 2021.

27. Given the information in CKD financial statements for the year ended December 31, 2020, the offer from Witcool for the CKD Shares was significantly undervalue.

28. Despite knowing the value of the CKD Shares, Zhonghe brought an application to approve the sale of CKD Shares to Witcool for a purchase price that was millions of dollars less than the actual value of such shares.

LITIGATION WITH SHOUGANG

29. On January 20, 2020, Shougang commenced an action against CDI in British Columbia in an effort to recognize an arbitration award received by Shougang in China against CDI in the amount of $20.8 million (the "**Arbitration Award**"). The judgment was granted on January 21, 2021 (the "**Judgment**").

30. The Arbitration Award relates to the Wapiti coking coal project near Tumbler Ridge, British Columbia and the return of a USD$10 million cooperation deposit that Shougang made in the Wapiti Project, plus interest thereon.

31. CDI did not take any actions with respect to the Arbitration Award or the Judgment as a result of its prior dealings with Feicheng Mining Group Co., Ltd. ("**Feicheng**"), another Chinese stated owned entity. In that other matter, Feicheng took advantage of its political influence and turned an otherwise economic dispute into an unjustified criminal investigation in order to intimidate me and my family members with actual and threats of arrest, asset freezes and restrictions on leaving Mainland China. I was concerned had I responded to the Arbitration Award or the Judgment, similar issues could arise, causing greater harm.

32. On April 6, 2022, Shougang filed an Application for Bankruptcy Order in respect of CDI (the "**Bankruptcy Application**") after failing in its collection efforts on the Judgment. The Bankruptcy Application was supported by Zhonghe.

33. In response to the Bankruptcy Application, CDI commenced proceedings under the CCAA. The relief sought by CDI under the CCAA was opposed Shougang and Zhonghe. When

the Initial Order in the CCAA proceeding was granted, the Bankruptcy Application was adjourned initially to June 28, 2022.

OPPOSITION TO THE BANKRUPTCY

34. Shougang and Zhonghe have both filed proofs of claim in the CCAA proceedings of CDI but neither of those claims have been proven in those proceedings.

35. CKD was excluded from filing a proof of claim pursuant to the Claims Process Order, however, the determination of the validity and quantum of the CKD Indemnity Claim will provide valuable information to CDI and the Monitor on the next steps in these proceedings in respect of the CKD Shares. Discussions are ongoing with CKD's counsel to set a date before the end of June for an application to determine the validity and quantum of the CKD Indemnity Claim.

36. The principal motivation of Shougang and Zhonghe in proceeding with and supporting, respectively, the Bankruptcy Application is to prevent CDI from realizing on the value of the CKD Shares. I believe that the CKD Shares continue to have significant value and, if the CKD Indemnity Claim can be determined, CDI would be able to move forward with a sale process for the CKD Shares which would benefit all of the stakeholders of CDI.

37. If a bankruptcy were to occur now, without a sale of the Murray River Project and the Remaining Assets, there would be no funding available for any sales process or litigation to occur in the bankruptcy proceedings. The Interim Lender has advised and I verily believe that she is only willing to advance additional funding to CDI if the CCAA proceedings are continued.

38. Although a trustee in bankruptcy may be able to sell the assets in a bankruptcy proceeding, the time and cost of doing so is uncertain. The Interim Lender has advised and I verily believe that she is not willing to advance stalking horse bids in a bankruptcy and, as a result, there is no guarantee that any of the assets will be sold.

39. A lack of funding would also curtail and, more likely, eliminate a trustee in bankruptcy's ability to determine the CKD Indemnity Claim.

40. I believe that the sale of the remaining assets and the determination of the CKD Indemnity Claim will be more beneficial to CDI's creditors than a bankruptcy.

41. I was not physically present before the person before whom this Affidavit was sworn or affirmed but I was in that person's presence using video conferencing.

AFFIRMED BEFORE ME remotely over video conference on May 19, 2025. The person making the Affidavit was located in the City of Lvliang and the Commissioner located in the City of Vancouver, in the Province of British Columbia.	)))))) **NAISHUN LIU**
A Commissioner for taking Affidavits for British Columbia	

Weiguo (William) He
Barrister & Solicitor
DLA Piper (Canada) LLP
1133 Melville Street, Suite 2700
Vancouver, BC V6E 4E5
604.687.9444

ENDORSEMENT OF INTERPRETER

I, Weiguo He, of DLA Piper (Canada) LLP, Suite 2700 1133 Melville Street, Vancouver, BC V6E 4E5, lawyer, certify that:

1. I have a knowledge of the English and Mandarin languages and I am competent to interpret from one to the other.

2. I am advised by the person swearing or affirming the Affidavit and believe that the person swearing or affirming the Affidavit understands the Mandarin language.

3. Before the Affidavit on which this endorsement appears was made by the person swearing or affirming the Affidavit I correctly interpreted it for the person swearing or affirming the Affidavit from the English language into the Mandarin language and the person swearing or affirming the Affidavit appeared to fully understand the contents.

May 19. 2025

Dated

Signature of Interpreter

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.

PETITIONER

AFFIDAVIT

DLA Piper (Canada) LLP
Barristers & Solicitors
Suite 2700
1133 Melville Street
Vancouver, BC V64 4E5

Tel. No. 604.687.9444
Fax No. 604.687.1612

File No.: 080762-00014 JDB/ak

CAN: 56849803.3

This is **Exhibit " A "** referred to in the 1st Affidavit of Naishun Liu affirmed before me at People's Republic of China, on this 19th day of May 2025.

A Commissioner for taking Affidavits for China

Weiguo (William) He
Barrister & Solicitor
DLA Piper (Canada) LLP
1133 Melville Street, Suite 2700
Vancouver, BC V6E 4E5
604.687.9444

Declaration

I, Shao Xi Chu, Certified Translator of English to Chinese (and also proficient in the Chinese to English combination), a member in good standing of the Society of Translators and Interpreters of British Columbia (which is a member association of the Canadian Translators, Terminologists, Interpreters Council - CTTIC), hereby declare that I have translated the attached Chinese document into English and that, to the best of my knowledge and belief, the translation accurately reflects the contents and meaning of the Chinese original text.

List of the translated document:

1. Agreement on Handling of Matters Related to Section 85 of Tax Act

Signed in Langley, BC on May 14, 2025.

Shao Xi Chu

Pages in Chinese: 1
Pages in English: 1

STIBC Society of Translators and Interpreters of British Columbia

Shao Xi (Mike) Chu
Certified Translator
English to Chinese

Valid to: December 31, 2025
Member No: 04-10-2555

Agreement on Handling of Matters Related to Section 85 of Tax Act

Canadian Kailuan Dehua Mines Co., Ltd. (hereinafter referred to as "Party A") agrees that its shareholder, Canada Dehua International Mines Group Inc. (hereinafter referred to as "Party B"), shall handle matters related to tax credits in accordance with the relevant provisions of the Canadian tax act, in accordance with Section 85 thereof. All legal and financial liabilities arising therefrom shall be borne by Party B.

If Party A incurs any economic losses as a result of handling the aforementioned matters, Party B agrees to fully compensate such losses by pledging its equity in Party A to Party A. The value of the equity shall be determined based on an appraisal conducted by a valuation institution mutually recognized by both parties.

Canadian Kailuan Dehua Mines Co., Ltd.: [signed] (signature)
Canada Dehua International Mines Group Inc.: [signed] (signature)
November 16, 2012

Translator's signature: STIBC No.: 04-10-2555

关于办理税法 85 条相关事项的协议书

加拿大开滦德华矿业有限公司（以下简称甲方）同意其股东——加拿大德华国际矿业集团公司（以下简称乙方）按照加拿大税法的相关规定，依税法 85 条办理抵税事宜。由此产生的所有法律、经济责任由乙方承担。

如因办理此事项造成甲方经济损失，乙方同意以其在甲方的股权为抵押给予全额补偿，股权价值由双方认可的评估机构评估取得。

加拿大开滦德华矿业有限公司：（签字）

加拿大德华国际矿业集团公司：（签字）

二〇一二年十二月十六日

This is **Exhibit** " **B** " referred to in the 1st Affidavit of Naishun Liu affirmed before me at People's Republic of China, on this 19th day of May 2025.

A Commissioner for taking Affidavits for China

Weiguo (William) He
Barrister & Solicitor
DLA Piper (Canada) LLP
1133 Melville Street, Suite 2700
Vancouver, BC V6E 4E5
604.687.9444

INDEMNIFICATION AGREEMENT

THIS AGREEMENT made this 1 day of Dec., 2016.

BETWEEN:

Canadian Kailuan Dehua Mines Co., Ltd., a company incorporated under the laws of British Columbia, Canada and having its office at 3800 Wesbrook Mall, Vancouver, British Columbia V6S 2L9

("CKD")

AND:

Canadian Dehua International Mines Group Inc., a company incorporated under the laws of British Columbia, Canada and having its office at 1450-1199 West Hastings Street, Vancouver, British Columbia V6E 3T5

("Dehua")

WHEREAS:

A. Dehua transferred certain coal mine assets to CKD at an agreed-upon value of US$45,000,000.00;

B. Dehua requested CKD jointly make Section 85 election under the *Income Tax Act*, R.S.C. 1985, c.1 for the sole benefit of Dehua (the **"Section 85 Election"**);

C. CKD has assisted Dehua in making the Section 85 Election which may or would cause CKD to suffer a loss in tax deductions or expose tax liabilities;

D. Pursuant to a letter agreement in Chinese language between Dehua and CKD dated November 16, 2012 (the **"2012 Letter Agreement"**), Dehua agreed to fully indemnify CKD for any losses or loss of tax benefit as well as any other legal obligations or liabilities arising from CKD's assistance in making the Section 85 Election for Dehua;

E. Dehua also agreed in the 2012 Letter Agreement to pledge to CKD, for the benefit of CKD, all of CKD shares owned and held by Dehua as security in fulfilling Dehua's obligations in respect of the indemnification; and

F. Dehua is the registered and beneficial owner of **30,440,900** Common shares in the capital of CKD.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the mutual promises contained in this Agreement, the parties agree with each other as follows:

1. DEFINITIONS

In this Agreement:

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(a) **"Agreement"** means this Indemnification Agreement and all amendments made hereto between the parties;

(b) **"Ancillary Documents"** means each and every agreement or instrument between the parties or any of them, other than this Indemnification Agreement and referred to herein, including but not limited to the Share Pledge Agreement and all other additional agreements and transaction documents as may be necessary or desirable from time to time to effect any of the transactions contemplated by this Indemnification Agreement;

(c) **"CKD Indemnified Party"** means (i) CKD; and (ii) each director, officer, employee, agent, consultant, advisor and other representatives of CKD who is involved in the transactions contemplated by the 2012 Letter Agreement and this Indemnification Agreement;

(d) **"Governmental Authority"** means:

(i) any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision or any of them exercising or entitle to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory or taxing authority or power of any nature; and

(ii) any quasi-governmental or private body exercising any regulatory, expropriation or tax authority under or for the account of any of them, and any subdivision of any of them.

(e) **"Liabilities"** means any and all taxes, charges, liabilities, obligations, losses, damages, penalties, interest, claims, actions, suits, judgments, settlements, out-of-pocket costs, fines, expenses and disbursements (including reasonable costs of investigation, and reasonable fee for attorneys, accounts and expert witnesses) of whatever kind and nature (whether known or unknown, liquidated or unliquidated, due or to become due and whether absolute, accrued, contingent, fixed or otherwise) that are incurred by CKD at any time and from time to time arising from, as a result of, caused by, associated with or related to, in any manner whatsoever, CKD making the Section 85 Election and/or Dehua breaching its representations and warranties under the 2012 Letter Agreement, this Indemnification Agreement or Share Pledge Agreement, including but not limited to, taxes payable, penalties, interests and administrative, accounting and legal expenses;

(f) **"Obligations"** has the meaning attributed to such term in the Share Pledge Agreement;

(g) **"Pledged Shares"** has the meaning attributed to such term in the Share Pledge Agreement;

(h) **"Share Pledge Agreement"** has the meaning attributed to such term in Section 3.3 hereof; and

(i) **"Tax Authority"** means any government, Governmental Authority, agency, commission, body, service bureau or other entity entitled under applicable law to impose, assess or collect taxes.

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2. TERM

2.1 The term of the 2012 Letter Agreement, this Indemnification Agreement and any of Ancillary Documents shall not terminate until (i) CKD receives full payment to compensate against all the Liabilities and (ii) CKD has been satisfied or ensures, in its sole discretion, that it will not further incur or suffer any Liabilities.

3. INDEMNIFICATION

3.1 Dehua shall, at its own expense, indemnify, defend and protect each of the CKD Indemnified Parties and save them fully harmless from and against, and will reimburse them for, any and all of the Liabilities whatever at any time and from time to time suffered or incurred by CKD or other CKD Indemnified Parties.

3.2 If any of the CKD Indemnified Parties receives a notice of a notice of assessment or reassessment, a written proposal for an assessment or reassessment, a notice of confirmation of an assessment or reassessment, or a similar document (a "**Tax Notice**") from any Tax Authority for any taxes in respect of which a claim or Liabilities may be made for indemnification under this Indemnification Agreement ("**Indemnified Taxes**"), such CKD Indemnified Party will promptly (but in any event within thirty (30) days of receipt thereof) deliver a copy of the Tax Notice to Dehua, together with all correspondence and any other documents received by the CKD Indemnified Party with respect to such Tax Notice. Dehua shall, within fifteen (15) days of receipt thereof, reimburse CKD Indemnified Party for an amount equal to such Indemnified Taxes.

3.3 All Obligations, indebtedness and Liabilities owing by Dehua to CKD in connection with, arising from or pursuant to 2012 Letter Agreement and this Indemnification Agreement shall be secured by first priority perfected security interests on, to and against all the Pledged Shares. Dehua shall, concurrently with entering into this Agreement, execute and deliver a share pledge agreement (the "**Share Pledge Agreement**") in the same form as set out in **Schedule 3.3** in order to secure the fulfillment and performance of all the Obligations and Liabilities and grant the security interests in favour of CKD on and against all of the Pledged Shares.

3.4 In the event that Dehua fails to make the payment of Indemnified Taxes to CKD Indemnified Party as required under Section 3.2 hereof or fails to perform any of the Obligations or upon the occurrence of an Event of Default (as such term is defined in the Share Pledge Agreement) that is continuing, CKD shall be entitled to enforce the security in accordance with the Share Pledge Agreement.

4. REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Dehua

Dehua hereby represents and warrants to CKD as follows and acknowledges that CKD is relying on those representations and warranties in entering into, and completing the transactions contemplated by, this Agreement and the Ancillary Documents:

(a) Dehua has been duly incorporated and organized, is validly existing and in good standing under the laws of the Province of British Columbia.

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(b) Dehua is duly registered, licensed or qualified to carry on business under the laws of the Province of British Columbia.

(c) This Agreement and each of the Ancillary Documents have been duly executed and delivered by Dehua and constitutes a valid and binding obligation of Dehua, enforceable against it in accordance with their respective terms.

(d) The execution and delivery of this Agreement and each of the Ancillary Documents and the completion of the transactions contemplated hereby and thereby have been duly and validly authorized by all the necessary corporate action(s) on the part of Dehua.

(i) No authorization, consent, permit or approval of, exemption or other action by, filing with, or notice to, any Governmental Authority is required by Dehua in connection with the execution and delivery by it of this Agreement or the performance of its Obligations under this Agreement.

(e) None of the execution and delivery of this Agreement or any of the Ancillary Documents, the performance of Dehua's obligations hereunder or the consummation of the transactions herein provided for will (i) result in or constitute a breach of any terms or provision of, or constitute a default under, the articles or by-laws of Dehua or any agreement, or other commitment to which Dehua is a party; or (ii) constitute an event which would permit any party to any agreement with Dehua to terminate that agreement or to accelerate the maturity of any indebtedness of Dehua or other obligation of Dehua.

(f) Dehua has good and marketable title to the Pledged Shares owned and held by it, free and clear of all encumbrances and rights of any other persons.

(i) The representations and warranties of Dehua in this Agreement are true, complete and correct in all material respects and do not contain any untrue or misleading statement of a material fact.

5. REPRESENTATIONS AND WARRANTIES OF CKD

CKD hereby represents and warrants to Dehua as follows and acknowledges that Dehua is relying on those representations and warranties in entering into, and completing the transactions contemplated by, this Agreement and Ancillary Documents:

(a) CKD is a corporation duly incorporated, validly existing and in good standing under the laws of British Columbia.

(b) This Agreement and each of the Ancillary Documents have been duly executed and delivered by CKD and constitutes a valid and binding obligation of CKD, enforceable against it in accordance with their respective terms.

(c) The execution and delivery of this Agreement and the Ancillary Documents and the completion of the transactions contemplated hereby and thereby have been duly and validly authorized by all the necessary corporate action(s) on the part of CKD.

(d) None of the execution and delivery of this Agreement or any of the Ancillary Documents, the performance of CKD's obligations hereunder or the consummation of the transactions herein provided for will (i) result in or constitute a breach of any terms or provision of, or constitute a default under, the articles or by-laws of CKD or any agreement, or other commitment to which CKD is a party; or (ii) constitute an event which would permit any party to any agreement with CKD to terminate that agreement or to accelerate the maturity of any indebtedness of CKD or other obligation of CKD.

(e) The representations and warranties of CKD in this Agreement are true, complete and correct in all material respects and do not contain any untrue or misleading statement of a material fact.

6. MISCELLANEOUS

6.1 Further Assurance

Dehua covenants and agrees that, from time to time subsequent to the date hereof, it will, at the request of CKD, execute and deliver all such documents, including, without limitation, all such additional conveyances, transfers, consents and other assurances or instruments and do all such other acts and things as CKD, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement, the Share Pledge Agreement, other Ancillary Documents or any of the respective obligations intended to be created hereby or thereby.

6.2 Expenses of the Parties

Each of the parties hereto shall bear their own expenses (including those of legal counsel, tax advisor, accountants and other professional advisers) incurred in connection with preparation and execution of the transactions contemplated herein.

6.3 Entire Agreement

This Agreement, along with the 2012 Letter Agreement and the Ancillary Documents, constitute the entire agreement between the parties and there are no representations or warranties, express or implied, statutory or otherwise and no agreements collateral hereto other than as expressly set forth or referred to herein.

6.4 Time of Essence

Time shall be of the essence of this Agreement.

6.5 Assignment

This Agreement shall not be transferable or assignable.

6.6 Sections and Headings

The captions and headings appearing in this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.

6.7 **Amendment and Waiver**

No amendment or waiver of any provision of this Agreement shall be binding on any party unless consented to in writing by such party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver constitute a continuing waiver unless otherwise expressly provided.

6.8 **Disclosure**

Neither party shall disclose this Agreement or any aspect of such transaction except to its board of directors, its senior management, its legal, accounting, financial or other professional advisors, or as may be required by any applicable law or any regulatory having jurisdiction.

6.9 **Governing Law**

This Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of British Columbia and the federal laws of Canada applicable therein, and each of the parties hereto hereby irrevocably attorns to the jurisdiction of the courts of the Province of British Columbia.

6.10 **Counterparts**

This Agreement may be executed in counterparts, by original or telefacsimile signature, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

6.11 **Severability**

If any term, covenant or condition of this Agreement or the application thereof to any party or circumstance will, to any extent, be held to be invalid or unenforceable, then (a) the remainder of this Agreement, or the application of such term, covenant or condition to parties or circumstances other than those as to which it is held invalid or unenforceable, will not be affected thereby and each term, covenant or condition of this Agreement will be valid and be enforced to the fullest extent permitted by law; and (b) the parties hereto covenant and agree to renegotiate any such term, covenant or application thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant or condition of this Agreement or the application thereof that is invalid or unenforceable, it being the intent of the parties that the basic purposes of this Agreement are to be effectuated.

6.12 **Notice**

All notices or other documents required or permitted to be given hereunder shall be in writing and personally delivered or sent by registered mail or via e-mail to the address of the intended recipient set forth below or at such other address as may from time to time be notified by any of the parties hereto in the manner herein provided:

(a) if to Dehua, at:

Mail Address: 1450-1199 W Hastings St. Vancouver V6E 3T5
Telephone: 604-697-0118 ext.106
E-mail: rocky.hu@dehua.ca

(b) if to CKD, at:

Mail Address: 3800 Wesbrook Mall Vancouver V6S 2L9
Telephone: 604-6979212
E-mail: mizhe.wang@kailuandehua.com

6.13 Independent Legal Advice

By executing this Agreement, each of the parties confirms that it has been given the opportunity to seek and obtain independent legal advice with respect to the subject matter and transactions contemplated in this Agreement, and has either received independent legal advice or has decided, voluntarily without influence from any other person, that it does not need to seek such independent legal advice in relation to this Agreement and transactions contemplated herein.

6.14 Language

This Agreement and any of the Ancillary Documents are drawn up in English language. In the event of any conflict between the English language version and any transaction, the English language version shall prevail and any interpretation as to the meaning of this Agreement and the Ancillary Documents shall be made in accordance with the English language version.

6.15 Enurement

a This Agreement and everything herein contained shall enure to the benefit of CKD and its successors and assigns and shall be binding upon Dehua and its successors and assigns.

[*signature page follows*]

IN WITNESS WHEREOF this Agreement has been executed by the parties.

CANADIAN KAILUAN DEHUA MINES CO., LTD.

By: ______________________
Authorized Signatory

CANADIAN DEHUA INTERNATIONAL MINES GROUP INC.

By: ______________________
Authorized Signatory

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SCHEDULE 3.3

SHARE PLEDGE AGREEMENT

SHARE PLEDGE AGREEMENT

THIS SHARE PLEDGE AGREEMENT made this 1 day of Dec, 2016.

BETWEEN:

Canadian Kailuan Dehua Mines Co., Ltd., a company incorporated under the laws of British Columbia, Canada and having its office at 3800 Wesbrook Mall, Vancouver, British Columbia V6S 2L9

(**"CKD"**)

AND:

Canadian Dehua International Mines Group Inc., a company incorporated under the laws of British Columbia, Canada and having its office at 1450-1199 West Hastings Street, Vancouver, British Columbia V6E 3T5

(**"Dehua"**)

WHEREAS:

A. Dehua and CKD entered into the 2012 Letter Agreement and an indemnification agreement (the "**Indemnification Agreement**") dated _____ , 2016, pursuant to which agreements, Dehua has agreed to indemnify and hold harmless CKD and CKD Indemnified Parties from all the Liabilities arising from or in connection with CKD's assistance in making the Section 85 Election for the sole benefit of Dehua;

B. Dehua is the registered and beneficial owner of those shares in the capital of CKD listed on **Appendix "A"** hereto;

C. As security for the fulfillment of all the Dehua's Obligations under and pursuant to 2012 Letter Agreement and the Indemnification Agreement, Dehua has agreed to grant a security interest in and pledge and assign the shares of CKD currently held by it or hereafter acquired by it in favour of CKD; and

D. All capitalized words that are not otherwise defined herein have the meanings attributed to such terms in the Indemnification Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the mutual promises contained in this Agreement, the parties agree with each other as follows:

1. DEFINITIONS

In this Agreement (including without limitation, the Recitals hereto), unless there is something within the subject matter or context inconsistent therewith, all capitalized terms used and not otherwise defined shall have the meaning attributed to them in the Indemnification Agreement, and the following terms shall have the following meanings:

(a) "**Deficiency**" has the meaning attributed to such term in Section 5.2(e) hereof;

(b) **"Event of Default"** has the meaning attributed to such term in Section 5.1 hereof;

(c) **"PPSA"** means the *Personal Property Security Act* (British Columbia) as amended. supplemented, restated and superseded, in whole or in part, from time to time;

(d) **"Pledged Shares"** means all the shares in the capital of CKD now held and hereafter acquired from time to time by Dehua as set out on Appendix "A", as it may be amended from time to time, and any substitution therefor, additions thereto and proceeds thereof arising out of any consolidation, subdivision, reclassification, conversion, stock dividend or similar increase or decrease in or alteration of the capital of CKD or any other event and any shares acquired pursuant to the exercise of a right or offer granted or made by Dehua to the extent that any such right or offer arises out of the ownership of any shares in the capital of CKD together with any dividends or other moneys now or thereafter received or declared in respect of the Pledged Shares and all other rights and claims of Dehua in respect of the Pledged Shares; and

(e) **"Obligations"** means any and all obligations, liabilities and indebtedness of every kind, nature and description owing by Dehua to CKD and any of its affiliates, including any and all of the Liabilities, however evidenced, arising under the Indemnification Agreement or otherwise whether now existing or hereafter arising.

2. PLEDGE

2.1 Pledge

As continuing security for the due and timely payment and performance by Dehua of the Obligations, Dehua hereby assigns, mortgages, charges, hypothecates, pledges and grants a security interest in the Pledged Shares to and in favour of CKD. Dehua hereby delivers to CKD the share certificates evidencing the Pledged Shares together with all appropriate transfer and other documents (including, if applicable, a director's resolution approving the transfer of the Pledged Shares to CKD) to enable CKD, or its nominee to be registered as the owner of the Pledged Shares upon any enforcement of the rights and remedies granted to CKD in this Agreement. If Dehua acquires any certificates evidencing the Pledged Shares after the date hereof, Dehua shall, forthwith upon receipt of such certificates, deliver such certificates to CKD, its agent or nominee, together with all appropriate transfer and other documents to enable CKD, or its nominee to be registered as the owner hereof and to transfer or sell or cause to be transferred or sold such Pledged Shares upon any enforcement of the rights and remedies granted to CKD in this Agreement.

2.2 Attachment and Value

Dehua acknowledges and agrees that (a) value has been given; (b) the security interests created hereby attached to the Pledged Shares immediately upon execution and delivery of this Agreement to CKD, and CKD and Dehua have not agreed to postpone the time of attachment of the pledge of the Pledged Shares by Dehua; and (c) to the extent that Dehua does not acquire rights or interests in any of the Pledged Shares until after the execution and delivery of this Agreement, the security interests created hereby shall attach to such Pledged Shares at the time Dehua acquires rights and interests therein.

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3. PROVISIONS RELATING TO THE PLEDGED SHARES

3.1 Voting Rights

(a) Until the occurrence of an Event of Default which is continuing, Dehua shall be entitled to exercise all voting rights in respect of the Pledged Shares and to give consents, waivers, notices and ratifications and to take other action in respect thereof, *provided*, however, that no votes shall be cast or consent, waiver, notice or ratification given or action taken which would be prejudicial to the interest of CKD, impair or reduce the value of or restrict the transferability of the Pledged Shares, or be inconsistent with or violate any provisions of this Agreement or any other agreement relating hereto, including, without limitation: (i) give any proxies to vote the Pledged Shares; or (ii) enter into any shareholders' agreement or voting trust with respect to the Pledged Shares.

(b) Except during the continuance of an Even of Default, if any of the Pledged Shares are registered in the name of CKD, its agent or nominee, CKD, on the written request of Dehua, shall execute and deliver or cause its agent or nominee to execute and deliver to Dehua suitable proxies or voting powers or powers of attorney in favour of Dehua or its nominee or nominees for voting, giving consents, waivers, notices or ratifications or take any other action Dehua is permitted to take in respect of such Pledged Shares and, to the extent consistent with or in respect of matters permitted hereunder, otherwise facilitate the voting of any such Pledged Shares, the giving of such consents, waivers, notices and ratifications and the taking of such actions.

3.2 Dividends and Distributions

(a) Until the occurrence of an Event of Default which is continuing, Dehua shall be entitled to receive and deal with (except as restricted by this Share Pledge Agreement) any and all dividends, interest and other distributions or like payments at any time payable on or with respect to the Pledged Shares, and CKD shall forthwith deliver to Dehua any such dividends, interest, distributions or other like payments received by it.

(b) During the continuance of an Even of Default, all rights of Dehua to receive dividends, interest, distributions and other like payments which it would otherwise be entitled to receive in respect of the Pledged Shares shall cease, and all such rights shall become vested for such period in CKD which shall thereupon during such period have the sole right to receive such amounts. CKD shall, to the extent permitted by applicable law, be entitled to apply any such amounts received by it during the continuance of an Event of Default in respect of the Obligations, and pending such applicable of such amounts, the same shall be deemed to form part of the Pledged Shares.

3.3 Rights and Duties of CKD

It is understood and agreed that, at any time and from time to time during the continuance of an Event of Default, all rights of Dehua pursuant to Sections 3.1 and 3.2 shall cease and CKD may enforce and exercise any and all of the rights of Dehua with respect to the Pledged Shares, including those rights described in Sections 3.1 and 3.2. CKD and its nominee shall not have any duty of care whatsoever with respect to the Pledged Shares and may take no steps to defend or preserve the rights of Dehua therein against the claims or demands of others.

4. REPRESENTATIONS, WARRANTIES AND COVENANTS

4.1 Representations and Warranties of Dehua

Dehua hereby represents and warrants to CKD as follows and acknowledges that CKD is relying on those representations and warranties:

(a) Dehua is the registered and beneficial owner of. and has good title to, the Pledged Shares subject only to the security interests created by this Agreement.

(b) The Pledged Shares constitute all of the capital stock or securities of CKD that Dehua owns.

(c) The Pledged Shares have been duly issued and are outstanding as fully paid and non-assessable shares.

(d) Dehua has been duly incorporated and organized, is validly existing and in good standing under the laws of the Province of British Columbia.

(e) Dehua has full power, authority and right to enter this Agreement and to pledge the Pledged Shares and to grant to CKD the security interests created by this Agreement.

(f) This Agreement has been duly executed and delivered by Dehua and constitutes a valid and binding obligation of Dehua, enforceable against it in accordance with its terms.

(g) The execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly and validly authorized by all the necessary corporate action(s) on the part of Dehua.

(i) Dehua has not granted any right to acquire an interest in any of the Pledged Shares except as set forth in this Agreement.

(h) None of the execution and delivery of this Agreement or, the performance of Dehua's obligations hereunder or the consummation of the transactions herein provided for will (i) result in or constitute a breach of any terms or provision of, or constitute a default under, the articles or by-laws of Dehua or any agreement, or other commitment to which Dehua is a party; or (ii) constitute an event which would permit any party to any agreement with Dehua to terminate that agreement or to accelerate the maturity of any indebtedness of Dehua or other obligation of Dehua.

(i) Dehua has not assigned, transferred, set over or granted a security interest in the Pledged Shares to any other person except as set forth in this Agreement.

(ii) None of the rights of Dehua arising as the legal and beneficial owner of the Pledged Shares have been surrendered, cancelled or terminated except as set forth in this Agreement.

(iii) There is no default or dispute existing in respect of the Pledged Shares.

(iv) The representations and warranties of Dehua in this Agreement are true, complete and correct in all material respects and do not contain any untrue or misleading statement of a material fact.

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4.2 **Covenants**

Dehua covenants and agrees with CKD the following:

(a) If Dehua shall become entitled to receive or shall receive any share certificates, option or right, whether in addition to, in substitution of, as a conversion of, or in exchange for some or all of the Pledged Shares, or otherwise in respect thereof, Dehua shall accept the same as the agent of CKD, hold the same in trust for CKD and deliver the same forthwith to CKD (or to an agent or nominee, as CKD may direct) in the exact form received, together with the appropriate transfer and other documents to enable CKD or its nominee to be registered as owner thereof, to be held by CKD hereunder as addition security for the Obligations.

(b) Dehua shall, at its own costs, defend CKD's right, title and security interest in and to all the Pledged Shares against the claims and demands of all persons whomsoever and Dehua will have good title to any other shares or assets that become Pledged Shares hereunder.

(c) Dehua shall not sell, dispose, assign, grant any security interest or otherwise transfer all or party of any of the Pledged Shares other to CKD, nor perform any act or execute any other instrument which might prevent CKD from operating under any of the terms and conditions of this Agreement or which would limit CKD in any such option.

(d) Dehua shall ensure that all Pledged Shares shall be registered in the central securities register of CKD as subject to pledge in favour of or in the name of CKD or its nominee, as applicable, that any certificates representing the Pledged Shares shall be forthwith delivered to and may remain in the custody of CKD or its nominee.

5. <u>DEFAULT AND REMEDIES</u>

5.1 Dehua shall be in default under the Indemnification Agreement and this Agreement, unless waived by CKD, in any of the following events (each, an "**Event of Default**"):

(a) Dehua fails to make the payment of the Liabilities or any portion thereof to CKD or otherwise fails to fulfill or perform the Obligations owing by Dehua pursuant to Section 3 of the Indemnification Agreement.

(b) Dehua is in breach of any term, condition, obligation or covenant to CKD and such breach is not cured within three (3) days of receipt of notice by Dehua, or any representation or warranty to CKD is untrue, whether or not contained in the Indemnification Agreement and this Agreement.

(c) Dehua declares itself to be insolvent or admits in writing its inability to pay its debts generally as they become due, or makes an assignment for the benefit of its creditors, is declared bankrupt, makes a proposal or otherwise takes advantage of provisions for relief under the *Bankruptcy and Insolvency Act*, the *Companies Creditors' Arrangement Act* or similar legislation in any jurisdiction, or makes an authorized assignment.

(d) A receiver, receiver and manager or receiver manager of all or any part of the property, assets and undertaking of Dehua is appointed.

(e) An order is made or an effective resolution is passed for winding up Dehua.

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(f) Without the prior written consent of CKD, Dehua creates or permits to exist any security interest in, charge, encumbrance, lien on or claim against any of the Pledged Shares which ranks or could in any event rank in priority to or *pari passu* with any of the security interests created by this Share Pledge Agreement.

(g) The holder of any other security interest, charge, encumbrance or lien or claim against any of the property, assets or undertaking of Dehua does anything to enforce or realize on such security interest, charge, encumbrance, lien or claim.

(h) CKD in good faith believes and has commercially reasonable grounds to believe that the prospect of payment or performance of any of the Obligations is impaired or that any of the Pledged Shares is or is about to be placed in jeopardy.

5.2 **Remedies**

Upon the occurrence and during the continuance of an Event of Default, the security interests created hereby shall immediately become enforceable and CKD may, forthwith or at any time thereafter, except in the event such Event of Default shall have been cured prior to any action by CKD or except as provided by applicable law or this Agreement, take any one or more of the following actions:

(a) dispose of the Pledged Shares by private sale, public sale or otherwise (including giving any option or options to purchase or contract to sell) upon such terms and conditions as CKD, considers to be desirable and CKD may apply and allocate any proceeds arising from the realization of the Pledged Share to the Obligations in such manner as CKD, in its absolute discretion, shall deem appropriate;

(b) elect to retain the Pledged Shares or any portion thereof irrevocably by giving written notice of such election to Dehua and by complying with all applicable laws governing the exercise of this right;

(c) exercise any or all of the rights and privileges attaching to the Pledged Shares and to deal with the Pledged Shares as if CKD was the absolute owner thereof (including causing the Pledged Shares to be registered in the name of CKD or its nominee) and to collect, draw upon, receive, appropriate and realize upon the Pledged Shares or any part thereof;

(d) file such proofs of claims or other documents as may be necessary or desirable to have their claim lodged in any bankruptcy, winding-up, liquidation, arrangement, dissolution or other proceedings (voluntary or otherwise) relating to Dehua;

(e) commence legal action against Dehua for the difference, if any, between (i) all amounts owing by Dehua in respect of the Obligations; and (ii) the proceeds received by CKD on a disposition of the Pledged Shares (hereinafter referred to as the "**Deficiency**");

(f) in the name of Dehua perform, at Dehua's expense, any and all obligations or covenants of Dehua, relating to the Pledged Shares and to enforce performance by the other parties of their obligations, covenants and agreements in relation to the Pledged Shares including by the institution and prosecution of any and all actions and proceedings as may be

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deemed necessary or desirable, in the discretion of CKD, for such enforcement and the settlement of any disputes with such other parties upon such terms and conditions as CKD, in its discretion considers to be desirable;

(g) by instrument in writing, appoint any person to be a receiver (which term shall include a receiver and manager) of the Pledged Shares or any part thereof and may remove any receiver so appointed and appoint another in its stand; and any receiver so appointed shall have the authority to do any of the acts specified in Subsections 5.2(c), (d), (f) and (h) hereof and to take possession of and collect dividends, interest, distributions and other like payments payable to Dehua in respect of the Pledged Shares and pay therefrom all charges relating to or in respect of the Pledged Shares; or

(h) take any other action, suit, remedy or proceeding authorized or permitted by this Agreement or by law or in equity.

5.3 **Sale of Pledged Shares**

Any sale referred to in Subsection 5.2(a) may be a sale of all or any portion of the Pledged Shares and may be by way of public auction, public tender, private contract or otherwise. Any sale pursuant to this Section 5.3 may be made with or without any special condition as to the upset price, reserve bid, title or evidence of title or other matter and may be made from time to time as CKD, in its sole discretion deems fit, with power to vary or rescind any such sale or buy in at any public sale and resell without being accountable for any loss. CKD may sell the Pledged Shares for a consideration payable by installments either with or without taking security for the payment of such installments and may and deliver to any purchaser thereof good and sufficient deeds, assurance and conveyances of the Pledged Shares and given receipts for the purchase money, and any such sale shall be perpetual bar, both at law and in equity, against Dehua and all those claiming an interest by, from, through or under Dehua. In the event of any sale pursuant to this Section 5.3, Dehua hereby covenants and agrees to provide all information, certificates and consents required under applicable securities laws or under the rules, by-laws or policies of the exchange(s) on which any of the Pledged Shares may be listed and posted for trading to permit the due and valid sale of the Pledged Shares in compliance with such laws, rules, by-laws or policies.

5.4 **Deficiency**

Where the Pledged Shares have been disposed of by CKD as provided herein, the Deficiency shall be paid by Dehua to CKD forthwith after demand therefor shall have been made by CKD to Dehua. Payment of the Deficiency together with any interest shall form part of the Obligations and be secured by the security interests created hereunder.

5.5 **Obligations of CKD**

CKD shall not be under any obligation, or be liable or accountable for any failure, to enforce payment or performance of the obligations or to seize, collect, realize or obtain payment with respect to the Pledged Shares or to preserve any of its rights, Dehua or any other person in respect of the Pledged Shares or to exercise or exhaust any of their rights and remedies hereunder or under or with respect to the Pledged Shares and shall not be under any obligation to institute proceedings for any of such purposes. CKD shall not be responsible for any loss occasioned by any sale or other dealing with the Pledged Shares or by retention of or failure to sell or otherwise

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deal therewith or be bound to protect the Pledged Shares from depreciating in value or becoming worthless other than as a result of wiful misconduct.

5.6 **Rights and Remedies Cumulative**

The rights and remedies given to CKD hereunder shall be cumulative of and not in substitution for any rights or remedies to which CKD may be entitled under any other security provided to CKD or which may be available at law or in equity and may be exercised whether or not CKD has pursued or its then pursuing any other such rights or remedies.

6. ACKNOWLEDGEMENTS BY DEHUA

6.1 **Acknowledgements**

Dehua hereby:

(a) acknowledges receipt of a copy of this Agreement;

(b) agrees that the pledge created hereby or to be created shall be and be deemed to be effective whether the Obligations hereby secured before, upon or after the date of execution of this Agreement; and

(c) agrees not to assert against CKD, and acknowledges that the rights of CKD shall not be subject to, any claim, defense, demand, set-off or other rights, whether at law or in equity, that Dehua has or may have against CKD under any agreement or instrument other than the Indemnification Agreement or this Agreement.

7. WAIVER

7.1 **Waiver by CKD**

CKD may in its sole discretion, at any time by written notice delivered to Dehua, waive in whole or in part any breach of this Agreement, any Event of Default or any rights or remedies hereunder or otherwise and may grant extension of time or other indulgences to, accept compositions from or grant releases and discharges to Dehua in respect of the collateral or otherwise deal with Dehua or with the Pledged Shares and any security held by CKD as it may see fit without prejudice to the liability of Dehua's right hereunder. Dehua hereby agrees that any such waiver shall not be a waiver of any other or subsequent breach of this Agreement or Event of Default and that any failure by CKD to exercise any of its rights or remedies hereunder or otherwise shall in no way affect or impair CKD's security interest or the rights and remedies of CKD hereunder or otherwise.

7.2 **Waiver in writing**

No term, condition or provision hereof or any right hereunder, or in respect thereof, shall be, or shall be deemed to have been, waived by CKD, except by express written waiver signed by CKD, all such waivers to extend only to the particular circumstances therein specified.

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8. POWER OF ATTORNEY

8.1 Power of Attorney

Dehua hereby irrevocably constitutes and appoints CKD and any one of its directors and officers holding office from time to time and its nominees and agents as the true and lawful attorney of Dehua with power of substitution in the name of Dehua to do any and all such acts and things or execute and deliver all such agreements, documents and instruments as CKD, in its sole discretion, considers necessary or desirable to carry out the provisions and purposes of this Agreement or to exercise its rights and remedies hereunder, including, without in any way limiting the generality of the foregoing: (i) transferring any or all of the Pledged Shares into the name of CKD or to any person who acquires the same pursuant to the provision of Section 5.2; (ii) endorsing, negotiating or redeeming any Pledged Shares; (iii) exercising any voting rights associated with the Pledged Shares and executing any proxies or similar instruments in furtherance thereof; and (iv) realizing or collecting any proceeds or any dividends, principals, interest or other payments in respect of the Pledged Shares; *provided* that such power of attorney shall NOT be exercised until an Event of Default has occurred and so long as the same is continuing. Dehua hereby ratify all acts or any such attorney taken or done in accordance with this Section 8.1. This power of attorney being coupled with an interest shall not be revoked or terminated by way of act or thing and shall remain in full force and effect until this Agreement has been terminated

9 MISCELLANEOUS

9.1 Effective Date

This Agreement shall become effective as of the date first written above. This Agreement and the security interests created hereunder are in addition to and not in substitution for any other security granted by Dehua to CKD, whether before or after the execution of this Agreement. The security interest shall be a general and continuing security interest and shall continue in full force and effect until terminated as provided in Section 9.2.

9.2 Termination

This Agreement may be terminated by written agreement made between CKD and Dehua at any time when all of the Obligations have been fully paid or satisfied and all commitments or other obligations of CKD under this Agreement or otherwise have been terminated or cancelled and Dehua is entitled to obtain the release of the Pledged Shares or any part thereof from the security interests granted hereunder in accordance with the terms of this Agreement or other document, as applicable.

9.3 Security Interests Effective Immediately

The security interest granted pursuant to this Agreement shall take effect forthwith upon the execution of this Agreement by Dehua.

9.4 Filings

Dehua authorizes CKD to make such registrations, filings or recordings or such re-registrations, re-filings or re-recordings against Dehua as it may deem necessary or appropriate to perfect or secure the security interests created hereunder, including without limitation, filing a financing statement to be registered in respect of the Pledged Shares in the British Columbia Personal Property Registry under the PPSA.

9.5 **Further Assurance**

Dehua shall, from time to time at the request of CKD, make and do all such acts and things and execute and deliver all such instruments, agreements and documents as CKD shall request by notice in writing given to CKD in order to create, preserve, perfect, validate or otherwise protect the security interests created hereunder, to enable CKD to exercise and enforce any of its rights and remedies hereunder and generally to carry out the provisions and intentions of this Agreement.

9.6 **Paramountcy of Indemnification Agreement**

This Agreement is entered into in connection with the Indemnification Agreement and is subject to terms thereof. In the event of any inconsistency between, and/or conflict with, the terms of this Agreement and the terms of the Indemnification Agreement, the provisions of the Indemnification Agreement shall prevail and the rights and obligations hereunder shall be construed in accordance with the provisions of the Indemnification Agreement.

9.7 **Entire Agreement**

This Agreement contains the entire agreement between the parties relating to the security interests granted in this Agreement. Any modification of this Agreement shall not be binding unless in writing and signed by CKD and Dehua. There are no representations, warranties, covenants or acknowledgements affecting, or relied upon in connection with the entering into this Agreement or any secured property, other than as expressed in this Agreement in writing.

9.8 **Time of Essence**

Time shall be of the essence of this Agreement.

9.9 **Assignment**

This Agreement shall not be transferable or assignable.

9.10 **Sections and Headings**

The captions and headings appearing in this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.

9.11 **Amendment and Waiver**

No amendment or waiver of any provision of this Agreement shall be binding on any party unless consented to in writing by such party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver constitute a continuing waiver unless otherwise expressly provided.

9.12 **Disclosure**

Neither party shall disclose this Agreement or any aspect of such transaction except to its board of directors. its senior management, its legal, accounting. financial or other professional advisors, or as may be required by any applicable law or any regulatory authority having jurisdiction.

9.13 **Governing Law**

This Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of British Columbia and the federal laws of Canada applicable therein, and each of the parties hereto hereby irrevocably attorns to the jurisdiction of the courts of the Province of British Columbia.

9.14 **Counterparts**

This Agreement may be executed in counterparts, by original or telefacsimile signature, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

9.15 **Severability**

If any term, covenant or condition of this Agreement or the application thereof to any party or circumstance will, to any extent, be held to be invalid or unenforceable, then (a) the remainder of this Agreement, or the application of such term, covenant or condition to parties or circumstances other than those as to which it is held invalid or unenforceable, will not be affected thereby and each term, covenant or condition of this Agreement will be valid and be enforced to the fullest extent permitted by law; and (b) the parties hereto covenant and agree to renegotiate any such term, covenant or application thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant or condition of this Agreement or the application thereof that is invalid or unenforceable, it being the intent of the parties that the basic purposes of this Agreement are to be effectuated.

9.16 **Notice**

All notices or other documents required or permitted to be given hereunder shall be in writing and personally delivered or sent by registered mail or via e-mail to the address of the intended recipient set forth below or at such other address as may from time to time be notified by any of the parties hereto in the manner herein provided:

(a) if to Dehua, at:

(b) if to CKD, at:

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9.17 **Independent Legal Advice**

By executing this Agreement, each of the parties confirms that it has been given the opportunity to seek and obtain independent legal advice with respect to the subject matter and transactions contemplated in this Agreement, and has either received independent legal advice or has decided, voluntarily without influence from any other person, that it does not need to seek such independent legal advice in relation to this Agreement and transactions contemplated herein.

9.18 **Language**

This Agreement and any of the Ancillary Documents are drawn up in English language. In the event of any conflict between the English language version and any transaction, the English language version shall prevail and any interpretation as to the meaning of this Agreement and the Ancillary Documents shall be made in accordance with the English language version.

9.19 **Enurement**

This Agreement and everything herein contained shall enure to the benefit of CKD and its successors and assigns and shall be binding upon Dehua and its successors and assigns.

IN WITNESS WHEREOF this Agreement has been executed by the parties.

CANADIAN KAILUAN DEHUA MINES CO., LTD.

By: ______________________
Authorized Signatory

CANADIAN DEHUA INTERNATIONAL MINES GROUP INC.

By: ______________________
Authorized Signatory

APPENDIX "A"

CORPORATION	KIND OF SHARES	NUMBER OF SHARES
Canadian Kailuan Dehua Mines Co., Ltd.	COMMON	30,440,900

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This is **Exhibit** " C " referred to in the 1st Affidavit of Naishun Liu affirmed before me at People's Republic of China, on this 19th day of May 2025.

A Commissioner for taking Affidavits for China

Weiguo (William) He
Barrister & Solicitor
DLA Piper (Canada) LLP
1133 Melville Street, Suite 2700
Vancouver, BC V6E 4E5
604.687.9444

CAN: 56436942.1

Financial Statements
[Expressed in Canadian dollars]

Canadian Kailuan Dehua Mines Co., Ltd.

December 31, 2020

Mao &Ying LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Canadian Kailuan Dehua Mines Co., Ltd.

Opinion
We have audited the financial statements of **Canadian Kailuan Dehua Mines Co., Ltd.** (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Mao &Ying LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mao & Ying LLP

Vancouver, Canada,
March 2, 2021

Chartered Professional Accountants

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF FINANCIAL POSITION

[Expressed in Canadian dollars]

As at December 31

	2020 $	2019 $
ASSETS		
Current		
Cash and cash equivalents	**2,987,557**	4,773,744
Short term investments *[note 4]*	**49,609,039**	44,990,447
Accounts Receivable *[note 11]*	**2,187,332**	2,995,329
Prepayments	**329,937**	
Other receivables *[note 5]*	**258,101**	281,179
Inventory	**2,802,947**	3,485,396
Total current assets	**58,174,913**	56,526,095
Equipment, net *[note 6]*	**16,934**	26,866
Exploration and evaluation assets *[note 7]*	**82,795,007**	81,723,434
Reclamation and security deposits	**30,000**	1,730,000
	141,016,854	140,006,395
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**337,977**	435,683
Advances from customers	**343,226**	—
	681,203	435,683
Deferred tax liabilities *[note 12]*	**2,116,136**	1,914,144
Total liabilities	**2,797,339**	2,349,827
Shareholders' equity		
Share capital *[note 8]*	**128,016,381**	128,016,381
Retained earnings	**10,203,134**	9,640,187
Total shareholders' equity	**138,219,515**	137,656,568
	141,016.854	140,006,395

See accompanying notes

On behalf of the Board:

Wang, Faliang
Director

Liu, Baozhu
Director

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

[Expressed in Canadian dollars]

For the year ended December 31

	2020	2019
	$	$
Sales	7,264,743	3,083,796
Cost of goods sold	7,073,289	3,071,130
	191,454	12,666
Commission income *[note 11]*	75,496	68,046
Expenses		
Accounting and audit	14,688	17,105
Legal	6,018	16,860
Office expenses	17,288	10,277
Written off Golden Star Project	131,480	—
Operating expense before the following	169,474	44,242
Other (income) expense		
Gain on disposition equipment	(3,429)	—
Foreign exchange loss	352,828	1,002,901
Interest income	(1,016,862)	(1,191,050)
Income before income taxes	764,939	224,619
Income tax expense *[note 12]*	201,992	194,822
Net income and comprehensive income	562,947	29,797

See accompanying notes

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF CHANGES IN EQUITY

[Expressed in Canadian dollars]

	Share Capital $	Retained earnings $	Total Equity $
Balance, December 31, 2018	128,016,381	9,610,390	137,626,771
Net income for the year	—	29,797	29,797
Balance, December 31, 2019	128,016,381	9,640,187	137,656,568
Net income for the year	—	562,947	562,947
Balance, December 31, 2020	**128,016,381**	**10,203,134**	**138,219,515**

See accompanying notes

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF CASH FLOWS

[Expressed in Canadian dollars]

Year ended December 31	2020 $	2019 $
OPERATING ACTIVITIES		
Net income for the year before income taxes	764,939	224,619
Add [deduct] items not involving cash		
Written-off Golden start project	131,480	—
Interest income	(1,016,862)	(1,191,050)
Unrealized foreign exchange loss [gain]	267,943	659,711
	147,500	(306,720)
Net change in non-cash working capital balances related to operations		
Accountants receivable	807,997	1,075,723
Other receivables	(35,237)	589,876
Prepayments	(329,937)	—
Inventory	682,449	(3,485,396)
Accounts payable and accrued liabilities	(97,706)	412,383
Advances from customers	343,226	—
Cash [used in] from operating activities	1,370,792	(1,407,414)
Adjustments to net inocme for cash items		
Interest income received	1,075,177	1,100,356
Net operating cash flows	2,593,469	(613,778)
INVESTING ACTIVITIES		
Short-term investment purchases, net of redemptions	(4,956,510)	(8,996,660)
Purchase of equipment	(1,129)	(2,228)
Decreased of long-term deposit	1,700,000	—
Acquision of exploration and evaluation assets	(1,191,992)	(1,220,544)
Net investing cash flows	(4,449,631)	(10,219,432)
Effect of exchange rate on changes on cash	69,975	5,510,511
Net change in cash and cash equivalents during the year	(1,786,187)	(11,383,720)
Cash and cash equivalents, beginning of year	4,773,744	16,157,464
Cash and cash equivalents, end of year	2,987,557	4,773,744
Supplemental cash flow information		
Interest expenses paid	—	—
Income taxes paid	—	—

See accompanying notes

Canadian Kailuan Dehua Mines Co., Ltd.

NOTES TO FINANCIAL STATEMENTS

[Expressed in Canadian dollars]

December 31, 2020

1. NATURE OF OPERATIONS

Canadian Kailuan Dehua Mines Co., Ltd ["CKD" or "the Company"] was incorporated under the laws of the Business Corporations Act (British Columbia) on December 5, 2008. CKD engages in underground coal mining in Northern British Columbia. CKD's current coal mine project ["Gething Project"] is located 25 km south of Hudson's Hope, BC. The Company is in the process of obtaining various licenses and permits from the government before it can commence development of the mine and has not generated significant revenue from operations to date and is considered to be in the exploration stage. The address of the principal place of business is 3800 Wesbrook Mall, Vancouver, BC, Canada.

2. BASIS OF PREPARATION

Statement of compliance, preparation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"], International Accounting Standards ["IAS"] and Interpretation of the IFRS Interpretation Committee ["IFRIC"] as issued by the International Accounting Standards Board ["IASB"].

The financial statements have been prepared mainly under the historical cost basis except for those as explained in the accounting policies below. The financial statements are presented in Canadian dollars, except when otherwise indicated.

The policies applied in these financial statements are based on IFRS issued and effective as at December 31, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by management of the Company in the preparation of these financial statements:

The accounting policies set out below have been applied consistently by the Company for all periods presented in these financial statements.

[a] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits with banks and redeemable term deposits that are readily convertible to cash with maturities of three months or less when purchased. As at December 31, 2020, the Company has cash and cash equivalents $2,987,557. As at December 31, 2020, the Company had cash equivalents consisting of a short-term deposit in the amount of $49,609,039.

[b] Financial instruments

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

Under IFRS 9, financial assets are classified into one of three categories below:

- amortized cost;
- fair value changes through other comprehensive income ["FVOCI"]; and
- fair value through profit or loss ["FVTPL"]

Under IFRS 9, financial liabilities are classified into one of two categories below:

- amortized cost; and
- FVOCI

[i] Initial recognition

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case transaction costs are expensed as incurred.

[ii] Subsequent measure of financial assets

Financial assets classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is included in finance income. Financial assets classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Equity investments designated as FVTOCI are measured at fair value with changes in fair values recognized in other comprehensive income ["OCI"]. Dividends from that investment are recorded in profit or loss when the Company's right to receive payment of the dividend is established unless they represent a recovery of part of the cost of the investment.

As at years ended December 31, 2020 and 2019, the Company does not have any financial assets that are classified as FVPL and FVTOCI.

[iii] Impairment of financial assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or group of financial assets measured at amortized cost are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in profit or loss in the period they are incurred.

[iv] Subsequent measure of financial liabilities

Financial liabilities classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization using the effective interest method is included in finance costs.

Financial liabilities classified as FVTPL are measured at fair value with gains and losses recognized in profit or loss. As at December 31, 2020 and 2019, the Company does not have any financial liabilities classified as FVTPL.

[v] Derecognition of financial assets and financial liabilities

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass - through' arrangement; and either [a] the Company has transferred substantially all the risks and rewards of the asset, or [b] the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process. Gains and losses on derecognition of equity investments designated as FVTOCI [including any related foreign exchange component] are recognized in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, although the cumulative gain or loss may be transferred within equity.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the statement of income.

[vi] Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

[vii] Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction between knowledgeable and willing parties, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, or other valuation models.

[c] Foreign currency transactions

The Company's reporting currency and the functional currency is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. Foreign currency transactions are translated at the rate in effect when the transactions occur. Monetary assets and liabilities denominated in a foreign currency [if any] are translated at the rate in effect at the reporting period date.

[d] Equipment

Equipment is stated at cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis at the following annual rates based on estimated useful lives:

Mining equipment and machinery	10 years
Office equipment	5 years
Communications equipment	6 years
Vehicles	10 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

[e] Exploration and evaluation assets

All license acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalized by property.

The exploration and evaluation assets are capitalized until the exploration and evaluation assets to which they relate are placed into commercial production, disposed of through sale or where management has determined there to be impairment. If an exploration and evaluation property interest is abandoned, both the exploration and evaluation cost will be written off to profit or loss in the period of abandonment. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated, proven and probable reserves.

[f] Impairment of non-financial assets

At each date of the balance sheet, long-lived assets, including evaluation and exploration assets, equipment is reviewed and tested for impairment when indicators of impairment are considered to exist. Impairment assessments are conducted at the level of cash-generating units ["CGU"], which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. An impairment loss is recognized for any excess of carrying amount of a CGU over its recoverable amount, which is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments for the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset [or CGU] is estimated to be less than its carrying amount, the carrying amount of the asset [or CGU] is reduced to its recoverable amount, and the impairment loss is recognized in profit or loss for the period. A previously recognized impairment is reversed only if there has been a change of assumptions used to determine the asset's recoverable amount since the last impairment was recognized.

[g] Revenue

Revenues are recognized when it transfers control of the product or service to a customer, which is usually when the goods are delivered to locations designated by the customers.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it acts as a principal for Ferroniobium China export business and therefore earns revenue on a gross basis; and it acts as an agent for the rest sales arrangements and earns revenue from those trading transactions on a net basis.

[h] Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the end of each reporting period, and includes any adjustments to tax payable or receivable in previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future tax profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

[i] Significant estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed. The Company's significant estimates and judgements include the assessment of any impairment of exploration and evaluation assets. The Company considers both external and internal sources of information in assessing whether there are any indicators that mineral interest is impaired. External sources of information include changes in the market, and the economic and legal environment in which the Company operates. Internal sources of information include the manner in which mineral interest are being used or are expected to be used. Management has assessed impairment indicators on the Company's mineral interests and has concluded that no impairment indicators during the years ended December 31, 2020 and 2019.

[j] Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise:

fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee, and the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless we are reasonably certain not to terminate early.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

The Company's head office lease is on monthly basis and has applied the short-term lease exemption. The Company does not have other significant operating leases during the years ended December 31, 2020 and 2019.

[Expressed in Canadian dollars]

4. SHORT-TERM INVESTMENTS

	2020 $	2019 $
Term deposits	**49,609,309**	44,990,447
	49,609,309	44,990,447

Short-term investment represents redeemable term deposits in bank that are readily convertible to cash with maturities of more than three months when purchased. [Also see Note 14]

5. OTHER RECEIVABLES

	2020 $	2019 $
GST receivable	**36,566**	1,329
Renal deposit	**950**	950
Interest receivable	**220,585**	278,900
	258,101	281,179

Canadian Kailuan Dehua Mines Co., Ltd.

NOTES TO FINANCIAL STATEMENTS
[Expressed in Canadian dollars]

December 31, 2020

6. EQUIPMENT

	Mining equipment and machinery $	Office equipment $	Communications equipment $	Vehicles $	Total $
Cost					
As at December 31, 2018	31,167	586	68,095	194,080	293,928
Additions	—	—	2,228	—	2,228
As at December 31, 2019	31,167	586	70,323	194,080	296,156
Additions	—	—	1,129	—	1,129
Disposals	—	—	(58,213)	(72,524)	(130,757)
As at December 31, 2020	**31,167**	**586**	**13,239**	**121,536**	**166,528**
Accumulated depreciation					
As at December 31, 2018	19,186	586	67,228	164,340	251,340
Depreciation	2,961	—	518	14,470	17,949
As at December 31, 2019	22,147	586	67,746	178,810	269,289
Depreciation	2,961	—	565	7,535	11,061
Disposals	—	—	(58,213)	(72,544)	(130,757)
As at December 31, 2020	**25,108**	**586**	**10,099**	**113,801**	**149,594**
Net book value					
As at December 31, 2018	11,980	—	867	29,740	42,587
As at December 31, 2019	9,019	—	2,577	15,269	26,866
As at December 31, 2020	6,059	—	3,140	7,735	16,934

[Expressed in Canadian dollars]

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of the following:

	2020 $	2019 $
Balance, beginning of year	**81,723,434**	80,484,941
Additions	**1,071,573**	1,238,493
Balance, end of year	**82,795,007**	81,723,434

Exploration and evaluation assets as of December 31, 2020 consist of the Company's costs to acquire mining permits and licenses for Gething Project and various exploration expenditures on feasibility study, preliminary mine design, project management and environmental assessment activities. During the year ended December 31, 2020, the Company has assessed and concluded that there are no impairment indicators.

8. SHARE CAPITAL

[a] Authorized

The Company is authorized to issue an unlimited number of common shares, without par value.

[b] Issued

As at December 31, 2020 and 2019, the following common shares of the Company have been issued to respective parties:

- 64,686,700 common shares issued to Canada Zhonghe Investment Ltd. ["Zhonghe"]
- 31,709,100 common shares issued to Shougang International (Canada) Investment Ltd. ["Shougang International"]
- 30,440,900 common shares issued to Canadian Dehua International Mines Group Inc.

[Expressed in Canadian dollars]

9. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to achieve and maintain an optimal capital structure to reduce the overall cost of capital and to preserve the Company's capacity to deploy capital to pursue its strategy of growth and provide returns to shareholders. The Company intends to finance its projects through additional debt or equity financings.

The Company defines capital as common shares.

Risk and capital management are primarily the responsibility of the Company's management and is monitored by the Board of Directors. The Company manages its capital structure and makes adjustments in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents, or return capital to its shareholder.

The Company is not subject to any externally imposed minimum capital requirements.

10. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

The Company's financial instruments are classified into the following categories with balances as at the respective period-end dates as follows:

	2020 $	2019 $
Financial assets at amortized cost		
Cash	**2,987,557**	4,773,744
Short-term investments	**49,609,039**	44,990,447
Accounts receivable and other receivables [i]	**2,408,867**	3,275,179
Financial liabilities at amortized cost		
Accounts payables and accrued liabilities	**(337,977)**	(435,683)

[i] balance excluding GST receivable

Fair value of financial instruments

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7, *Financial Instruments: Disclosures* ["IFRS 7"].

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs which are supported by little or no market activity.

As at December 31, 2020 and 2019, the Company did not have financial liabilities measured at fair value on a recurring basis.

The fair value of the Company's cash and cash equivalents, short-term investments, accounts receivable, other receivables and accounts payable and accrued liabilities are estimated to approximate their carrying values as they are short-term in nature.

Risks arising from financial instruments and risk management

In the normal course of business, the Company is exposed to various types of market risks, including changes in foreign exchange rates and interest rates that may potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis.

Currency risk

The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. The Company exposure to currency risk affecting net income is summarized as below:

	2020 $	2019 $
Financial assets		
Denominated in USD	**18,168,435**	15,573,612
Denominated in RMB	—	1,617,287
	18,168,435	17,190,899

As at December 31, 2020, with other variables unchanged, a 10% strengthening [weakening] of Canadian dollars against U.S dollars would have decreased [increased] net income by approximately $1,651,676.

Credit risk and concentration risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents accounts receivable and other receivables. The carrying amount of the assets presented on the balance sheet represents the maximum credit exposure. The Company has deposited cash with reputable financial institutions from which management believes the risk of loss to be remote. As at December 31, 2020, all of the accounts receivable balance of $2,187,332 is from one customer.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities when they fall due. As at December 31, 2020, the Company had positive working capital of $57,493,710 [2019 - $56,090,412]. Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk. The Company's contractual maturity of accounts payable and accrued liabilities is within one year.

11. RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these financial statements are listed below. [also see Note 15]

During the year ended December 31, 2019, the Company entered a Cooperation Agreement with Guohe Tengda [Sichuan] Trading Co., Ltd ["Guohe"]. Guohe changed name to Hebei Foreign Integrated Service Trading Ltd. Ltd. ["Hebei Foreign Integrated Service Trading"] in 2020. The Company is related to Hebei Foreign Integrated Service Trading by way of common ultimate controlling shareholder. Pursuant the Agreement, Hebei Integrated acts as an agent on behalf of the Company for the exported Ferroniobium sales to China to handle the custom report in China, bidding process, sales contracts, ground delivery and facilitate of collection of sales proceeds. In return, Hebei Integrated Service Trading receives a fixed fee of RMB35,000 [approximately $6,804] per container [approximately 20 tons] of Ferroniobium sold. During the year ended December 31, 2020, all the exported Ferroniobium sales to China were sold to HBIS Group Co., Ltd. through Hebei Foreign Integrated and the Company incurred RMB367,500 [approximately $71,442] [2019 - RMB140,000 [approximately $26,887]] to Hebei Integrated as the agent fee. As at December 31, 2020, accounts receivable in the amount of $2,187,332 [December 31, 2019 - $2,995,329] will be collected by Hebei Foreign Integrated Service Trading on the Company's behalf.

The Company has entered an office lease agreement with Zhonghe, the 51% shareholder of the Company. The office lease is on monthly basis at $5,125 per month. For the year ended December 31, 2020, the Company incurred total office rent in the amount of $61,496 [2019 - $61,500] to Zhonghe.

The remuneration of members of key management personnel for the year ended December 31, 2020 was $439,660 [2019 - $428,296].

[Expressed in Canadian dollars]

12. INCOME TAXES

The Company is subject to income tax in Canada at a tax rate in accordance with the relevant income tax laws.

[a] Income tax expenses

The actual tax recovery differs from expected tax recovery due to the following items:

	2020 $	2019 $
Net income for the year	764,939	224,619
Statutory tax rate	27%	27%
Expected tax expense	206,534	60,647
Non-taxable items	73,456	178,250
Taxable temporal difference	15,228	(20,812)
Tax loss utilized	(93,226)	(23,263)
Income tax expense	201,992	194,822
Current income taxes	—	—
Deferred income tax expense	201,992	194,822
Total income tax expense	201,992	194,822

[b] Deferred income tax assets

The table below shows tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	2020 $	2019 $
Deferred tax assets		
Non-capital losses	2,023,060	2,113,980
Equipment	77,234	74,432
Deferred tax liabilities		
Exploration and evaluation assets	(4,204,170)	(4,013,495)
Unrealized foreign exchange	(12,260)	(89,061)
Net deferred tax liabilities	(2,116,136)	(1,914,144)

At December 31, 2020, the Company has non-capital losses of approximately $7,493,000 available to offset future taxable income in Canada expiring in various amounts from 2031 to 2040.

13. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the exploration and development of the Gething Project and earns certain commission incomes through its trading business. All of the Company's assets are located in Canada.

14. LETTER OF GURANTEE

During the year ended December 31, 2020 and as at December 31, 2020, the Company has a letter of guarantee in the amount of $1,700,000 [the "LOG"] issued by the Bank of China [Canada] in favor of the Ministry of Energy, Mines and Low Carbon Innovation of British Columbia as the reclamation security for the Gething Project (Note 7). As at December 31, 2020, there is no fund withdraw from the LOG.

15. ECONOMIC DEPENDENCE

During the year ended December 31, 2020, $7,264,743 [2019 - $3,083,796] sales [representing 100% of Ferroniobium sales] were generated from one customer presenting 100% [2019 - 100% of total sale] and 100% of Ferroniobium purchases were made from one supplier. As at December 31, 2020, all of the accounts receivable balance of $2,187,332 [December 31, 2019 - $2,995,329] is from this customer. [Note 11].

Financial Statements
[Expressed in Canadian dollars]

Canadian Kailuan Dehua Mines Co., Ltd.

December 31, 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Canadian Kailuan Dehua Mines Co., Ltd.

Opinion
We have audited the financial statements of **Canadian Kailuan Dehua Mines Co., Ltd.** (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mao & Ying LLP

Vancouver, Canada,
March 4, 2022

Chartered Professional Accountants

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF FINANCIAL POSITION
[Expressed in Canadian dollars]

As at December 31

	2021 $	2020 $
ASSETS		
Current		
Cash and cash equivalents	**6,438,501**	2,987,557
Short term investments *[note 4]*	**45,429,849**	49,609,039
Accounts Receivable *[note 11]*	**1,235,800**	2,187,332
Prepayments	**—**	329,937
Other receivables *[note 5]*	**322,252**	258,101
Inventory	**3,460,251**	2,802,947
Total current assets	**56,886,653**	58,174,913
Equipment, net *[note 6]*	**5,798**	16,934
Exploration and evaluation assets *[note 7]*	**84,222,734**	82,795,007
Reclamation and security deposits	**30,000**	30,000
	141,145,185	141,016,854
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**19,494**	337,977
Advances from customers	**—**	343,226
	19,494	681,203
Deferred tax liabilities *[note 12]*	**2,324,232**	2,116,136
Total liabilities	**2,343,726**	2,797,339
Shareholders' equity		
Share capital *[note 8]*	**128,016,381**	128,016,381
Retained earnings	**10,785,078**	10,203,134
Total shareholders' equity	**138,801,459**	138,219,515
	141,145,185	141,016,854

See accompanying notes

On behalf of the Board:

Wang, Faliang
Director

Peng, Yusheng
Director

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF INCOME AND COMPREHENSIVE INCOME
[Expressed in Canadian dollars]

For the year ended December 31

	2021	2020
	$	$
Sales *[note 11]*	**16,959,951**	7,264,743
Cost of goods sold	**16,589,560**	7,073,289
	370,391	191,454
Commission income	**151,200**	75,496
Expenses		
Accounting and audit	**13,000**	14,688
Legal	**—**	6,018
Office expenses	**9,153**	17,288
Written off Golden Star Project	**—**	131,480
Operating expense before the following	**22,153**	169,474
Other (income) expense		
Gain on disposition equipment	**—**	(3,429)
Foreign exchange loss	**207,709**	352,828
Interest income	**(498,311)**	(1,016,862)
Income before income taxes	**790,040**	764,939
Income tax expense *[note 12]*	**208,096**	201,992
Net income and comprehensive income	**581,944**	562,947

See accompanying notes

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF CHANGES IN EQUITY

[Expressed in Canadian dollars]

	Share Capital $	Retained earnings $	Total Equity $
Balance, December 31, 2019	128,016,381	9,640,187	137,656,568
Net income for the year	—	562,947	562,947
Balance, December 31, 2020	128,016,381	10,203,134	138,219,515
Net income for the year	—	581,944	581,944
Balance, December 31, 2021	**128,016,381**	**10,785,078**	**138,801,459**

See accompanying notes

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF CASH FLOWS
[Expressed in Canadian dollars]

Year ended December 31

	2021 $	2020 $
OPERATING ACTIVITIES		
Net income for the year before income taxes	**790,040**	764,939
Add [deduct] items not involving cash		
Written-off Golden start project	—	131,480
Interest income	**(498,311)**	(1,016,862)
Unrealized foreign exchange [gain] loss	**(33,177)**	267,943
	258,552	147,500
Net change in non-cash working capital balances related to operations		
Accountants receivable	**951,532**	807,997
Other receivables	**(165,103)**	(35,237)
Prepayments	**329,937**	(329,937)
Inventory	**(657,304)**	682,449
Accounts payable and accrued liabilities	**(318,483)**	(97,706)
Advances from customers	**(343,226)**	343,226
Cash [used in] from operating activities	**(202,647)**	1,370,792
Adjustments to net inocme for cash items		
Interest income received	**599,263**	1,075,177
Net operating cash flows	**655,168**	2,593,469
INVESTING ACTIVITIES		
Short-term investment purchases, net of redemptions	**4,306,820**	(4,956,510)
Purchase of equipment	—	(1,129)
Decreased of long-term deposit	—	1,700,000
Acquision of exploration and evaluation assets	**(1,416,591)**	(1,191,992)
Net investing cash flows	**2,890,229**	(4,449,631)
Effect of exchange rate on changes on cash	**(94,453)**	69,975
Net change in cash and cash equivalents during the year	**3,450,944**	(1,786,187)
Cash and cash equivalents, beginning of year	**2,987,557**	4,773,744
Cash and cash equivalents, end of year	**6,438,501**	2,987,557
Supplemental cash flow information		
Interest expenses paid	—	—
Income taxes paid	—	—

See accompanying notes

1. NATURE OF OPERATIONS

Canadian Kailuan Dehua Mines Co., Ltd ["CKD" or "the Company"] was incorporated under the laws of the Business Corporations Act (British Columbia) on December 5, 2008. CKD engages in underground coal mining in Northern British Columbia. CKD's current coal mine project ["Gething Project"] is located 25 km south of Hudson's Hope, BC. The Company is in the process of obtaining various licenses and permits from the government before it can commence development of the mine and has not generated significant revenue from operations to date and is considered to be in the exploration stage. The address of the principal place of business is 3800 Wesbrook Mall, Vancouver, BC, Canada.

2. BASIS OF PREPARATION

Statement of compliance, preparation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"], International Accounting Standards ["IAS"] and Interpretation of the IFRS Interpretation Committee ["IFRIC"] as issued by the International Accounting Standards Board ["IASB"].

The financial statements have been prepared mainly under the historical cost basis except for those as explained in the accounting policies below. The financial statements are presented in Canadian dollars, except when otherwise indicated.

The policies applied in these financial statements are based on IFRS issued and effective as at December 31, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by management of the Company in the preparation of these financial statements:

The accounting policies set out below have been applied consistently by the Company for all periods presented in these financial statements.

[a] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits with banks and redeemable term deposits that are readily convertible to cash with maturities of three months or less when purchased. As at December 31, 2021 and 2020, the Company had no cash equivalents.

[b] Financial instruments

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

Under IFRS 9, financial assets are classified into one of three categories below:

- amortized cost;
- fair value changes through other comprehensive income ["FVOCI"]; and
- fair value through profit or loss ["FVTPL"]

Under IFRS 9, financial liabilities are classified into one of two categories below:

- amortized cost; and
- FVOCI

[i] Initial recognition

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case transaction costs are expensed as incurred.

[ii] Subsequent measure of financial assets

Financial assets classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is included in finance income. Financial assets classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Equity investments designated as FVTOCI are measured at fair value with changes in fair values recognized in other comprehensive income ["OCI"]. Dividends from that investment are recorded in profit or loss when the Company's right to receive payment of the dividend is established unless they represent a recovery of part of the cost of the investment.

As at years ended December 31, 2021 and 2020, the Company does not have any financial assets that are classified as FVPL and FVTOCI.

[iii] Impairment of financial assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or group of financial assets measured at amortized cost are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in profit or loss in the period they are incurred.

[iv] Subsequent measure of financial liabilities

Financial liabilities classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization using the effective interest method is included in finance costs.

Financial liabilities classified as FVTPL are measured at fair value with gains and losses recognized in profit or loss. As at December 31, 2021 and 2020, the Company does not have any financial liabilities classified as FVTPL.

[v] Derecognition of financial assets and financial liabilities

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass - through' arrangement; and either [a] the Company has transferred substantially all the risks and rewards of the asset, or [b] the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process. Gains and losses on derecognition of equity investments designated as FVTOCI [including any related foreign exchange component] are recognized in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, although the cumulative gain or loss may be transferred within equity.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the statement of income.

[vi] Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

[vii] Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction between knowledgeable and willing parties, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, or other valuation models.

[c] Foreign currency transactions

The Company's reporting currency and the functional currency is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. Foreign currency transactions are translated at the rate in effect when the transactions occur. Monetary assets and liabilities denominated in a foreign currency [if any] are translated at the rate in effect at the reporting period date.

[d] Equipment

Equipment is stated at cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis at the following annual rates based on estimated useful lives:

Mining equipment and machinery	10 years
Office equipment	5 years
Communications equipment	6 years
Vehicles	10 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

[e] Exploration and evaluation assets

All license acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalized by property.

The exploration and evaluation assets are capitalized until the exploration and evaluation assets to which they relate are placed into commercial production, disposed of through sale or where management has determined there to be impairment. If an exploration and evaluation property interest is abandoned, both the exploration and evaluation cost will be written off to profit or loss in the period of abandonment. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated, proven and probable reserves.

[f] Impairment of non-financial assets

At each date of the balance sheet, long-lived assets, including evaluation and exploration assets, equipment is reviewed and tested for impairment when indicators of impairment are considered to exist. Impairment assessments are conducted at the level of cash-generating units ["CGU"], which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. An impairment loss is recognized for any excess of carrying amount of a CGU over its recoverable amount, which is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments for the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset [or CGU] is estimated to be less than its carrying amount, the carrying amount of the asset [or CGU] is reduced to its recoverable amount, and the impairment loss is recognized in profit or loss for the period. A previously recognized impairment is reversed only if there has been a change of assumptions used to determine the asset's recoverable amount since the last impairment was recognized.

[g] Revenue

Revenues are recognized when it transfers control of the product or service to a customer, which is usually when the goods are delivered to locations designated by the customers.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it acts as a principal for Ferroniobium China export business and therefore earns revenue on a gross basis; and it acts as an agent for the rest sales arrangements and earns revenue from those trading transactions on a net basis.

[h] Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the end of each reporting period, and includes any adjustments to tax payable or receivable in previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future tax profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

[i] Significant estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed. The Company's significant estimates and judgements include the assessment of any impairment of exploration and evaluation assets. The Company considers both external and internal sources of information in assessing whether there are any indicators that mineral interest is impaired. External sources of information include changes in the market, and the economic and legal environment in which the Company operates. Internal sources of information include the manner in which mineral interest are being used or are expected to be used. Management has assessed impairment indicators on the Company's mineral interests and has concluded that no impairment indicators during the years ended December 31, 2021 and 2020.

[j] Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise:

fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee, and the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless we are reasonably certain not to terminate early.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

The Company's head office lease is on monthly basis and has applied the short-term lease exemption. The Company does not have other significant operating leases during the years ended December 31, 2021 and 2020.

[Expressed in Canadian dollars]

4. SHORT-TERM INVESTMENTS

	2021	2020
	$	$
Term deposits	**45,429,849**	49,609,309
	45,429,849	49,609,039

Short-term investment represents redeemable term deposits in bank that are readily convertible to cash with maturities of more than three months when purchased. [Also see Note 14]

5. OTHER RECEIVABLES

	2021	2020
	$	$
GST receivable	**201,689**	36,566
Renal deposit	**950**	950
Interest receivable	**119,612**	220,585
	322,252	258,101

[Expressed in Canadian dollars]

6. EQUIPMENT

	Mining equipment and machinery $	Office equipment $	Communications equipment $	Vehicles $	Total $
Cost					
As at December 31, 2019	31,167	586	70,323	194,080	296,156
Additions	—	—	1,129	—	1,129
Disposals	—	—	(58,213)	(72,524)	(130,757)
As at December 31, 2020	31,167	586	13,239	121,536	166,528
Additions	—	—	—	—	—
Disposals	—	—	—	—	—
As at December 31, 2021	**31,167**	**586**	**13,239**	**121,536**	**166,528**
Accumulated depreciation					
As at December 31, 2019	22,147	586	67,746	178,810	269,289
Depreciation	2,961	—	565	7,535	11,061
Disposals	—	—	(58,213)	(72,544)	(130,757)
As at December 31, 2020	25,108	586	10,099	113,801	149,594
Depreciation	2,961	—	640	7,535	11,136
Disposals	—	—	—	—	—
As at December 31, 2021	**28,069**	**586**	**10,739**	**121,336**	**160,730**
Net book value					
As at December 31, 2019	9,019	—	2,577	15,269	26,866
As at December 31, 2020	6,059	—	3,140	7,735	16,934
As at December 31, 2021	**3,098**	—	**2,500**	**200**	**5,798**

[Expressed in Canadian dollars]

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of the following:

	2021 $	2020 $
Balance, beginning of year	**82,795,007**	81,723,434
Additions	**1,427,727**	1,071,573
Balance, end of year	**84,222,734**	82,795,007

Exploration and evaluation assets as of December 31, 2021 consist of the Company's costs to acquire mining permits and licenses for Gething Project and various exploration expenditures on feasibility study, preliminary mine design, project management and environmental assessment activities. During the year ended December 31, 2021, the Company has assessed and concluded that there are no impairment indicators.

8. SHARE CAPITAL

[a] Authorized

The Company is authorized to issue an unlimited number of common shares, without par value.

[b] Issued

As at December 31, 2021 and 2020, the following common shares of the Company have been issued to respective parties:

- 64,686,700 common shares issued to Canada Zhonghe Investment Ltd. ["Zhonghe"]
- 31,709,100 common shares issued to Shougang International (Canada) Investment Ltd. ["Shougang International"]
- 30,440,900 common shares issued to Canadian Dehua International Mines Group Inc.

[Expressed in Canadian dollars]

9. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to achieve and maintain an optimal capital structure to reduce the overall cost of capital and to preserve the Company's capacity to deploy capital to pursue its strategy of growth and provide returns to shareholders. The Company intends to finance its projects through additional debt or equity financings.

The Company defines capital as common shares.

Risk and capital management are primarily the responsibility of the Company's management and is monitored by the Board of Directors. The Company manages its capital structure and makes adjustments in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents, or return capital to its shareholder.

The Company is not subject to any externally imposed minimum capital requirements.

10. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

The Company's financial instruments are classified into the following categories with balances as at the respective period-end dates as follows:

	2021 **$**	2020 $
Financial assets at amortized cost		
Cash	**6,438,501**	2,987,557
Short-term investments	**45,429,849**	49,609,039
Accounts receivable and other receivables [i]	**1,356,363**	2,408,867
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**(19,494)**	(337,977)

[i] balance excluding GST receivable

Fair value of financial instruments

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7, *Financial Instruments: Disclosures* ["IFRS 7"].

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs which are supported by little or no market activity.

As at December 31, 2021 and 2020, the Company did not have financial liabilities measured at fair value on a recurring basis.

The fair value of the Company's cash and cash equivalents, short-term investments, accounts receivable, other receivables and accounts payable and accrued liabilities are estimated to approximate their carrying values as they are short-term in nature.

Risks arising from financial instruments and risk management

In the normal course of business, the Company is exposed to various types of market risks, including changes in foreign exchange rates and interest rates that may potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis.

Currency risk

The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. The Company exposure to currency risk affecting net income is summarized as below:

	2021 **$**	2020 $
Financial assets		
Denominated in USD	**18,714,898**	18,168,435
Denominated in RMB	—	—
	18,714,898	18,168,435

As at December 31, 2021, with other variables unchanged, a 10% strengthening [weakening] of Canadian dollars against U.S dollars would have decreased [increased] net income by approximately $1,701,354.

Credit risk and concentration risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents accounts receivable and other receivables. The carrying amount of the assets presented on the balance sheet represents the maximum credit exposure. The Company has deposited cash with reputable financial institutions from which management believes the risk of loss to be remote. As at December 31, 2021, all of the accounts receivable balance of $1,235,800 is from one customer.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities when they fall due. As at December 31, 2021, the Company had positive working capital of $56,867,159 [2020 - $57,493,710]. Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk. The Company's contractual maturity of accounts payable and accrued liabilities is within one year.

11. RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these financial statements are listed below. [also see Note 15]

During the year ended December 31, 2019, the Company entered a Cooperation Agreement [the Agreement"] with Guohe Tengda [Sichuan] Trading Co., Ltd ["Guohe"]. Guohe changed name to Hebei Foreign Integrated Service Trading Ltd. Ltd. ["Hebei Foreign Integrated Service Trading"] in 2020. The Company is related to Hebei Foreign Integrated Service Trading by way of common ultimate controlling shareholder. Pursuant the Agreement, Hebei Integrated acts as an agent on behalf of the Company for the exported Ferroniobium sales to China to handle the custom report in China, bidding process, sales contracts, ground delivery and facilitate of collection of sales proceeds. In return, Hebei Integrated Service Trading receives a fixed fee of RMB35,000 [approximately $6,983] per container [approximately 20 tons] of Ferroniobium sold. During the year ended December 31, 2021, all the exported Ferroniobium sales to China were sold to HBIS Group Co., Ltd. through Hebei Foreign Integrated and the Company incurred RMB210,000 [approximately $40,797] [2020 - RMB367,500 [approximately $71,442] to Hebei Integrated as the agent fee. As at December 31, 2021, accounts receivable in the amount of $1,235,800 [December 31, 2020 - $2,187,332] will be collected by Hebei Foreign Integrated Service Trading on the Company's behalf.

The Company has entered an office lease agreement with Zhonghe, the 51% shareholder of the Company. The office lease is on monthly basis at $5,125 per month. For the year ended December 31, 2021, the Company incurred total office rent in the amount of $61,496 [2020 - $61,496] to Zhonghe.

The remuneration of members of key management personnel for the year ended December 31, 2021 was $440,209 [2020 - $439,660].

[Expressed in Canadian dollars]

12. INCOME TAXES

The Company is subject to income tax in Canada at a tax rate in accordance with the relevant income tax laws.

[a] Income tax expenses

The actual tax recovery differs from expected tax recovery due to the following items:

	2021	2020
	$	$
Net income for the year before income tax	**790,040**	764,939
Statutory tax rate	**27%**	27%
Expected tax expense	**213,311**	206,534
Non-taxable items	**(7,842)**	73,456
Taxable temporal difference	**(41,960)**	15,228
Tax loss carryforward (utilized)	**44,587**	(93,226)
Income tax expense	**208,096**	201,992
Current income taxes	**—**	—
Deferred income tax expense	**208,096**	201,992
Total income tax expense	**208,096**	201,992

[b] Deferred income tax assets

The table below shows tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	2021	2020
	$	$
Deferred tax assets		
Non-capital losses	**2,069,499**	2,023,060
Equipment	**80,241**	77,234
Deferred tax liabilities		
Exploration and evaluation assets	**(4,457,233)**	(4,204,170)
Unrealized foreign exchange	**(16,739)**	(12,260)
Net deferred tax liabilities	**(2,324,232)**	(2,116,136)

At December 31, 2021, the Company has non-capital losses of approximately $7,665,000 available to offset future taxable income in Canada expiring in various amounts from 2031 to 2041.

13. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the exploration and development of the Gething Project and earns certain commission incomes through its trading business. All of the Company's assets are located in Canada.

14. LETTER OF GURANTEE

During the year ended December 31, 2021 and as at December 31, 2021, the Company has a letter of guarantee in the amount of $1,700,000 [the "LOG"] issued by the Bank of China [Canada] in favor of the Ministry of Energy, Mines and Low Carbon Innovation of British Columbia as the reclamation security for the Gething Project [Note 7]. As at December 31, 2021, there is no fund withdraw from the LOG.

15. ECONOMIC DEPENDENCE

During the year ended December 31, 2021, $16,959,951 sales were generated from three customers [2020 - $7,264,743 sales representing 100% of sales were generated from one customer] presenting 100% [2020 - 100%] of total sale and 100% of purchases were from two vendors [2020 – 100% of purchases were made from one vendor]. As at December 31, 2021, all of the accounts receivable balance of $1,235,800 [December 31, 2020 - $2,187,332] is from one customer [Note 11].

Financial Statements
[Expressed in Canadian dollars]

Canadian Kailuan Dehua Mines Co., Ltd.
December 31, 2022

Mao &Ying LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Canadian Kailuan Dehua Mines Co., Ltd.

Opinion

We have audited the financial statements of **Canadian Kailuan Dehua Mines Co., Ltd.** (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mao & Ying LLP

Vancouver, Canada,
April 3, 2023

Chartered Professional Accountants

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF FINANCIAL POSITION

[Expressed in Canadian dollars]

As at December 31

	2022	2021
	$	$
ASSETS		
Current		
Cash and cash equivalents	**3,159,277**	6,438,501
Short term investments *[note 4]*	**53,785,555**	45,429,849
Accounts receivable *[note 11]*	**1,039,788**	1,235,800
Other receivables *[note 5]*	**493,207**	322,252
Inventory	**—**	3,460,251
Total current assets	**58,477,827**	56,886,653
Equipment, net *[note 6]*	**3,410**	5,798
Exploration and evaluation assets *[note 7]*	**85,554,124**	84,222,734
Reclamation and security deposits	**30,000**	30,000
	144,065,361	141,145,185
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**12,006**	19,494
	12,006	19,494
Deferred tax liabilities *[note 12]*	**2,936,890**	2,324,232
Total liabilities	**2,948,896**	2,343,726
Shareholders' equity		
Share capital *[note 8]*	**128,016,381**	128,016,381
Retained earnings	**13,100,084**	10,785,078
Total shareholders' equity	**141,116,465**	138,801,459
	144,065,361	141,145,185

See accompanying notes

On behalf of the Board:

Bian, Liguo
Director

Wang, Faliang
Director

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

[Expressed in Canadian dollars]

For the year ended December 31

	2022	2021
	$	$
Sales *[note 11]*	**4,035,519**	16,959,951
Cost of goods sold	**3,516,794**	16,589,560
	518,725	370,391
Commission income	**—**	151,200
Expenses		
Accounting and audit	**15,000**	13,000
Office expenses	**1,885**	9,153
Operating expense before the following	**16,885**	22,153
Other (income) expense		
Foreign exchange (gain) loss	**(1,525,431)**	207,709
Interest income	**(900,393)**	(498,311)
Income before income taxes	**2,927,664**	790,040
Income tax expense *[note 12]*	**612,658**	208,096
Net income and comprehensive income	**2,315,006**	581,944

See accompanying notes

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF CHANGES IN EQUITY

[Expressed in Canadian dollars]

	Share Capital $	Retained earnings $	Total Equity $
Balance, December 31, 2020	128,016,381	10,203,134	138,219,515
Net income for the year	—	581,944	581,944
Balance, December 31, 2021	128,016,381	10,785,078	138,801,459
Net income for the year	—	2,315,006	2,315,006
Balance, December 31, 2022	**128,016,381**	**13,100,084**	**141,116,465**

See accompanying notes

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF CASH FLOWS

[Expressed in Canadian dollars]

Year ended December 31

	2022 $	2021 $
OPERATING ACTIVITIES		
Net income for the year before income taxes	**2,927,664**	790,040
Add [deduct] items not involving cash		
Interest income	**(900,393)**	(498,311)
Unrealized foreign exchange [gain] loss	**(1,356,416)**	(33,177)
	670,855	258,552
Net change in non-cash working capital balances related to operations		
Accountants receivable	**196,012**	951,532
Other receivables	**375,074**	(165,103)
Prepayments	**—**	329,937
Inventory	**3,460,251**	(657,304)
Accounts payable and accrued liabilities	**(7,488)**	(318,483)
Advances from customers	**—**	(343,226)
Cash from [used in] operating activities	**4,023,849**	(202,647)
Adjustments to net inocme for cash items		
Interest income received	**354,364**	599,263
Net operating cash flows	**5,049,068**	655,168
INVESTING ACTIVITIES		
Short-term investment purchases, net of redemptions	**(7,278,992)**	4,306,820
Purchase of equipment	**(1,373)**	—
Acquision of exploration and evaluation assets	**(1,327,629)**	(1,416,591)
Net investing cash flows	**(8,607,994)**	2,890,229
Effect of exchange rate on changes on cash	**279,702**	(94,453)
Net change in cash and cash equivalents during the year	**(3,279,224)**	3,450,944
Cash and cash equivalents, beginning of year	**6,438,501**	2,987,557
Cash and cash equivalents, end of year	**3,159,277**	6,438,501
Supplemental cash flow information		
Interest expenses paid	**—**	—
Income taxes paid	**—**	—

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[Expressed in Canadian dollars]

December 31, 2022

1. NATURE OF OPERATIONS

Canadian Kailuan Dehua Mines Co., Ltd ["CKD" or "the Company"] was incorporated under the laws of the Business Corporations Act (British Columbia) on December 5, 2008. CKD engages in underground coal mining in Northern British Columbia. CKD's current coal mine project ["Gething Project"] is located 25 km south of Hudson's Hope, BC. The Company is in the process of obtaining various licenses and permits from the government before it can commence development of the mine and has not generated significant revenue from operations to date and is considered to be in the exploration stage. The address of the principal place of business is 3800 Wesbrook Mall, Vancouver, BC, Canada.

2. BASIS OF PREPARATION

Statement of compliance, preparation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"], International Accounting Standards ["IAS"] and Interpretation of the IFRS Interpretation Committee ["IFRIC"] as issued by the International Accounting Standards Board ["IASB"].

The financial statements have been prepared mainly under the historical cost basis except for those as explained in the accounting policies below. The financial statements are presented in Canadian dollars, except when otherwise indicated.

The policies applied in these financial statements are based on IFRS issued and effective as at December 31, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by management of the Company in the preparation of these financial statements:

The accounting policies set out below have been applied consistently by the Company for all periods presented in these financial statements.

[a] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits with banks and redeemable term deposits that are readily convertible to cash with maturities of three months or less when purchased. As at December 31, 2022 and 2021, the Company had no cash equivalents.

[b] Financial instruments

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

Under IFRS 9, financial assets are classified into one of three categories below:

- amortized cost;
- fair value changes through other comprehensive income ["FVOCI"]; and
- fair value through profit or loss ["FVTPL"]

Under IFRS 9, financial liabilities are classified into one of two categories below:

- amortized cost; and
- FVOCI

[i] Initial recognition

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case transaction costs are expensed as incurred.

[ii] Subsequent measure of financial assets

Financial assets classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is included in finance income. Financial assets classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Equity investments designated as FVTOCI are measured at fair value with changes in fair values recognized in other comprehensive income ["OCI"]. Dividends from that investment are recorded in profit or loss when the Company's right to receive payment of the dividend is established unless they represent a recovery of part of the cost of the investment.

As at years ended December 31, 2022 and 2021, the Company does not have any financial assets that are classified as FVPL and FVTOCI.

[iii] Impairment of financial assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or group of financial assets measured at amortized cost are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in profit or loss in the period they are incurred.

[iv] Subsequent measure of financial liabilities

Financial liabilities classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization using the effective interest method is included in finance costs.

Financial liabilities classified as FVTPL are measured at fair value with gains and losses recognized in profit or loss. As at December 31, 2022 and 2021, the Company does not have any financial liabilities classified as FVTPL.

[v] Derecognition of financial assets and financial liabilities

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass - through' arrangement; and either [a] the Company has transferred substantially all the risks and rewards of the asset, or [b] the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process. Gains and losses on derecognition of equity investments designated as FVTOCI [including any related foreign exchange component] are recognized in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, although the cumulative gain or loss may be transferred within equity.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the statement of income.

[vi] Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

[vii] Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction between knowledgeable and willing parties, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, or other valuation models.

[c] Foreign currency transactions

The Company's reporting currency and the functional currency is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. Foreign currency transactions are translated at the rate in effect when the transactions occur. Monetary assets and liabilities denominated in a foreign currency [if any] are translated at the rate in effect at the reporting period date.

[d] Equipment

Equipment is stated at cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis at the following annual rates based on estimated useful lives:

Mining equipment and machinery	10 years
Office equipment	5 years
Communications equipment	6 years
Vehicles	10 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

[e] Exploration and evaluation assets

All license acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalized by property.

The exploration and evaluation assets are capitalized until the exploration and evaluation assets to which they relate are placed into commercial production, disposed of through sale or where management has determined there to be impairment. If an exploration and evaluation property interest is abandoned, both the exploration and evaluation cost will be written off to profit or loss in the period of abandonment. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated, proven and probable reserves.

[f] Impairment of non-financial assets

At each date of the balance sheet, long-lived assets, including evaluation and exploration assets, equipment is reviewed and tested for impairment when indicators of impairment are considered to exist. Impairment assessments are conducted at the level of cash-generating units ["CGU"], which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. An impairment loss is recognized for any excess of carrying amount of a CGU over its recoverable amount, which is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments for the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset [or CGU] is estimated to be less than its carrying amount, the carrying amount of the asset [or CGU] is reduced to its recoverable amount, and the impairment loss is recognized in profit or loss for the period. A previously recognized impairment is reversed only if there has been a change of assumptions used to determine the asset's recoverable amount since the last impairment was recognized.

[g] Revenue

Revenues are recognized when it transfers control of the product or service to a customer, which is usually when the goods are delivered to locations designated by the customers.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it acts as a principal for Ferroniobium China export business and therefore earns revenue on a gross basis; and it acts as an agent for the rest sales arrangements and earns revenue from those trading transactions on a net basis.

[h] Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the end of each reporting period, and includes any adjustments to tax payable or receivable in previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future tax profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

[i] Significant estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed. The Company's significant estimates and judgements include the assessment of any impairment of exploration and evaluation assets. The Company considers both external and internal sources of information in assessing whether there are any indicators that mineral interest is impaired. External sources of information include changes in the market, and the economic and legal environment in which the Company operates. Internal sources of information include the manner in which mineral interest are being used or are expected to be used. Management has assessed impairment indicators on the Company's mineral interests and has concluded that no impairment indicators during the years ended December 31, 2022 and 2021.

[j] Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise: fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee, and the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless we are reasonably certain not to terminate early.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

The Company's head office lease is on monthly basis and has applied the short-term lease exemption. The Company does not have other significant operating leases during the years ended December 31, 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS
[Expressed in Canadian dollars]

December 31, 2022

4. SHORT-TERM INVESTMENTS

	2022 $	2021 $
Term deposits	**53,785,555**	45,429,849
	53,785,555	45,429,849

Short-term investment represents redeemable term deposits in bank that are readily convertible to cash with maturities of more than three months when purchased.

5. OTHER RECEIVABLES

	2022 $	2021 $
GST receivable	**561**	201,689
Renal deposit	**950**	950
Interest receivable	**491,696**	119,612
	493,207	322,252

[Expressed in Canadian dollars]

6. EQUIPMENT

	Mining equipment and machinery $	Office equipment $	Communications equipment $	Vehicles $	Total $
Cost					
As at December 31, 2020	31,167	586	13,239	121,536	166,528
Additions	—	—	—	—	—
Disposals	—	—	—	—	—
As at December 31, 2021	31,167	586	13,239	121,536	166,528
Additions	—	—	1,373	—	1,373
Disposals	—	—	—	—	—
As at December 31, 2022	**31,167**	**586**	**14,612**	**121,536**	**167,901**
Accumulated depreciation					
As at December 31, 2020	25,108	586	10,099	113,801	149,594
Depreciation	2,961	—	640	7,535	11,136
Disposals	—	—	—	—	—
As at December 31, 2021	28,069	586	10,739	121,336	160,730
Depreciation	2,767	—	795	200	3,762
Disposals	—	—	—	—	—
As at December 31, 2022	**30,836**	**586**	**11,534**	**121,536**	**164,492**
Net book value					
As at December 31, 2020	6,059	—	3,140	7,735	16,934
As at December 31, 2021	3,098	—	2,500	200	5,798
As at December 31, 2022	**331**	—	**3,078**	—	**3,409**

[Expressed in Canadian dollars]

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of the following:

	2022 $	2021 $
Balance, beginning of year	**84,222,734**	82,795,007
Additions	**1,331,390**	1,427,727
Balance, end of year	**85,554,124**	84,222,734

Exploration and evaluation assets as of December 31, 2022 consist of the Company's costs to acquire mining permits and licenses for Gething Project and various exploration expenditures on feasibility study, preliminary mine design, project management and environmental assessment activities. During the year ended December 31, 2022, the Company has assessed and concluded that there are no impairment indicators.

8. SHARE CAPITAL

[a] Authorized

The Company is authorized to issue an unlimited number of common shares, without par value.

[b] Issued

As at December 31, 2022 and 2021, the following common shares of the Company have been issued to respective parties:

- 64,686,700 common shares issued to Canada Zhonghe Investment Ltd. ["Zhonghe"]
- 31,709,100 common shares issued to Shougang International (Canada) Investment Ltd. ["Shougang International"]
- 30,440,900 common shares issued to Canadian Dehua International Mines Group Inc.

[Expressed in Canadian dollars]

9. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to achieve and maintain an optimal capital structure to reduce the overall cost of capital and to preserve the Company's capacity to deploy capital to pursue its strategy of growth and provide returns to shareholders. The Company intends to finance its projects through additional debt or equity financings.

The Company defines capital as common shares.

Risk and capital management are primarily the responsibility of the Company's management and is monitored by the Board of Directors. The Company manages its capital structure and makes adjustments in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents, or return capital to its shareholder.

The Company is not subject to any externally imposed minimum capital requirements.

10. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

The Company's financial instruments are classified into the following categories with balances as at the respective period-end dates as follows:

	2022 $	2021 $
Financial assets at amortized cost		
Cash	**3,159,277**	6,438,501
Short-term investments	**53,785,555**	45,429,849
Accounts receivable and other receivables [i]	**1,532,434**	1,356,363
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**(12,006)**	(19,494)

[i] balance excluding GST receivable

Fair value of financial instruments

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7, *Financial Instruments: Disclosures* ["IFRS 7"].

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs which are supported by little or no market activity.

As at December 31, 2022 and 2021, the Company did not have financial liabilities measured at fair value on a recurring basis.

The fair value of the Company's cash and cash equivalents, short-term investments, accounts receivable, other receivables and accounts payable and accrued liabilities are estimated to approximate their carrying values as they are short-term in nature.

Risks arising from financial instruments and risk management

In the normal course of business, the Company is exposed to various types of market risks, including changes in foreign exchange rates and interest rates that may potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis.

Currency risk

The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. The Company exposure to currency risk affecting net income is summarized as below:

	2022 $	2021 $
Financial assets		
Denominated in USD	**24,082,038**	18,714,898
Denominated in RMB	**419,945**	—
	24,501,983	18,714,898

As at December 31, 2022, with other variables unchanged, a 10% strengthening [weakening] of Canadian dollars against U.S dollars would have decreased [increased] net income by approximately $2,189,276.

As at December 31, 2022, with other variables unchanged, a 10% strengthening [weakening] of Canadian dollars against Chinese Yuan would have decreased [increased] net income by approximately $38,177.

Credit risk and concentration risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents accounts receivable and other receivables. The carrying amount of the assets presented on the balance sheet represents the maximum credit exposure. The Company has deposited cash with reputable financial institutions from which management believes the risk of loss to be remote. As at December 31, 2022, all of the accounts receivable balance of $1,039,788 is from one customer.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities when they fall due. As at December 31, 2022, the Company had positive working capital of $58,465,821 [2021 - $56,867,159]. Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk. The Company's contractual maturity of accounts payable and accrued liabilities is within one year.

11. RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these financial statements are listed below. [also see Note 15]

Hebei Foreign Integrated Service Trading Co.,Ltd. ["Hebei Foreign Integrated"] acts as an agent on behalf of the Company for the exported Ferroniobium sales to China to handle the custom report in China, bidding process, sales contracts, ground delivery and facilitate of collection of sales proceeds. The Company is related to Hebei Foreign Integrated by way of common ultimate controlling shareholder. During the year ended December 31, 2022, all the exported Ferroniobium sales to China were sold to HBIS Group Co., Ltd. through Hebei Foreign Integrated. As at December 31, 2022, accounts receivable in the amount of $1,039,788 [December 31, 2021 - $1,235,800] will be collected by Hebei Foreign Integrated on the Company's behalf.

The Company has entered an office lease agreement with Zhonghe, the 51% shareholder of the Company. The office lease is on monthly basis at $5,125 per month. The lease with Zhonghe expired August 2022. For the year ended December 31, 2022, the Company incurred total office rent in the amount of $35,873 [2021 - $61,496] to Zhonghe.

The remuneration of members of key management personnel for the year ended December 31, 2022 was $447,401 [2021 - $440,209].

[Expressed in Canadian dollars]

12. INCOME TAXES

The Company is subject to income tax in Canada at a tax rate in accordance with the relevant income tax laws.

[a] Income tax expenses

The actual tax recovery differs from expected tax recovery due to the following items:

	2022 $	2021 $
Net income for the year before income tax	**2,927,664**	790,040
Statutory tax rate	**27%**	27%
Expected tax expense	**790,469**	213,311
Non-taxable items	**(364,464)**	(7,842)
Taxable temporal difference	**392,785**	(41,960)
Tax loss (utilized) carryforward	**(206,132)**	44,587
Income tax expense	**612,658**	208,096
Current income taxes	**—**	—
Deferred income tax expense	**612,658**	208,096
Total income tax expense	**612,658**	208,096

[b] Deferred income tax assets

The table below shows tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	2022 $	2021 $
Deferred tax assets		
Non-capital losses	**1,863,367**	2,069,499
Equipment	**81,256**	80,241
Deferred tax liabilities		
Exploration and evaluation assets	**(4,681,658)**	(4,457,233)
Unrealized foreign exchange	**(199,855)**	(16,739)
Net deferred tax liabilities	**(2,936,890)**	(2,324,232)

At December 31, 2022, the Company has non-capital losses of approximately $6,901,360 available to offset future taxable income in Canada expiring in various amounts from 2032 to 2042.

13. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the exploration and development of the Gething Project and earns certain commission incomes through its trading business. All of the Company's assets are located in Canada.

14. LETTER OF GURANTEE

During the year ended December 31, 2022 and as at December 31, 2022, the Company has a letter of guarantee in the amount of $1,700,000 [the "LOG"] issued by the Bank of China [Canada] in favor of the Ministry of Energy, Mines and Low Carbon Innovation of British Columbia as the reclamation security for the Gething Project [Note 7]. As at December 31, 2022, there is no fund withdraw from the LOG.

15. ECONOMIC DEPENDENCE

During the year ended December 31, 2022, $4,035,519 sales were generated from one customer presenting 100% of total sale [2021 - $16,959,951 sales representing 100% of sales were generated from three customers] and 100% of purchases were from one vendor [2021 – 100% of purchases were made from two vendors]. As at December 31, 2022, all of the accounts receivable balance of $1,039,788 [December 31, 2021 - $1,235,800] is from one customer [Note 11].

Financial Statements
[Expressed in Canadian dollars]

Canadian Kailuan Dehua Mines Co., Ltd.
December 31, 2023

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF FINANCIAL POSITION
[Expressed in Canadian dollars]

As at December 31

	2023 $	2022 $
ASSETS		
Current		
Cash and cash equivalents	125,627	3,159,277
Short term investments *[note 4]*	58,418,313	53,785,555
Accounts receivable *[note 11]*	—	1,039,788
Other receivables *[note 5]*	1,022,334	493,207
Total current assets	59,566,274	58,477,827
Equipment, net *[note 6]*	2,222	3,410
Exploration and evaluation assets *[note 7]*	86,797,117	85,554,124
Reclamation and security deposits	30,000	30,000
	146,395,613	144,065,361
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	7,434	12,006
	7,434	12,006
Deferred tax liabilities *[note 12]*	3,644,813	2,936,890
Total liabilities	3,652,247	2,948,896
Shareholders' equity		
Share capital *[note 8]*	128,016,381	128,016,381
Retained earnings	14,726,985	13,100,084
Total shareholders' equity	142,743,366	141,116,465
	146,395,613	144,065,361

See accompanying notes

On behalf of the Board:

Bian, Liguo
Director

Wang, Faliang
Director

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

[Expressed in Canadian dollars]

For the year ended December 31

	2022 $	2022 $
Sales *[note 11]*	—	4,035,519
Cost of goods sold	—	3,516,794
	—	518,725
Expenses		
Accounting and audit	14,153	15,000
Office expenses	147	1,885
Operating expense before the following	14,300	16,885
Other (income) expense		
Foreign exchange (gain) loss	603,696	(1,525,431)
Interest income	(2,952,820)	(900,393)
Income before income taxes	2,334,824	2,927,664
Income tax expense *[note 12]*	707,923	612,658
Net income and comprehensive income	1,626,901	2,315,006

See accompanying notes

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF CHANGES IN EQUITY

[Expressed in Canadian dollars]

	Share Capital $	Retained earnings $	Total Equity $
Balance, December 31, 2021	128,016,381	10,785,078	138,801,459
Net income for the year	—	2,315,006	2,315,006
Balance, December 31, 2022	128,016,381	13,100,084	141,116,465
Net income for the year	—	1,626,901	1,626,901
Balance, December 31, 2023	**128,016,381**	**14,726,985**	**142,743,366**

See accompanying notes

Canadian Kailuan Dehua Mines Co., Ltd.

STATEMENT OF CASH FLOWS

[Expressed in Canadian dollars]

Year ended December 31	2023 $	2022 $
OPERATING ACTIVITIES		
Net income for the year before income taxes	2,334,824	2,927,664
Add [deduct] items not involving cash		
Written-off Golden start project	—	—
Interest income	(2,952,820)	(900,393)
Unrealized foreign exchange [gain] loss	589,109	(1,356,416)
	(28,887)	670,855
Net change in non-cash working capital balances related to operations		
Accountants receivable	1,039,788	196,012
Other receivables	(6,037)	375,074
Prepayments	—	—
Inventory	—	3,460,251
Accounts payable and accrued liabilities	(4,572)	(7,488)
Advances from customers	—	—
Cash from [used in] operating activities	1,029,179	4,023,849
Adjustments to net inocme for cash items		
Interest income received	2,429,730	354,364
Net operating cash flows	3,430,022	5,049,068
INVESTING ACTIVITIES		
Short-term investment purchases, net of redemptions	(5,221,867)	(7,278,992)
Purchase of equipment	—	(1,373)
Decreased of long-term deposit	—	—
Acquision of exploration and evaluation assets	(1,241,805)	(1,327,629)
Net investing cash flows	(6,463,672)	(8,607,994)
Effect of exchange rate on changes on cash	—	279,702
Net change in cash and cash equivalents during the year	(3,033,650)	(3,279,224)
Cash and cash equivalents, beginning of year	3,159,277	6,438,501
Cash and cash equivalents, end of year	125,627	3,159,277
Supplemental cash flow information		
Interest expenses paid	—	—
Income taxes paid	—	—

See accompanying notes

Canadian Kailuan Dehua Mines Co., Ltd.

NOTES TO FINANCIAL STATEMENTS

[Expressed in Canadian dollars]

December 31, 2023

1. NATURE OF OPERATIONS

Canadian Kailuan Dehua Mines Co., Ltd ["CKD" or "the Company"] was incorporated under the laws of the Business Corporations Act (British Columbia) on December 5, 2008. CKD engages in underground coal mining in Northern British Columbia. CKD's current coal mine project ["Gething Project"] is located 25 km south of Hudson's Hope, BC. The Company is in the process of obtaining various licenses and permits from the government before it can commence development of the mine and has not generated significant revenue from operations to date and is considered to be in the exploration stage. The address of the principal place of business is 3800 Wesbrook Mall, Vancouver, BC, Canada.

2. BASIS OF PREPARATION AND GOING CONCERN

[a] Statement of compliance, preparation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"], International Accounting Standards ["IAS"] and Interpretation of the IFRS Interpretation Committee ["IFRIC"] as issued by the International Accounting Standards Board ["IASB"].

The financial statements have been prepared mainly under the historical cost basis except for those as explained in the accounting policies below. The financial statements are presented in Canadian dollars, except when otherwise indicated.

The policies applied in these financial statements are based on IFRS issued and effective as at December 31, 2023.

[b] Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The company does not general any sales during 2023; however, consider it has sufficient working capital of $59,558,840 at the end of 2023, it will be able to continue its operations for the next 12 months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by management of the Company in the preparation of these financial statements:

The accounting policies set out below have been applied consistently by the Company for all periods presented in these financial statements.

[a] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits with banks and redeemable term deposits that are readily convertible to cash with maturities of three months or less when purchased. As at December 31, 2023 and 2022, the Company had no cash equivalents.

[b] Financial instruments

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

Under IFRS 9, financial assets are classified into one of three categories below:

- amortized cost;
- fair value changes through other comprehensive income ["FVOCI"]; and
- fair value through profit or loss ["FVTPL"]

Under IFRS 9, financial liabilities are classified into one of two categories below:

- amortized cost; and
- FVOCI

[i] Initial recognition

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case transaction costs are expensed as incurred.

[ii] Subsequent measure of financial assets

Financial assets classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is included in finance income. Financial assets classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Equity investments designated as FVTOCI are measured at fair value with changes in fair values recognized in other comprehensive income ["OCI"]. Dividends from that investment are recorded in profit or loss when the Company's right to receive payment of the dividend is established unless they represent a recovery of part of the cost of the investment.

As at years ended December 31, 2023 and 2022, the Company does not have any financial assets that are classified as FVPL and FVTOCI.

[iii] Impairment of financial assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or group of financial assets measured at amortized cost are impaired. Impairment losses and reversal of impairment losses, if any, are recognized in profit or loss in the period they are incurred.

[iv] Subsequent measure of financial liabilities

Financial liabilities classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization using the effective interest method is included in finance costs.

Financial liabilities classified as FVTPL are measured at fair value with gains and losses recognized in profit or loss. As at December 31, 2023 and 2022, the Company does not have any financial liabilities classified as FVTPL.

[v] Derecognition of financial assets and financial liabilities

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass - through' arrangement; and either [a] the Company has transferred substantially all the risks and rewards of the asset, or [b] the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process. Gains and losses on derecognition of equity investments designated as FVTOCI [including any related foreign exchange component] are recognized in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, although the cumulative gain or loss may be transferred within equity.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the statement of income.

[vi] Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

[vii] Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction between knowledgeable and willing parties, discounted cash flow analysis, reference to the current fair value of another instrument that iadian dollar as this is the principal currency of the economic environment in which the Company operates. Foreign currency transactions are translated at the rate in effect when the transactions occur. Monetary assets and liabilities denominated in a foreign currency [if any] are translated at the rate in effect at the reporting period date.

[d] Equipment

Equipment is stated at cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis at the following annual rates based on estimated useful lives:

Mining equipment and machinery	10 years
Office equipment	5 years
Communications equipment	6 years
Vehicles	10 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

[e] Exploration and evaluation assets

All license acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalized by property.

The exploration and evaluation assets are capitalized until the exploration and evaluation assets to which they relate are placed into commercial production, disposed of through sale or where management has determined there to be impairment. If an exploration and evaluation property interest is abandoned, both the exploration and evaluation cost will be written off to profit or loss in the period of abandonment. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated, proven and probable reserves.

[f] Impairment of non-financial assets

At each date of the balance sheet, long-lived assets, including evaluation and exploration assets, equipment is reviewed and tested for impairment when indicators of impairment are considered to exist. Impairment assessments are conducted at the level of cash-generating units ["CGU"], which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. An impairment loss is recognized for any excess of carrying amount of a CGU over its recoverable amount, which is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments for the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset [or CGU] is estimated to be less than its carrying amount, the carrying amount of the asset [or CGU] is reduced to its recoverable amount, and the impairment loss is recognized in profit or loss for the period. A previously recognized impairment is reversed only if there has been a change of assumptions used to determine the asset's recoverable amount since the last impairment was recognized.

[g] Revenue

Revenues are recognized when it transfers control of the product or service to a customer, which is usually when the goods are delivered to locations designated by the customers.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it acts as a principal for Ferroniobium China export business and therefore earns revenue on a gross basis; and it acts as an agent for the rest sales arrangements and earns revenue from those trading transactions on a net basis.

[h] Income taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the end of each reporting period, and includes any adjustments to tax payable or receivable in previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future tax profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

[i] Significant estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed. The Company's significant estimates and judgements include the assessment of any impairment of exploration and evaluation assets. The Company considers both external and internal sources of information in assessing whether there are any indicators that mineral interest is impaired. External sources of information include changes in the market, and the economic and legal environment in which the Company operates. Internal sources of information include the manner in which mineral interest are being used or are expected to be used. Management has assessed impairment indicators on the Company's mineral interests and has concluded that no impairment indicators during the years ended December 31, 2023 and 2022.

[j] Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if the Company has the right to direct the use of the asset.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise: fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee, and the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless we are reasonably certain not to terminate early.

[Expressed in Canadian dollars]

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

The Company's head office lease is on monthly basis and has applied the short-term lease exemption. The Company does not have other significant operating leases during the years ended December 31, 2023 and 2022 [see Note 16].

4. SHORT-TERM INVESTMENTS

	2023 $	2022 $
Term deposits	**58,418,313**	53,785,555
	58,418,313	53,785,555

Short-term investment represents redeemable term deposits in bank that are readily convertible to cash with maturities of more than three months when purchased.

5. OTHER RECEIVABLES

	2023 $	2022 $
GST receivable	**1,178**	561
Renal deposit	**6,370**	950
Interest receivable	**1,014,786**	491,696
	1,022,334	493,207

Canadian Kailuan Dehua Mines Co., Ltd.

NOTES TO FINANCIAL STATEMENTS

[Expressed in Canadian dollars]

December 31, 2023

6. EQUIPMENT

	Mining equipment and machinery $	Office equipment $	Communications equipment $	Vehicles $	Total $
Cost					
As at December 31, 2021	31,167	586	13,239	121,536	166,528
Additions	—	—	1,373	—	1,373
As at December 31, 2022 and 2023	**31,167**	**586**	**14,612**	**121,536**	**167,901**
Accumulated depreciation					
As at December 31, 2021	28,069	586	10,739	121,336	160,730
Depreciation	2,767	—	795	200	3,762
As at December 31, 2022	30,836	586	11,534	121,536	164,492
Depreciation	331	—	856	—	1,187
As at December 31, 2023	**31,167**	**586**	**12,390**	**121,536**	**165,679**
Net book value					
As at December 31, 2021	3,098	—	2,500	200	5,798
As at December 31, 2022	331	—	3,078	—	3,409
As at December 31, 2023	—	—	2,222	—	2,222

[Expressed in Canadian dollars]

7. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of the following:

	2023 $	2022 $
Balance, beginning of year	**85,554,124**	84,222,734
Additions	**1,242,993**	1,331,390
Balance, end of year	**86,797,117**	85,554,124

Exploration and evaluation assets as of December 31, 2023 consist of the Company's costs to acquire mining permits and licenses for Gething Project and various exploration expenditures on feasibility study, preliminary mine design, project management and environmental assessment activities. During the year ended December 31, 2023, the Company has assessed and concluded that there are no impairment indicators.

8. SHARE CAPITAL

[a] Authorized

The Company is authorized to issue an unlimited number of common shares, without par value.

[b] Issued

As at December 31, 2023 and 2022, the following common shares of the Company have been issued to respective parties:

- 64,686,700 common shares issued to Canada Zhonghe Investment Ltd. ["Zhonghe"]
- 31,709,100 common shares issued to Shougang International (Canada) Investment Ltd. ["Shougang International"]
- 30,440,900 common shares issued to Canadian Dehua International Mines Group Inc.

[Expressed in Canadian dollars]

9. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to achieve and maintain an optimal capital structure to reduce the overall cost of capital and to preserve the Company's capacity to deploy capital to pursue its strategy of growth and provide returns to shareholders. The Company intends to finance its projects through additional debt or equity financings.

The Company defines capital as common shares.

Risk and capital management are primarily the responsibility of the Company's management and is monitored by the Board of Directors. The Company manages its capital structure and makes adjustments in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents, or return capital to its shareholder.

The Company is not subject to any externally imposed minimum capital requirements.

10. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

The Company's financial instruments are classified into the following categories with balances as at the respective period-end dates as follows:

	2022 $	2022 $
Financial assets at amortized cost		
Cash	**125,627**	3,159,277
Short-term investments	**58,418,313**	53,785,555
Accounts receivable and other receivables [i]	**1,021,156**	1,532,434
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**(7,434)**	(12,006)

[i] balance excluding GST receivable

Fair value of financial instruments

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7, *Financial Instruments: Disclosures* ["IFRS 7"].

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs which are supported by little or no market activity.

As at December 31, 2023 and 2022, the Company did not have financial liabilities measured at fair value on a recurring basis.

The fair value of the Company's cash and cash equivalents, short-term investments, accounts receivable, other receivables and accounts payable and accrued liabilities are estimated to approximate their carrying values as they are short-term in nature.

Risks arising from financial instruments and risk management

In the normal course of business, the Company is exposed to various types of market risks, including changes in foreign exchange rates and interest rates that may potentially impact its operating results. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis.

Currency risk

The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. The Company exposure to currency risk affecting net income is summarized as below:

	2023	2022
	$	$
Financial assets		
Denominated in USD	**24,939,821**	24,082,038
Denominated in RMB	**403,169**	419,945
	25,332,990	24,501,983

As at December 31, 2023, with other variables unchanged, a 10% strengthening [weakening] of U.S dollars against Canadian dollars would have increased [decreased] net income by approximately $2,492,982.

As at December 31, 2023, with other variables unchanged, a 10% strengthening [weakening] of Chinese Yuan against Canadian dollars would have increased [decreased] net income by approximately $40,317.

Credit risk and concentration risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents accounts receivable and other receivables. The carrying amount of the assets presented on the balance sheet represents the maximum credit exposure. The Company has deposited cash with reputable financial institutions from which management believes the risk of loss to be remote. As at December 31, 2023, the accounts receivable balance is nil.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities when they fall due. As at December 31, 2023, the Company had positive working capital of $59,558,840 [2022 - $58,465,821]. Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk. The Company's contractual maturity of accounts payable and accrued liabilities is within one year.

11. RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these financial statements are listed below. [also see Note 15]

Hebei Foreign Integrated Service Trading Co.,Ltd. ["Hebei Foreign Integrated"] acts as an agent on behalf of the Company for the exported Ferroniobium sales to China to handle the custom report in China, bidding process, sales contracts, ground delivery and facilitate of collection of sales proceeds. The Company is related to Hebei Foreign Integrated by way of common ultimate controlling shareholder. During the year ended December 31, 2022, all the exported Ferroniobium sales to China were sold to HBIS Group Co., Ltd. through Hebei Foreign Integrated. As at December 31, 2023, the accounts receivable is nil. All the accounts receivable of $1,039,788 from 2022 has been collected.

The Company has entered an office lease agreement with Zhonghe, the 51% shareholder of the Company. The office lease is on monthly basis at $5,125 per month. The lease with Zhonghe expired August 2022. For the year ended December 31, 2022, the Company incurred total office rent in the amount of $35,873 to Zhonghe.

The remuneration of members of key management personnel for the year ended December 31, 2023 was $424,408 [2022 - $447,401].

[Expressed in Canadian dollars]

12. INCOME TAXES
The Company is subject to income tax in Canada at a tax rate in accordance with the relevant income tax laws.

[a] Income tax expenses

The actual tax recovery differs from expected tax recovery due to the following items:

	2023 $	2022 $
Net income for the year before income tax	**2,334,824**	2,927,664
Statutory tax rate	**27%**	27%
Expected tax expense	**630,402**	790,469
Non-taxable items	**160,562**	(364,464)
Taxable temporal difference	**503,205**	392,785
Tax loss utilized	**(586,246)**	(206,132)
Income tax expense	**707,923**	612,658
Current income taxes	**—**	—
Deferred income tax expense	**707,923**	612,658
Total income tax expense	**707,923**	612,658

[b] Deferred income tax assets

The table below shows tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	2023 $	2022 $
Deferred tax assets		
Non-capital losses	**1,280,633**	1,863,367
Equipment	**81,577**	81,256
Deferred tax liabilities		
Exploration and evaluation assets	**(4,886,697)**	(4,681,658)
Unrealized foreign exchange	**(120,326)**	(199,855)
Net deferred tax liabilities	**(3,644,813)**	(2,936,890)

At December 31, 2023, the Company has non-capital losses of approximately $4,743,000 available to offset future taxable income in Canada expiring in various amounts from 2033 to 2043.

13. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the exploration and development of the Gething Project and earns certain commission incomes through its trading business. All of the Company's assets are located in Canada.

14. LETTER OF GURANTEE

During the year ended December 31, 2023 and as at December 31, 2023, the Company has a letter of guarantee in the amount of $1,700,000 [the "LOG"] issued by the Bank of China [Canada] in favor of the Ministry of Energy, Mines and Low Carbon Innovation of British Columbia as the reclamation security for the Gething Project [Note 7]. As at December 31, 2023, there is no fund withdraw from the LOG.

15. ECONOMIC DEPENDENCE

During the year ended December 31, 2022, $4,035,519 sales were generated from one customer presenting 100% of total sale and 100% of purchases were from one vendor. As at December 31, 2022, all of the accounts receivable balance of $1,039,788 is from one customer [Note 11]. There was no sales and purchases during the year ended December 31, 2023.

16. LEASE

The Company entered an office lease agreement on December 7, 2023 for a term of 2 years commencing on February 1, 2024 with annual lease payment of $34,814 for the first year and $36,153 for the second year.

This is **Exhibit "D"** referred to in the 1st Affidavit of Naishun Liu affirmed before me at People's Republic of China, on this 19th day of May 2025.

A Commissioner for taking Affidavits for China

(William) He
Barrister & Solicitor
A Piper (Canada) LLP
Melville Street, Suite 2700
Vancouver, BC V6E 4E5
604.687.9444

CAN: 56436942.1

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PO Box 9431 Stn Prov Govt
Victoria BC V8W 9V3
www.corporateonline.gov.bc.ca

Location:
2nd Floor - 940 Blanshard Street
Victoria BC
1 877 526-1526

BC Company Summary

For

LRC PROSPERITY PARTNERS CORPORATION

Date and Time of Search: **May 13, 2025 10:35 AM Pacific Time**

Currency Date: February 07, 2025

ACTIVE

Incorporation Number: BC1007300

Name of Company: LRC PROSPERITY PARTNERS CORPORATION

Business Number: 801253444 BC0001

Recognition Date and Time: Incorporated on July 06, 2014 05:25 PM Pacific Time

In Liquidation: No

Last Annual Report Filed: July 06, 2023

Receiver: No

COMPANY NAME INFORMATION

Previous Company Name	Date of Company Name Change
WITCOOL TECHNOLOGY CO. LTD.	May 30, 2024

DISSOLUTION/RESTORATION INFORMATION

Filing/Event	Date of Filing
Full Restoration	November 12, 2021
System Dissolution - Fail to File	January 02, 2017

REGISTERED OFFICE INFORMATION

Mailing Address:
4973 CEDAR SPRINGS DR.
TSAWWASSEN BC V4M 0A7
CANADA

Delivery Address:
4973 CEDAR SPRINGS DR.
TSAWWASSEN BC V4M 0A7
CANADA

RECORDS OFFICE INFORMATION

Mailing Address:
4973 CEDAR SPRINGS DR.
TSAWWASSEN BC V4M 0A7
CANADA

Delivery Address:
4973 CEDAR SPRINGS DR.
TSAWWASSEN BC V4M 0A7
CANADA

DIRECTOR INFORMATION

Last Name, First Name, Middle Name:
Chen, Jian

Mailing Address:
288-728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA

Delivery Address:
288-728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA

NO OFFICER INFORMATION FILED AS AT July 06, 2023.

BC Registry Services CORPORATE Online

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Corporate Information
Corporate Summary

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Corporate Information	Free
Corporate Details and documents	$7

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HELP DESK 1 800 663-6102 (toll free)

May 13, 2025 10:34 AM

Date and Time of Search: **May 13, 2025 10:34 AM Pacific Time**
Currency Date: **February 07, 2025**
Paper filings received at the Corporate Registry after the currency date may not have been filed.

Active

HELP ?

Number:	**BC1007300**
Name:	**LRC PROSPERITY PARTNERS CORPORATION**
Type:	**BC Company**
Restored On:	**November 12, 2021**
Business Number:	**801253444BC0001**

This company is not in good standing.

You have paid to view any or all electronic documents listed below including the Corporate Summary.

HELP ?

Documents that are available on paper only may be accessed at the Corporate Registry for a fee.

How long can I view documents after I pay?

Corporate Summary

Click the "View Corporate Summary" button below to see a summary of information about the company, including office addresses and directors.

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View Corporate Summary

Corporate History

HELP ?

Corporate History	Date and Time Filed (Pacific Time)	Details	View Documents
Notice of Change of Address	May 30, 2024 2:38 PM	Effective Date: May 31, 2024 12:01 AM	Notice of Change of Address Notice of Articles
Notice of Alteration	May 30, 2024 2:00 PM		Notice of Alteration Notice of Articles Certificate
BC Annual Report - JUL 06, 2023	May 30, 2024 1:49 PM		BC Annual Report - JUL 06, 2023
BC Annual Report - JUL 06, 2022	May 30, 2024 1:45 PM		BC Annual Report - JUL 06, 2022
Notice of Change of Address	November 16, 2021 10:48 AM	Effective Date: November 17, 2021 12:01 AM	Notice of Change of Address Notice of Articles
BC Annual Report - JUL 06, 2021	November 12, 2021 9:25 AM		BC Annual Report - JUL 06, 2021
BC Annual Report - JUL 06, 2020	November 12, 2021 9:25 AM		BC Annual Report - JUL 06, 2020

BC Annual Report - JUL 06, 2019	November 12, 2021 9:24 AM	BC Annual Report - JUL 06, 2019
BC Annual Report - JUL 06, 2018	November 12, 2021 9:24 AM	BC Annual Report - JUL 06, 2018
BC Annual Report - JUL 06, 2017	November 12, 2021 9:23 AM	BC Annual Report - JUL 06, 2017
BC Annual Report - JUL 06, 2016	November 12, 2021 9:23 AM	BC Annual Report - JUL 06, 2016
BC Annual Report - JUL 06, 2015	November 12, 2021 9:23 AM	BC Annual Report - JUL 06, 2015
Restoration Application - Full	November 12, 2021 9:21 AM	Restoration Application - Full Notice of Articles Certificate
Incorporation Application	July 06, 2014 5:25 PM	Incorporation Application Notice of Articles Certificate

Back

New Search

DUPLICATE

Number: BC1007300

BRITISH
COLUMBIA

CERTIFICATE
OF
RESTORATION

BUSINESS CORPORATIONS ACT

***I Hereby Certify** that* **WITCOOL TECHNOLOGY CO. LTD.**, which was recognized on July 6, 2014 at 05:25 PM Pacific Time under certificate number BC1007300, and was dissolved on January 2, 2017 at 11:20 PM Pacific Time, has on November 12, 2021 at 09:21 AM Pacific Time been restored under the *Business Corporations Act.*

Issued under my hand at Victoria, British Columbia
On November 12, 2021

CAROL PREST
Registrar of Companies
Province of British Columbia
Canada

BRITISH COLUMBIA | BC Registry Services

Mailing Address:
PO Box 9431 Stn Prov Govt
Victoria BC V8W 9V3
www.corporateonline.gov.bc.ca

Location:
2nd Floor - 940 Blanshard Street
Victoria BC
1 877 526-1526

Notice of Articles

BUSINESS CORPORATIONS ACT

This Notice of Articles was issued by the Registrar on: November 12, 2021 09:21 AM Pacific Time

Incorporation Number: **BC1007300**

Recognition Date and Time: Incorporated on July 6, 2014 05:25 PM Pacific Time

NOTICE OF ARTICLES

Name of Company:

WITCOOL TECHNOLOGY CO. LTD.

REGISTERED OFFICE INFORMATION

Mailing Address:
288 - 728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA

Delivery Address:
288 - 728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA

RECORDS OFFICE INFORMATION

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CANADA

Delivery Address:
288 - 728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA

DIRECTOR INFORMATION

Last Name, First Name, Middle Name:
Chen, Jian

Mailing Address:
288-728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA

Delivery Address:
288-728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA

AUTHORIZED SHARE STRUCTURE

1.	No Maximum	Class A Shares	Without Par Value With Special Rights or Restrictions attached

BRITISH COLUMBIA | BC Registry Services

Mailing Address:
PO Box 9431 Stn Prov Govt
Victoria BC V8W 9V3
www.corporateonline.gov.bc.ca

Location:
2nd Floor - 940 Blanshard Street
Victoria BC
1 877 526-1526

Restoration Application - Full

Form 30
BUSINESS CORPORATIONS ACT
Sections 356 and 360

Filing Details: *Restoration Application*

Incorporation Number: **BC1007300**

Filed Date and Time: **Restored in British Columbia on November 12, 2021 09:21 AM Pacific Time**

NAME OF COMPANY AT THE TIME OF DISSOLUTION

WITCOOL TECHNOLOGY CO. LTD.

NAME RESERVED FOR THE COMPANY TO BE RESTORED

Name Reservation Number:	Name Reserved:
NR6608045	WITCOOL TECHNOLOGY CO. LTD.

APPLICANT INFORMATION

Last Name, First Name, Middle Name:
CHEN, JIAN

Mailing Address:
103-1561 WEST 57 AVENUE
VANCOUVER BC V6P 0H5
CANADA

RELATIONSHIP OF APPLICANT TO THE COMPANY

Director.

DATE OF RESTORATION

The date the Notice of the Application for Restoration was published in the BC Gazette:

Oct 14, 2021

The date the Notice of the Application for Restoration was mailed to the company and/or the directors:

Oct 20, 2021

REGISTERED OFFICE INFORMATION

Mailing Address:
288 - 728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA

Delivery Address:
288 - 728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA

RECORDS OFFICE INFORMATION

Mailing Address:
288 - 728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA

Delivery Address:
288 - 728 KULDO BLVD
KITIMAT BC V8C 1V9
CANADA