FORM 2A

ANNUAL LISTING – DECEMBER, 2016

This Listing Statement must be used for all initial applications for listing and for Issuers resulting from a fundamental change. The Exchange requires prospectus level disclosure in the Listing Statement (other than certain financial disclosure and interim Management's Discussion and Analysis) and can require that the Issuer include additional disclosure.

General Instructions

(a) Please prepare this Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) In this form, the term “Issuer” includes the applicant Issuer and any of its subsidiaries.

(c) In determining the degree of detail required, a standard of materiality should be applied. Materiality is a matter of judgment in a particular circumstance, and should generally be determined in relation to an item's significance to investors, analysts and other users of the information. An item of information, or an aggregate of items, is considered material if it is probable that its omission or misstatement would influence or change an investment decision with respect to the Issuer's securities. In determining whether information is material, take into account both quantitative and qualitative factors. The potential significance of items should be considered individually rather than on a net basis, if the items have an offsetting effect. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.

(d) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation.

(e) For Issuers that are re-qualifying for listing following a fundamental change, provide historic and current details on

(i) the Issuer

(ii) all other companies or businesses that are involved in the fundamental change (the “target”); and

(iii) the entity that will result from the fundamental change (the "New Issuer").

Information concerning the Issuer that was contained in the most recent Listing Statement may be incorporated by reference, but this statement must indicate if any of the information in the prior statement has changed (e.g. describing a business that will no longer be undertaken by the New Issuer). Information concerning assets or lines of business of the target that will not be part of the New Issuer's business should not be included.

(f) This Listing Statement provides prospectus-level disclosure. It will be amended from time to time to reflect any changes to the prospectus disclosure requirements. If changed, the new form is to be used for the next listing statement the Issuer is required to file. The Issuer does not have to amend a listing statement currently on file to reflect any new disclosure requirements.

1. Table of Contents

1.1 Include a table of contents with the following headings:

2. Corporate Structure

2.1 State the full corporate name of the Issuer or, if the Issuer is an unincorporated entity, the full name under which the entity exists and carries on business and the address(es) of the Issuer's head and registered office.

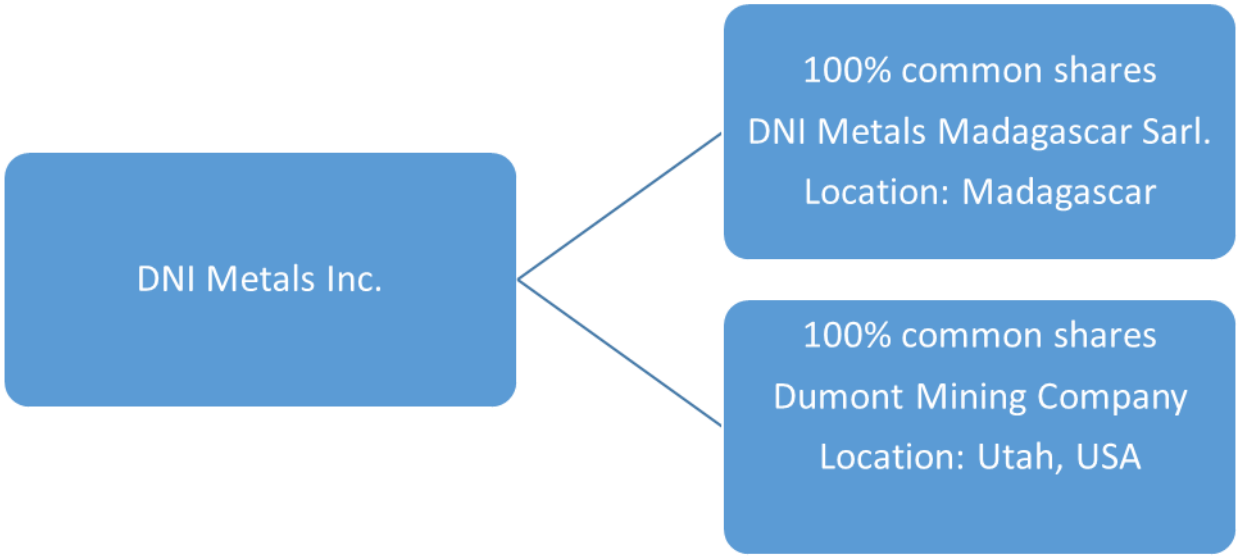
DNI Metals Inc.
Registered Office: Suite 4000, 1 Place Ville Marie,
Montreal, Quebec
H3B 4M4

Head Office : 119 Pinewood Trail
Mississauga, Ontario
L5G 2L2

2.2 State the statute under which the Issuer is incorporated or continued or organized or, if the Issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which the Issuer is established and exists. Describe the substance of any material amendments to the articles or other constating or establishing documents of the Issuer.

Quebec

2.3 Describe, by way of a diagram or otherwise, the intercorporate relationships among the Issuer and the Issuer's subsidiaries. For each subsidiary state



(a) the percentage of votes attaching to all voting securities of the subsidiary represented by voting securities beneficially owned, or over which control or direction is exercised, by the Issuer;

100%

(b) the place of incorporation or continuance; and

Madagascar and Utah

(c) the percentage of each class of restricted shares beneficially owned, or over which control or direction is exercised, by the Issuer.

100%

2.4 If the Issuer is requalifying following a fundamental change or is proposing an acquisition, amalgamation, merger, reorganization or arrangement, describe by way of diagram or otherwise these intercorporate relationships both before and after the completion of the proposed transaction.

N/A

2.5 Non-corporate Issuers and Issuers incorporated outside of Canada must describe how their governing legislation or constating documents differ materially from Canadian corporate legislation with respect to the corporate governance principles set out in Policy 4.

N/A

3. General Development of the Business

3.1 Describe the general development of the Issuer's business over its three most recently completed financial years and any subsequent period. Include only major events or conditions that have influenced the general development of the Issuer's business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in the business of the Issuer that are expected to occur during the current financial year of the Issuer.

DNI's current active mineral assets comprise the following: (i) the Alberta polymetallic black shale SBH Property, comprising 5 Metallic & Industrial Mineral Permits that comprises a 32,00- hectare land position, Athabasca region, northeast Alberta; and, (ii) a graphite property in Madagascar which was acquired in June of 2015 and (iii) a royalty interest against future production proceeds from the Cane Springs Property and the Kiewit Project Area, Utah The Company also retains a carried interest in the Attawapiskat Diamond Property (the "Attawapiskat Property"), consisting of a 16 square kilometer land position in the Attawapiskat region, located in the James Bay Lowlands in Ontario, adjacent to DeBeers' Victor diamond mine.

The major focus of the Company for the last 5 years has been its Alberta SBH Property, with resource studies and test work since 2008 leading to the Preliminary Economic Assessment study ("PEA") that was announced in December 2013. Following the PEA the Company has carried out miscellaneous work to evaluate enhancements to the economics indicated in the PEA, in addition to evaluating the fracsand potential over certain parts of the Property. The Company also completed assessment work filings and the related assessment report to apply approximately $4.3 million of expenditures accumulated during the past two years toward Property permits renewals to secure renewals. DNI acquired additional adjoining permits in April 2014 to secure localities over new fracsand targets. The SBH Property is currently held under 5 permits which are in good standing until 2020-2022 anniversaries.

As of December 23, 2016, DNI has signed an LOI to vend the Alberta, Property.

NEWS RELEASE

DNI METALS INC. (DNI : CSE) (DG7N : Frankfurt)(DMNKF:OTC)
FOR RELEASE – December 23, 2016

DNI Metals Inc signs LOI to vend it's Alberta Project for $1 million in cash and securities.

Toronto, Ontario - (Newsfile Corp. – December 22, 2016) DNI Metals Inc. (DNI : CSE) ("DNI" or the "Company")

DNI completes a Letter Of Intent "LOI", with BullRun Capital, whereas BullRun plans to purchase DNI's, Alberta Mining project, called the SBH or Buckton project.

BullRun Capital plans to complete an IPO or RTO into a public company "Pubco" with DNI's SBH project and other projects.

Terms of the Deal

1. $150,000 cash paid to DNI, upon signing of Definitive Agreement "DA"
2. $250,000 cash paid to DNI, between 90 and 120 days after signing the "DA".
3. Bullrun will complete the Sale to PubCo on or before March 31, 2017. In consideration for the Acquisition, at closing, PubCo shall issue to DNI $600,000.00 of units of PubCo consisting of shares and a wts.
4. Regardless of the presence of any escrow restrictions imposed by the Exchange or under applicable securities laws, DNI and PubCo shall enter into a voluntary pooling agreement, pursuant to which the Units will be pooled and released in accordance with the following schedule:
    a. 1/3 of Units shall be released to DNI on closing of the Acquisition ("First Release");
    b. 1/3 of Units shall be released six months after the First Release; and
    c. 1/3 of Units shall be released twelve months after the First Release.
5. DNI as the right to a nominate one person to the board of the new Pubco.
6. Pubco must be listed on a Canadian recognized/regulated exchange.
7. Definitive agreement to be completed by January 15, 2017
8. The agreements are subject board and regulatory approvals.

Details about BullRun can be found on their website at **www.bullruncapital.ca**

DNI – Canadian Securities Exchange
DG7N – Frankfurt
DMNKF - OTC
Issued: 39,724,204

For further information, contact:
DNI Metals Inc. – Dan Weir, CEO 416-595-1195
DanWeir@dnimetals.com
Also visit www.dnimetals.com

We seek Safe Harbour. This announcement may include forward looking statements. While these statements represent DNI's best current judgment, they are subject to risks and uncertainties that could cause actual results to vary, including risk factors listed in DNI's Annual Information Form and its MD&As, all of which are available from SEDAR and on its website.

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Following a management reorganization in November 2014, and recognizing that the next stage in development of the Alberta black shale property was essentially on hold, the Company began pursuing interests in the graphite space, by investigating potential acquisitions, joint ventures, and development properties. In June 2015 DNI acquired a historical graphite producing property in Madagascar known as Vohitsara. Since then the Company has carried out sampling and resource studies which have indicated positive results.. Management is also evaluating other graphite properties in both Madagascar and Brazil.

In March 2015, the Company entered into a five year supply agreement with Great Lakes Graphite Inc., whereby DNI will supply natural flake graphite for a 5 year period.

In August 2015, the Company entered into a non binding Letter of Intent to acquire a company that will vertically integrate DNI's developing graphite business, and assist with the development of the Black Shales Property. Following a due diligence process that was completed on October 20, the Company paid a non refundable deposit of $50,000 to the target company, following which the Company is working on completing a definitive purchase agreement and arranging financing for the acquisition, and it is expected to be completed before December 31, 2015.

In order to finance its ongoing operations and acquire new interests in the graphite space a private placement of units that generated gross proceeds of $847,000 was completed in June and July 2015, and a $500,000 private placement in 2016.

Vohitsara Property, Madagascar

On June 12, 2015, the Company completed an agreement to acquire the Vohitsara property in Madagascar that has the potential to become a significant graphite producing mine. Preliminary sampling that was carried out by the Company indicated a high quality of jumbo and large flake graphite on the property. A development program was commenced by DNI on July 15, 2015 which has produced positive sampling results. A 100% wholly owned subsidiary called DNI Madagascar SARL. was formed.

As of December 16, 2016, DNI has signed an LOI for Cougar Metals (ASX:CGM) whereas Cougar has the right to earn in to the Vohitsara, and possibly purchase the property.

NEWS RELEASE

DNI METALS INC. (DNI : CSE) (DG7N : Frankfurt)(DMNKF:OTC)
FOR RELEASE – December 16, 2016

DNI Metals Inc signs LOI valued up to $4.5 million.

Toronto, Ontario - (Newsfile Corp. – December 16, 2016) DNI Metals Inc. (DNI : CSE) ("DNI" or the "Company")

DNI completes a Letter Of Intent "LOI", with Cougar Metals (ASX:CGM) to develop DNI's Vohitsara, Madagascar Graphite Project.

Cougar owns 8 drill rigs, and has competence to complete a 3,000m drilling program, a 1,000m trenching program, a NI 43-101 resource study, and a NI 43-101 PEA for DNI's Vohitsara Project. As per the LOI, this work should be completed by June 30, 2017.

Summary of the $4.5 million potential.

1. **Cougar pays DNI Cash payments of A$300,000**
2. **Cougar pays Cash payment of U$150,000 (approx. C$196,000) to previous owner of the Vohitsara project (last payment owed by DNI)**
3. **When Cougar completes the drilling/resource/PEA, (by June 30, 2017), Cougar will earn 49% of the Vohitsara project. DNI's board had set a budget of C$1.5 million to complete the drilling/resource/PEA.**
4. **If DNI opts out of its first right, Cougar can purchase DNI's remaining 51% for AUD$2.5 million.**

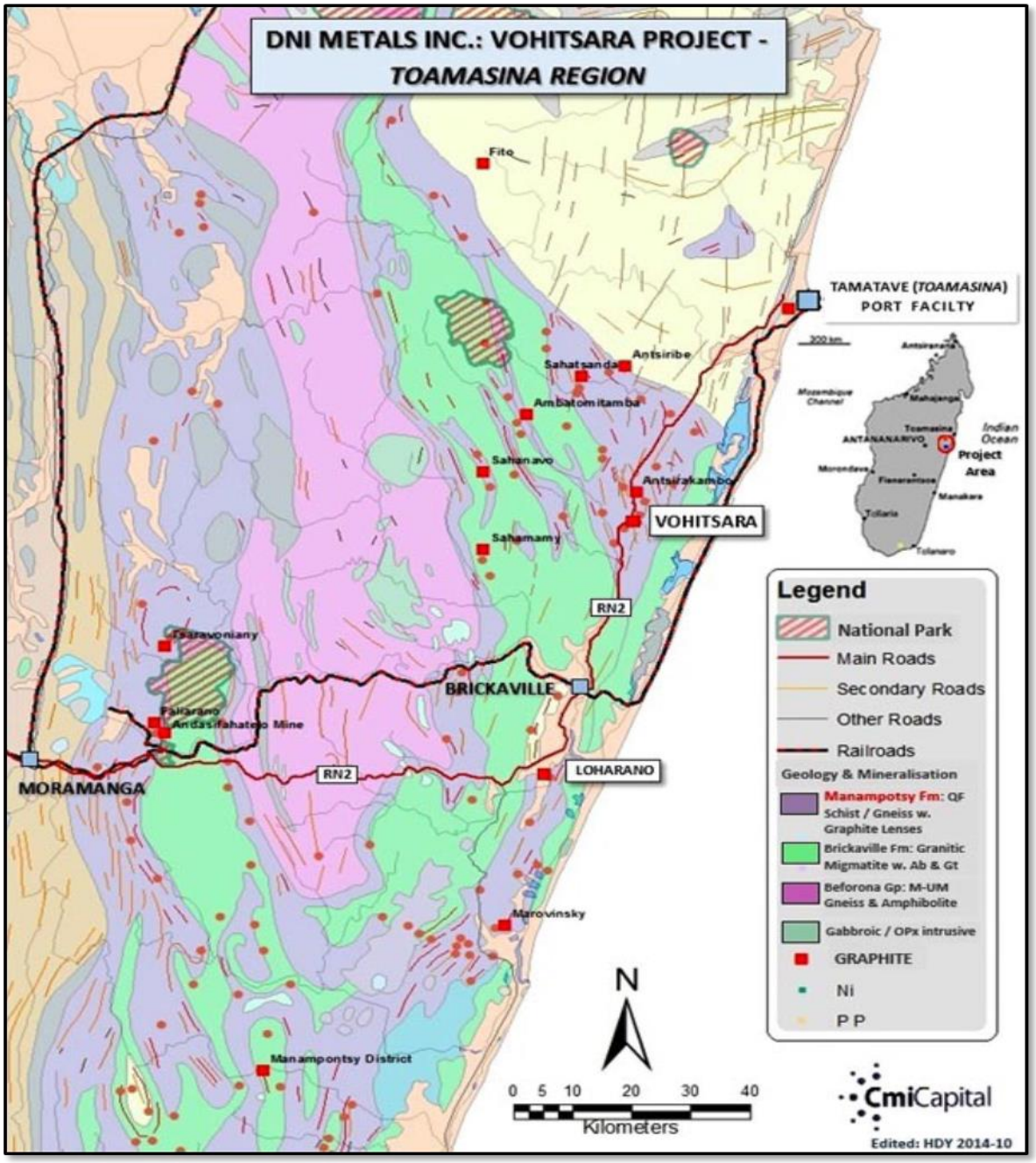
The specific terms of the deal are below.

Cougar's directors believe the greatest strength of the Toamasina Saprolitic Graphite Project lies in its ability to deliver a high quality product with a low cost base into an existing market. With over a century of supply history, coarse flake graphite concentrates from the Toamasina area of Madagascar are well known in the global end-user market and the Toamasina project is ideally suited to capitalize on this existing 'brand awareness'.
It is expected that the Toamasina Saprolitic Graphite Project can be placed into production with modest capital costs and can cost effectively expand to meet the demand for its product.

Vohitsara Saprolitic Graphite Project

The Project is located in east central Madagascar, approximately 50 km south-southwest of the deep-water port city of Toamasina and approximately 50km North of Bass Metals' (ASX code:BSM) operating Loharano graphite mine.

Location map of Madgascsar Saprolitic Graphite Project



Mineralisation has been identified over a combined 3km strike length from visual examination of near surface samples (< 1m from surface). The mineralisation follows a distinct ridge in the area varying in elevation from 40m to 110m AMSL.

Access to the initial area of interest is by way of a 1.8km unsealed track leading from the main highway between the port city of Toamasina and the country's capital Antananarivo. The turn off is located 55km by road from the port city of Toamasina.

Toamasina is the largest port in the country and is considered the commercial capital of Madagascar. The city and port have been developed extensively since 2008 by major infrastructure investment on

the part of Sherritt; who with its partners, have developed the U$8.0Billion Ambatovy HPAL lateritic nickel-cobalt mine 200km inland from Toamasina.
Mineralisation has been mapped along a 3km ridge within the project area. Small pits less than 2m in depth were dug to inspect for mineralisation, which is easily identified visually on account of the high % content of large flake graphite. This confirms the potential of the project to host a long-life / low-cost mining operation. Mineralisation most often occurs on topographic highs and generally within 1m of surface; significantly reducing costs associated with pre-stripping for mining.
The Toamasina Lateritic Graphite Project is particularly well located, with access being just 55km from the major port city of Toamasina via a sealed road. This proximity to a port and the infrastructure of a major city, will result in significantly lower construction and operating costs than would otherwise be the case.

Work to Date

Madagascar has supplied high quality graphite for the international market for over 100 years. In particular, the Toamasina-Brickaville belt; in which the Vohitsara project is centrally located, is well known for the high purity and larger flake-size distribution of its graphite concentrates.
The Project area has been subjected to historical artisanal mining in the period between WW2 and 1960 (end of French colonial rule). Visual estimates from site inspection and anecdotal reports from indigenous personnel put this production at just under 100,000T of material.
A trenching and limited surface sampling and test pitting program was conducted on the Toamasina Project in 2015, with 4 trenches located within the identified corridor of mineralisation. Trenches were targeted from field observation in conjunction with man-portable ground EM and magnetics along cut lines (using GPS control).
Results are shown in Table 1 following:

Table 1: Sampling & assay data from the main trend at the Graphite Project:

Trench ID	Sample Number	Easting (Laborde)	Northing (Laborde)	Depth (mBNS*)	% Graphitic C (RDL 0.01)
Trench A	E5203779	686,855	838,810	1.3	5.9
Trench A	E5203780	686,856	838,810	1.3	4.1
Trench A	E5203781	686,857	838,810	1.3	2.45
Trench A	E5203782	686,858	838,810	1.3	1.97
Trench A	E5203783	686,859	838,810	1.3	1.56
Trench A	E5203784	686,860	838,810	1.3	1.29
Trench A	E5203785	686,861	838,810	1.3	0.95
Trench A	E5203786	686,862	838,810	1.3	2.8
Trench A	E5203787	686,863	838,810	1.3	10.6
Trench A	E5203788	686,864	838,810	1.3	3.3
Trench A	E5203789	686,865	838,810	1.3	1.24
Trench A	E5203790	686,866	838,810	1.3	1.53
Trench A	E5203791	686,867	838,810	1.3	4.17
Trench A	E5203792	686,868	838,810	1.3	5
Trench A	E5203793	686,869	838,810	1.3	6.5
Trench A	E5203794	686,870	838,810	1.3	4.7
Trench A	E5203795	686,871	838,810	1.3	4.65
Trench A	E5203796	686,872	838,810	1.3	3.44
Trench A	E5203797	686,873	838,810	1.3	1.38
Trench A	E5203798	686,874	838,810	1.3	0.55
Trench A	E5203799	686,875	838,810	1.3	3.45
Trench B	E5203800	686,737	838,939	2	12.6
Trench B	E5203801	686,738	838,940	2	10.4
Trench B	E5203802	686,739	838,940	2	11
Trench B	E5203803	686,741	838,941	2	10.2
Trench B	E5203804	686,742	838,941	2	17.6
Trench B	E5203805	686,743	838,941	2	25.3
Trench B	E5203806	686,744	838,942	2	15.7
Trench B	E5203807	686,745	838,942	2	15.9
Trench B	E5203808	686,746	838,942	2	17.9
Trench B	E5203809	686,747	838,943	2	12.4
Trench B	E5203810	686,748	838,943	2	6.5
Trench B	E5203811	686,749	838,944	2	9
Trench B	E5203812	686,751	838,944	2	9.5
Trench B	E5203813	686,752	838,944	2	12.2
Trench B	E5203814	686,753	838,945	2	11.8
Trench B	E5203815	686,754	838,945	2	9.8
Trench B	E5203816	686,755	838,946	2	15
Trench B	E5203817	686,756	838,946	2	12.1
Trench B	E5203818	686,757	838,946	2	13.5
Trench B	E5203819	686,758	838,947	2	14.4
Trench C	E5203820	686,675	838,511	1	2.14
Trench C	E5203821	686,676	838,511	1	5.04
Trench C	E5203822	686,677	838,511	1	4.17
Trench C	E5203823	686,678	838,511	1	1.05
Trench C	E5203824	686,679	838,511	1	1.15
Trench C	E5203825	686,680	838,511	1.5	4.08
Trench C	E5203826	686,681	838,510	1.5	4.67
Trench C	E5203827	686,682	838,510	1.5	0.26
Trench C	E5203828	686,683	838,510	1.5	3.86
Trench D	E5203830	686,809	839,219	1.5	2.81
Trench D	E5203831	686,810	839,219	1.5	3.25
Trench D	E5203832	686,811	839,219	1.5	1.8
Trench D	E5203833	686,812	839,219	1.5	5.84
Trench D	E5203834	686,813	839,219	1.5	7.91
Trench D	E5203835	686,814	839,219	1.5	19.7
Trench D	E5203836	686,815	839,219	1.5	11.7
Trench D	E5203837	686,816	839,219	1.5	0.96

***BNS :** *"Below Natural Surface"*

Flake Size distribution:

Initial screening testwork performed on selected grab and trench samples from the project area returned very encouraging results as shown in Table 2 below:

The graphitic carbon content is that of a simple concentration of graphite – prior to any secondary upgrading (re-grinding) of the graphite material.

Table 2: Summary of initial screening test work on Toamasina Project graphite flake

Flake Size	Flake Description	Flake Distribution %	Graphitic Carbon Content %
+20 Mesh /+ 841 Microns	Jumbo	13.70%	97.90%
+30 Mesh / +595 Microns	Jumbo	1.90%	n/a
+50 Mesh / +297 Microns	Jumbo	40.00%	96.70%
+70 Mesh / +210 Microns	Large	6.90%	91.30%
+100 Mesh / +149 Microns	Medium	12.90%	88.80%
+140 Mesh / +105 Microns	Small	4.20%	87.30%
-140 Mesh / -105 Microns	Small	20.40%	89.00%
Total		**100.00%**	

Terms

A LOI has been executed between Cougar and DNI.
The key the terms of the LOI are:

- Payment of AUD $100,000 that was been received by DNI.
- Subject to the preparation of a Definitive Agreement
- Payment of AUD$200,000 by March 15, 2016 or within 10 days of Cougar raising AUD$500,000.
- Complete a drilling program, a resource study and a Preliminary Economic Assessment (PEA) in accordance with NI 43-101 by June 30, 2017
- Cougar to make payment on behalf of the vendor of USD 150,000 on June 12, 2017 unless Cougar has withdrawn from the agreement by April 12, 2017.
- Upon the conclusion of the PEA one of the four following scenarios will eventuate
    - A 50/50 Joint Venture shall be formed should DNI secure offtake agreements allowing the construction of a 10,000 tpa plant failing which
    - Cougar shall acquire 100% of the Project by payment of AUD 2.5M to the vendor failing which
    - The Vendor shall acquire Cougar's interest by payment to Cougar of AUD 2.5M or
    - Cougar shall retain a 49% interest in the project.

A formal agreement will be prepared to document the terms of the LOI.

Cougar Metals

The Company also operates a mineral drilling business in Brazil providing surface diamond, reverse circulation and RAB drilling services to the Brazilian mineral resource industry. The Company currently operates a fleet of 9 rigs.

In August 2016, Cougar executed a LOI to acquire an 85% interest in the Ceara Lithium Project, located in north-eastern Brazil. The Project comprises 35 tenements (granted and applications) with an area of ~60,000Ha covering the historical lithium mining centre at Solonopole and an area encompassing the Cristal pegmatite swarm.

In addition, Cougar holds an option to acquire a 51% undivided interest in the Shoal Lake Gold East Project, located in the Shoal Lake region of Ontario, Canada; an area containing a number of past gold producers and significant exploration results. Work on the Project is suspended pending the Project vendor complying with arbitration orders.

In Australia, the Company holds the laterite nickel and cobalt mineral rights to the Pyke Hill prospect located 40km east of the Murrin Murrin Nickel operations in Western Australia. The prospect contains a Measured and Indicated Resources of 14.7mt @ 0.9% Ni and 0.06% Co. (March 2008).

Brian Howlett has resigned as interim CFO, to pursue other opportunities. Dan Weir will take the position as interim CFO, until a replacement has been found. DNI would like to thank Brian for all his support, and wish him well in his future endeavors.

DNI – Canadian Securities Exchange
DG7N – Frankfurt
DMNKF - OTC
Issued: 39,724,204

For further information, contact:
DNI Metals Inc. – Dan Weir, CEO 416-595-1195
DanWeir@dnimetals.com
Also visit www.dnimetals.com

Attawapiskat Property, Ontario

The Company continues to retain its interest in the Attawapiskat Property although its accumulated expenditures on the property
were written off as at March 31, 2012, and no further expenditures are being incurred by DNI, due to the lack of definitive metrics on which to base a value on the Company's interest. The Property has been explored for diamonds, at no cost to DNI by Kel-Ex Development Ltd, pursuant to a January 27, 2003 option agreement. In June 2010 a drill program was commenced, however no results have been announced and there has since been no further work on the Property by Kel-Ex.

Clifton Gold Hill Royalty, Utah

DNI established a joint venture in 2002 with Clifton Mining Company Ltd. and affiliate Woodman Mining Company to explore mineral properties throughout the Clifton-GoldHill Mining District under DNI's operatorship. DNI actively explored the Utah Properties from 2002 to 2008. In July 2009 DNI concluded the sale of all of its rights and interests in the Utah Properties to Clifton Mining

Company for US$255,000 and a 0.5% net smelter return royalty against future production proceeds from the Cane Springs Property and from 21 of the claims optioned from IMM Dworkin. On October 10, 2014, Clifton announced that that production had begun at Kiewit, and the Company received its first royalty payment in February 2015. Royalty payments are now expected to be received by DNI on a regular basis.

Instruction: Include the business of subsidiaries only insofar as is necessary to explain the character and development of the business conducted by the combined enterprise.

3.2 Disclose:

(1) (a) any significant acquisition completed by the Issuer or any significant probable acquisition proposed by the Issuer, for which financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* if this Listing Statement were a prospectus; and

No, not in 2016

(b) any significant disposition completed by the Issuer during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* if this Listing Statement were a prospectus.

Yes, 1. LOI, earn-in agreement for the Madagascar property.
2. LOI, Sale of the Alberta Project.

(2) Under paragraph (1) include particulars of

(a) the nature of the assets acquired or disposed of or to be acquired or disposed of:

Mining

(b) the actual or proposed date of each significant acquisition or significant disposition;

LOI's in place, moving toward Definitive Agreemnts, see press releases above.
Madagascar Dec. 16, 2016
Alberta Dec. 23, 2016

(c) the consideration, both monetary and non-monetary paid, or to be paid, to or by the Issuer;

1. Up to $4.5 million
2. $1 million

(d) any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;

Madagascar, one last payment of U$150,000 due June 12, 2017. – Cougar to pay as per LOI dated Dec. 16, 2016
Alberta – none.

(e) the effect of the significant acquisition or significant disposition on the operating results and financial position of the Issuer;

No.

(f) any valuation opinion obtained within the last 12 months required under Canadian securities legislation, a directive of a Canadian securities regulatory authority, or a requirement of a Canadian stock exchange or other Canadian market to support the value of the consideration received or paid by the Issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets; and

No

(g) whether the transaction is with a Related Party of the Issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the Issuer.

No

3.3 Discuss any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition or results of operations, providing forward-looking information based on the Issuer's expectations as of the date of the Listing Statement.

No

Instruction: Issuers are encouraged, but not required, to supply other forward-looking information. Optional forward-looking disclosure involves anticipating a future trend or event or anticipating a less predictable effect of a known event, trend or uncertainty. This other forward-looking information is to be distinguished from presently-known information that is reasonably expected to have a material effect on future operating results, such as known future increases in costs of labour or materials, which information is required to be disclosed.

4 Narrative Description of the Business

4.1 General

(1) Describe the business of the Issuer with reference to the reportable operating segments as defined in the Handbook and the Issuer's business in general. Include the following for each reportable operating segment of the Issuer:

Mineral exploration / Mining

(a) state the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period;

1. potential purchase of Metallurgical Lab
2. complete drill program and NI-43-101 resource report in Madagascar
3. complete PEA for Graphite project in Madagascar

(b) describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event;

1. Lab - $4 million transaction, plus $1 for working capital, $1.25 VTB, $1.75 million mortgage, balance of $2 million to raise, by Dec. 15, 2015
2. Madagascar – Drill/ Resource/ PEA – Cougar to pay as per LOI dated Dec 16, 2016, approximately C$1.5 million in value.

(c) disclose the total funds available to the Issuer and the following breakdown of those funds:

(i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Listing Statement, and

Approximately negative working capital of $800,000

(ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b); and

The LOI's will clean up the negative working capital, and move the project forward. Potential Capital raises will supply capital needed to purchase the Lab.

(d) describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.
Answered in (a,b,c)

Instruction:

(1) The description of the Issuer's business objectives should also provide the context for the description of the milestones which are required to be disclosed. For example, one business objective of an Issuer may be to commence marketing and licencing technology nationally through direct sales and a network of agents; a milestone may be to conduct four feasibility studies over the next ten months to facilitate marketing of the technology, with an anticipated cost of $X for the studies.

(2) For the purposes of paragraph (1)(b), examples of significant events would include the hiring of key personnel, making major capital acquisitions, obtaining necessary regulatory approvals, implementing marketing plans and strategies and commencing production and sales.

(2) For principal products or services describe:

a) the methods of their distribution and their principal markets;

Graphite:

Brazil Wholesale – DNI buys Graphite in Brazil and ships it to the end customers, and collects a spread.

Madagascar: If we build a processing facility DNI will sell graphite to existing customers.

Lab:
The lab will be used to develop DNI's existing mining projects and if additional Space is available, allow for contracting to outside companies.

b) as dollar amounts or as percentages, for each of the two most recently completed financial years, the revenues for each category of principal products or services that accounted for 15 per cent or more of total consolidated revenues for the applicable financial year derived from:

Approximately C$200,000 for 2016

(i) sales or transfers to joint ventures in which your company is a participant or to entities in which your company has an investment accounted for by the equity method,

N/A DNI currently, 2017 potential:

1. Madagascar LOI – Cougar Metals
2. Alberta LOI – Sale to Bullrun – Shares in New Pubco.
3. Lab – Purchase or Joint Venture

(ii) sales to customers, other than those referred to in clause (i), outside the consolidated entity,

Graphite wholesale

(iii) sales or transfers to controlling shareholders; and

N/A

(iv) sales or transfers to investees.

N/A

c) if not fully developed, the stage of development of the principal products or services and, if the products are not at the commercial production stage,

(i) the timing and stage of research and development programs,
Alberta – needs processing work. 2-3 years of research
Madagascar – PAE to be completed by June 30, 2017

(ii) the major components of the proposed programs, including an estimate of anticipated costs,
PEA – Cougar Metals responsibility as per LOI to complete PEA by June 30, 2017 – Approximately C$1.5 million cost.

(iii) whether the Issuer is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and
Combination

(iv) the additional steps required to reach commercial production and an estimate of costs and timing.
Alberta – C$3.1 billion as per 2013 PEA (note: needs updating to 2017 metal prices)
Madagascar – needs NI-43-101 PEA, to be completed by June 30, 2017 as per LOI with Cougar Metals.

(3) Concerning production and sales, disclose:

a) the actual or proposed method of production of products and if the Issuer provides services, the actual or proposed method of providing services;
Alberta – To be determined
Madagascar-Mining, Production Facility
PRO-Services, existing clients, our own use for DNI's current projects

b) the payment terms, expiration dates and terms of any renewal options of any material leases or mortgages, whether they are in good standing and, if applicable, that the landlord or mortgagee is a Related Person of the Issuer;
Alberta-no payments, assessment work completed until 2020
Madagascar-1 more payment on June 12, 2017 (U$150,000) Cougar responsibility as per LOI.

c) specialized skill and knowledge requirements and the extent that the skill and knowledge are available to the Issuer;
Yes, have all skills needed.

d) the sources, pricing and availability of raw materials, component parts or finished products;
Brazil-wholesale, graphite sourced from 2 producers. Many different specs and prices.

e) the importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks;
N/A

f) the extent to which the business of the segment is cyclical or seasonal;
N/A

g) a description of any aspect of the Issuer's business that may be affected in the 12 months following the date of the Listing Statement by renegotiation or termination of contracts or sub-contracts and the likely effect;

Convert LOI's to Definitive agreements.

h) the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Issuer in the current financial year and the expected effect, on future years;

None indicated, but DNI's Monitors

i) the number of employees, as at the most recent financial year end or as an average over that year, whichever is more relevant;

None, all contractors

18 at acquisition target (Lab), DNI has 2 consultants

j) any risks associated with foreign operations of the Issuer and any dependence of the segments upon the foreign operations;

DNI owns mining claims in Madagascar.

k) a description of any contract upon which your company's business is substantially dependent, such as a contract to sell the major part of your company's products or services or to purchase the major part of your company's requirements for goods, services or raw materials, or any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which your company's business depends;

Madagascar – See Cougar LOI

l) a description of any aspect of your company's business that you reasonably expect to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts, and the likely effect.

No

(4) Describe the competitive conditions in the principal markets and geographic areas in which the Issuer operates, including, if reasonably possible, an assessment of the Issuer's competitive position.

Alberta – none
Madagascar – Other small producers, Note: trying to buy product from them.
PRO- one other major Lab, SGS Lakefield

(5) With respect to lending operations of an Issuer's business, describe the investment policies and lending and investment restrictions.

N/A

(6) Disclose the nature and results of any bankruptcy, or any receivership or similar proceedings against the Issuer or any of its subsidiaries or any voluntary

bankruptcy, receivership or similar proceedings by the Issuer or any of its subsidiaries, within the three most recently completed financial years or the current financial year.

None

(7) Disclose the nature and results of any material restructuring transaction of the Issuer within the three most recently completed financial years or completed during or proposed for the current financial year.

Roll Back (1 for 10) of common shares Nov. 2014

(8) If the Issuer has implemented social or environmental policies that are fundamental to the Issuer's operations, such as policies regarding the Issuer's relationship with the environment or with the communities in which the Issuer does business, or human rights policies, describe them and the steps the Issuer has taken to implement them.

Madagascar – will implement in 2017 or 2018

Instruction:

(1) The Issuer's stated business objectives must not include any prospective financial information with respect to sales, whether expressed in terms of dollars or units, unless the information is derived from future-oriented financial information issued in accordance with National Instrument 51-102 Continuous Disclosure Obligations or any successor instrument and is included in the Listing Statement.

(2) Where sales performance is considered to be an important objective, it must be stated in general terms. For example, the Issuer may state that it anticipates generating sufficient cash flow from sales to pay its operating cost for a specified period.

Companies with Asset-backed Securities Outstanding

4.2 In respect of any outstanding asset-backed securities, disclose the following information:

N/A

4.3 For Issuers with a mineral project, disclose and insert here the information required by Appendix A for each property material to the Issuer.

Alberta- Buckton Deposit
- -Polymetallic deposit
- -Complete PEA, in Dec. 2013 full NI43-101
- -Value of $6.8 million on balance sheet
- -mining claims 100% owned by DNI, no royalties

Utah-Gold Royalty
- -.05% royalty
- -no ownership of claims
- -Value of $170,963 on the balance sheet
- -no NI43-101

Madagascar
- -Graphite Deposit

-no NI43101 reports, will complete in H1, 2016
-2016 Budget $1 million
-Book value $964, 641

Complete descriptions in Appendix A

Instructions:

(1) Disclosure regarding mineral exploration development or production activities on material properties is required to comply with National Instrument 43-101, including the use of the appropriate terminology to describe mineral reserves and mineral resources.

(2) Disclosure is required for each property material to the Issuer. Materiality is to be determined in the context of the Issuer's overall business and financial condition, taking into account quantitative and qualitative factors. A property will not generally be considered material to an Issuer if the book value of the property as reflected in the Issuer's most recently filed financial statements or the value of the consideration paid or to be paid (including exploration obligations) is less than 10 per cent of the book value of the total of the Issuer's mineral properties and related plant and equipment.

(3) The information required under these items is required to be based upon a technical report or other information prepared by or under the supervision of a qualified person, as that term is defined in National Instrument 43-101.

(4) In giving the information required under these items, include the nature of ownership interests, such as fee interests, leasehold interests, royalty interests and any other types and variations of ownership interests.

4.4 For Issuers with Oil and Gas Operations disclose and insert here the information required by Appendix B (in tabular form, if appropriate).

Instruction: The information required under this item shall be derived from or supported by information obtained from a report prepared in accordance with the provisions of National Instrument 51-101 or any successor instrument.

5. Selected Consolidated Financial Information

5.1 Annual Information — Provide the following financial data for the Issuer in summary form for each of the last three completed financial years and any period subsequent to the most recent financial year end for which financial statements have been prepared, accompanied by a discussion of the factors affecting the comparability of the data, including discontinued operations, changes in accounting policies, significant acquisitions or significant dispositions and major changes in the direction of the Issuer's business:

(a) net sales or total revenues;

DNIinsignificant amounts for 2013-2015

Approximately C$200,000 in 2016

(b) income from continuing operations, in total and on a per share basis and fully diluted per share basis, calculated in accordance with the Handbook;

2015 N/A

At end of Q2 – ending September 30, 2016

(c) net income or loss, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook;

2015 N/A

2016 projected $1-2 million

(d) total assets;

as per financials dated September 30, 2016

DNI - $8,660,202.00

	As at Sept. 30, 2016	As at March 31, 2016
	$	$
ASSETS		
Current assets		
Cash	7,216	12,832
Taxes	35,743	88,487
Receivables	129,504	
Prepaid expenses	8,451	7,027
Total current assets	180,914	108,346
Equipment (Note 4)	1,919	2,169
Exploration and evaluation properties (Note 5)	8,269,336	8,181,344
Gold royalty asset (Note 6)	158,033	161,436
Other long-term asset (Note 7)	50,000	50,000
Total assets	8,660,202	8,503,295

(e) total long-term financial liabilities as defined in the Handbook;

None currently

(f) cash dividends declared per share for each class of share; and

N/A

(g) such other information as would enhance an investor's understanding of the Issuer's financial condition and results of operations and would highlight other trends in financial condition and results of operations.

With acquisition of PRO we will add to our cash flow.

We hope to have Madagascar in production in 2018 or 2019.

5.2 Quarterly Information — For each of the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs (a), (b) and (b) of Section 5.1.

Most recent quarter Q2 for period ending September 30, 2016 attached , the rest are on Sedar.

Instruction:

(1) For an Issuer that has not been a reporting issuer for the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs (a), (b) and (c) of Section 5.1 for the period that the Issuer was not a reporting issuer only if the Issuer has prepared quarterly financial statements for that period.

(2) If the Issuer is only required to file six month interim financial statements, the information required under paragraph (1) may instead be provided for each of the four most recently completed six month periods ended at the end of the most recently completed financial year for which financial statements have been prepared.

5.3 Dividends – disclose:

(a) any restriction that could prevent the Issuer from paying dividends; and

No

(b) the Issuer's dividend policy and, if a decision has been made to change the dividend policy, the intended change in dividend policy.

No

5.4 Foreign GAAP — An Issuer may present the selected consolidated financial information required in this section on the basis of foreign GAAP if:

(a) the Issuer's primary financial statements have been prepared using foreign GAAP; and

NO

(b) if the Issuer is required under applicable securities legislation to have reconciled its financial statements to Canadian GAAP at the time of filing its financial statements or the Issuer has otherwise done so, a cross reference to the notes to the financial statements containing the reconciliation of the financial statements to Canadian GAAP is included.

N/A

Instruction:

(1) If financial information that is included in the summary is derived from financial statements included in the Listing Statement, but the financial information is neither directly presented in, nor readily determinable from, the financial statements, include a reconciliation to the financial statements in notes.

(2) If financial information that is included in the listing statement is derived from financial statements that are not included in the Listing Statement, indicate in the lead-in to the summary the source from which the information is extracted, the percentage interest that the Issuer has in the person or company, the GAAP principles used, the name of the auditors, the date of the report, and the nature of the opinion expressed.

(3) The derivation of ratios included in the Listing Statement in notes should be disclosed in notes to the Listing Statement.

(4) Information included in the Listing Statement should be presented in a manner that is consistent with the intent of Canadian accounting recommendations and practices (e.g., cash flow data should not be interspersed with amounts from an income statement in a manner which suggests that cash flow data has been or should be presented in an income statement, and cash flow data should not be presented in a manner that appears to give it prominence equal to or greater than earnings data).

6. Management's Discussion and Analysis

See attached at the end of the document.

General Instructions and Interpretation

Provide MD&A for the most recent annual financial statements filed with the application for listing (or filed since the last update of the listing statement, and interim MD&A for each interim financial statement filed with the application for listing (or filed since the last update of the quotation statement). The first interim MD&A will update the annual MD&A, and each subsequent interim MD&A will update the previous interim MD&A. If the Issuer includes annual income statements, statements of retained earnings, and cash flow statements for three financial years under Section 5, provide MD&A for the second most recent annual financial statements of the Issuer.
What is MD&A? — MD&A is a narrative explanation, through the eyes of management, of how an Issuer performed during the period covered by the financial statements, and of an Issuer's financial condition and future prospects. MD&A complements and supplements your financial statements, but does not form part of your financial statements. Management's objective when preparing the MD&A should be to improve the Issuer's overall financial disclosure by giving a balanced discussion of the Issuer's results of operations and financial condition including, without limitation, such considerations as liquidity and capital resources - openly reporting bad news as well as good news.

MD&A should help current and prospective investors understand what the financial statements show and do not show; discuss material information that may not be fully reflected in the financial statements, such as contingent liabilities, defaults under debt, off-balance sheet financing arrangements, or other contractual obligations; discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in the future; and provide information about the quality, and potential variability, of the Issuer's earnings and cash flow, to assist investors in determining if past performance is indicative of future performance.

Date of Information — In preparing the MD&A, management must take into account information available up to the date of the MD&A. If the date of the MD&A is not the date it is filed, management must ensure the disclosure in the MD&A is current so that it will not be misleading when it is filed.

Explain the Analysis — Explain the nature of, and reasons for, changes in the Issuer's performance. Do not simply disclose the amount of change in a financial statement item from period to period. Avoid using boilerplate language. The discussion should assist the reader to understand trends, events, transactions and expenditures.

Focus on Material Information —Management does not need to disclose information that is not material. Exercise judgment when determining whether information is material.

What is Material? — Would a reasonable investor's decision whether or not to buy, sell or hold the Issuer's securities likely be influenced or changed if the information in question was omitted or

misstated? If so, the information is likely material. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.

Forward-Looking Information — Management is encouraged to provide forward-looking information if it has a reasonable basis for making the statements. Preparing MD&A necessarily involves some degree of prediction or projection. For example, MD&A requires a discussion of known trends or uncertainties that are reasonably likely to affect the Issuer's business. However, MD&A does not require that the Issuer provide a detailed forecast of future revenues, income or loss or other information. All forward-looking information must contain a statement that the information is forward-looking, a description of the factors that may cause actual results to differ materially from the forward-looking information, management's material assumptions and appropriate risk disclosure and cautionary language.

The MD&A must discuss any forward-looking information disclosed in MD&A for a prior period which, in light of intervening events and absent further explanation, may be misleading. Forward looking statements may be considered misleading when they are unreasonably optimistic or aggressive, or lack objectivity, or are not adequately explained. Timely disclosure obligations might also require the Issuer to issue a news release and file a material change report.

Issuers Without Significant Revenues — If the Issuer is without significant revenues from operations, focus the discussion and analysis of results of operations on expenditures and progress towards achieving management's business objectives and milestones.

Reverse Takeover Transactions — When an acquisition is accounted for as a reverse takeover, the MD&A should be based on the reverse takeover acquirer's financial statements.

Foreign Accounting Principles — If the Issuer's primary financial statements have been prepared using accounting principles other than Canadian GAAP and a reconciliation is provided, the MD&A must focus on the primary financial statements.

Resource Issuers — If the Issuer has mineral projects, the disclosure must comply with National Instrument 43-101 Standards of Disclosure for Mineral Projects, including the requirement that all scientific and technical disclosure be based on a technical report or other information prepared by or under the supervision of a qualified person. If the Issuer has oil and gas activities, the disclosure must comply with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

US issuers –

(1) If the Issuer is a US issuer, for any MD&A that is included in the Listing Statement, include the disclosure prepared in accordance with subsection (2) if the Issuer:

(a) has based the discussion in the MD&A on financial statements prepared in accordance with U.S. GAAP, and

(b) is required by subsection 4.1(1) of NI 52-107 to provide a reconciliation to Canadian GAAP.

(2) In the disclosure required under subsection (1) restate, based on financial information of the Issuer prepared in accordance with, or reconciled to, Canadian GAAP, those parts of the MD&A that are based on financial statements of the Issuer prepared in accordance with U.S. GAAP, and would contain material differences if they were based on financial statements of the Issuer prepared in accordance with Canadian GAAP.

Annual MD&A

See attached at the end of the document.

6.1 Date - Specify the date of the MD&A. The date of the MD&A must be no earlier than the date of the auditor's report on the financial statements for the Issuer's most recently completed financial year.

Year end March 31, 2016 – MD&A filed Feb. 28, 2016
Q2 ending September 30, 2016 – MD&A filed Nov. 28, 2016

6.2 Overall Performance - Provide an analysis of the Issuer's financial condition, results of operations and cash flows. Discuss known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on the Issuer's business. Compare the Issuer's performance in the most recently completed financial year to the prior year's performance. The analysis should address at least the following:

(a) operating segments that are reportable segments as those terms are used in the Handbook;

N/A

(b) other parts of the business if

(i) they have a disproportionate effect on revenues, income or cash needs, or

N/A

(ii) there are any legal or other restrictions on the flow of funds from one part of the Issuer's business to another;

No

(c) industry and economic factors affecting the Issuer's performance;

Difficult markets, lack of capital

(d) why changes have occurred or expected changes have not occurred in the Issuer's financial condition and results of operations; and

Completing acquisition and raising money now

(e) the effect of discontinued operations on current operations.

None

Instruction:

(1) When explaining changes in the Issuer's financial condition and results, include an analysis of the effect on the Issuer's continuing operations of any acquisition, disposition, write-off, abandonment or other similar transaction.

(2) Financial condition includes the Issuer's financial position (as shown on the balance sheet) and other factors that may affect the Issuer's liquidity and capital resources.
(3) Include information for a period longer than one financial year if it will help the reader to better understand a trend.

Selected Annual Financial Information

6.3 Provide the following financial data derived from the Issuer's financial statements for each of the three most recently completed financial years:

(a) net sales or total revenues;

2016 approximately C$200,000.00

(b) income or loss before discontinued operations and extraordinary items, in total and on a per-share and diluted per-share basis;

N/A

(c) net income or loss, in total and on a per-share and diluted per-share basis;
DNI

2013-loss of $798,245 or $.11 per share

2014-loss of $423,654 or $.06 per share

2015-loss of $942,090 or $.10 per share

2016-loss of $972,216 or $.04 per share

(c) total assets;

DNI - 2013-$7.8 million

2014-$7.4 million

2015-$7.1 million

2016-$8.5 million

Note: main asset Alberta is being sold as Per LOI, at less than book value.

(d) total long-term financial liabilities; and

N/A

(e) cash dividends declared per-share for each class of share.

N/A

6.4 Variations - Discuss the factors that have caused period to period variations including discontinued operations, changes in accounting policies, significant acquisitions or dispositions and changes in the direction of the Issuer's business, and any other information the Issuer believes would enhance an understanding of, and would highlight trends in, financial condition and results of operations.

In November 2014, a new management team started at DNI Metals. With the focus continued focus on industrials metals. Its main focus is the graphite space. DNI has secured a supply of graphite from Brazil and purchased mining claims in Madagascar.

The acquisition of PRO vertically integrates the Graphite business.

DNI financial statements prepared in accordance with Canadian GAAP.

Instruction: Indicate the accounting principles that the financial data has been prepared in accordance with, the reporting currency, the measurement currency if different from the reporting currency and, if the underlying financial statements have been reconciled to Canadian GAAP, provide a cross-reference to the reconciliation that is found in the notes to the financial statements.

6.5 Results of Operations - Discuss management's analysis of the Issuer's operations for the most recently completed financial year, including:

(a) net sales or total revenues by operating business segment, including any changes in such amounts caused by selling prices, volume or quantity of goods or services being sold, or the introduction of new products or services;

N/A

(b) any other significant factors that caused changes in net sales or total revenues;

N/A

(c) cost of sales or gross profit;

N/A

(d) for Issuers that have significant projects that have not yet generated operating revenue, describe each project, including the Issuer's plan for the project and the status of the project relative to that plan, and expenditures made and how these relate to anticipated timing and costs to take the project to the next stage of the project plan;

Madagascar – See Cougar LOI -NI43-101 resource and PEA see MD&A

(e) for resource Issuers with producing mines, identify milestones such as mine expansion plans, productivity improvements, or plans to develop a new deposit;

N/A

(f) factors that caused a change in the relationship between costs and revenues, including changes in costs of labour or materials, price changes or inventory adjustments;

N/A

(g) commitments, events, risks or uncertainties that you reasonably believe will materially affect the Issuer's future performance including net sales, total revenue and income or loss before discontinued operations and extraordinary items;

N/A

(h) effect of inflation and specific price changes on the Issuer's net sales and total revenues and on income or loss before discontinued operations and extraordinary items;

N/A

(i) a comparison in tabular form of disclosure you previously made about how the Issuer was going to use proceeds (other than working capital) from any financing, an explanation of variances and the impact of the variances, if any, on the Issuer's ability to achieve its business objectives and milestones; and

N/A

(j) unusual or infrequent events or transactions.

N/A

Instruction: The discussion under Item 6.5(d) should include:

a) whether or not management plans to expend additional funds on the project; and
b) any factors that have affected the value of the project(s) such as change in commodity prices, land use or political or environmental issues.

6.6 Summary of Quarterly Results - Provide the following information in summary form, derived from the Issuer's financial statements, for each of the eight most recently completed quarters:

(a) net sales or total revenues;

Q2 -ending September 2016 – 6 months C$150,075.00

See Sedar for all other info.

(b) income or loss before discontinued operations and extraordinary items, in total and on a per-share and diluted per-share basis; and

N/A

(c) net income or loss, in total and on a per-share and diluted per-share basis.

Q2 -ending September 2016 –
3 months loss C$69,346.00 or $0.00 per share
6 months loss C$291,001.00 or $0.01 per share

Discuss the factors that have caused variations over the quarters necessary to understand general trends that have developed and the seasonality of the business.

N/A

Instruction:

(1) The most recently completed quarter is the quarter that ended on the last day of your most recently completed financial year. Information does not have to be provided for a quarter prior to the Issuer becoming a reporting issuer if the Issuer has not prepared financial statements for those quarters.

(2) For sections 6.2, 6.3, 6.4 and 6.5 consider identifying, discussing and analyzing the following factors:

a) changes in customer buying patterns, including changes due to new technologies and changes in demographics;
b) changes in selling practices, including changes due to new distribution arrangements or a reorganization of a direct sales force;
c) changes in competition, including an assessment of the Issuer's resources, strengths and weaknesses relative to those of its competitors;
d) the effect of exchange rates;
e) changes in pricing of inputs, constraints on supply, order backlog, or other input-related matters;
f) changes in production capacity, including changes due to plant closures and work stoppages;
g) changes in volume of discounts granted to customers, volumes of returns and allowances, excise and other taxes or other amounts reflected on a net basis against revenues;
h) changes in the terms and conditions of service contracts;
i) the progress in achieving previously announced milestones; and
j) for resource Issuers with producing mines, identify changes to cash flow caused by changes in production throughput, head-grade, cut-off grade, metallurgical recovery and any expectation of future changes.

(3) Indicate the accounting principles that the financial data has been prepared in accordance with, the reporting currency, the measurement currency if different from the reporting currency and, if the underlying financial statements have been reconciled to Canadian GAAP, provide a cross-reference to the reconciliation that is found in the notes to the financial statements.

6.7 Liquidity - Provide an analysis of the Issuer's liquidity, including:

(a) its ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to maintain the Issuer's capacity, to meet the Issuer's planned growth or to fund development activities;

Funding Requirements

In order to continue advancing its projects toward full development, the Company will require additional financing. While the Company has been able to rely on its ability to obtain financing in public or privately negotiated equity offerings, there is no assurance that such financing will be available when required, or under terms that are favorable to the Company. The Company may also pursue other options such as the exploration and development of mineral properties through joint-venture participation.

(b) trends or expected fluctuations in the Issuer's liquidity, taking into account demands, commitments, events or uncertainties;

No

(c) its working capital requirements;

$1 million for working capital

(d) liquidity risks associated with financial instruments;

No.

(e) if the Issuer has or expects to have a working capital deficiency, discuss its ability to meet obligations as they become due and how you expect it to remedy the deficiency;
Raise equity

(f) balance sheet conditions or income or cash flow items that may affect the Issuer's liquidity;
No.

(g) legal or practical restrictions on the ability of subsidiaries to transfer funds to the Issuer and the effect these restrictions have had or may have on the ability of the Issuer to meet its obligations; and
No

(h) defaults or arrears or anticipated defaults or arrears on
No.

(i) dividend payments, lease payments, interest or principal payment on debt,
(ii) debt covenants during the most recently completed financial year, and
(iii) redemption or retraction or sinking fund payments; and

(i) details on how the Issuer intends to cure the default or arrears.

Instruction:

(1) In discussing the Issuer's ability to generate sufficient amounts of cash and cash equivalents, describe sources of funding and the circumstances that could affect those sources that are reasonably likely to occur. Examples of circumstances that could affect liquidity are market or commodity price changes, economic downturns, defaults on guarantees and contractions of operations.

(2) In discussing trends or expected fluctuations in the Issuer's liquidity and liquidity risks associated with financial instruments, discuss
(a) provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment (examples of such situations are provisions linked to credit rating, earnings, cash flows or share price); and
(b) circumstances that could impair the Issuer's ability to undertake transaction considered essential to operations. Examples of such circumstances are the inability to maintain investment grade credit rating, earnings per-share, cash flow or share price.

(3) In discussing the Issuer's working capital requirements, discuss situations where the Issuer must maintain significant inventory to meet customers' delivery requirements or any situations involving extended payment terms.

(4) In discussing the Issuer's balance sheet conditions or income or cash flow items consider a summary, in tabular form, of contractual obligations including payments due for each of the next five years and thereafter. This summary and table is not, however, mandatory. An example of a table that can be adapted to the Issuer's particular circumstances follows:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Long Term Debt					
Capital Lease Obligations					
Operating Leases					
Purchase Obligations[1]					
Other Long Term Obligations [2]					
Total Contractual Obligations					

[1] "Purchase Obligation" means an agreement to purchase goods or services that is enforceable and legally binding on the Issuer that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

[2] "Other Long Term Obligations" means other long-term liabilities reflected on the Issuer's balance sheet.

The tabular presentation may be accompanied by footnotes to describe provisions that create, increase or accelerate obligations, or other details to the extent necessary for an understanding of the timing and amount of the Issuer's specified contractual obligations.

6.8 Capital Resources - Provide an analysis of the Issuer's capital resources, including

(a) commitments for capital expenditures as of the date of the Issuer's financial statements including:

(i) the amount, nature and purpose of these commitments,
N/A

(ii) the expected source of funds to meet these commitments, and
N/A

(iii) expenditures not yet committed but required to maintain the Issuer's capacity, to meet the Issuer's planned growth or to fund development activities;

U$150,000 payment due to optionor in June 2017, see LOI with cougar metals (Cougar responsibility)

(b) known trends or expected fluctuations in the Issuer's capital resources, including expected changes in the mix and relative cost of these resources; and
N/A

(c) sources of financing that the Issuer has arranged but not yet used.
N/A

Instruction:

(1) Capital resources are financing resources available to the Issuer and include debt, equity and any other financing arrangements that management reasonably considers will provide financial resources to the Issuer.

(2) In discussing the Issuer's commitments management should discuss any exploration and development, or research and development expenditures required to maintain properties or agreements in good standing.

6.9 Off-Balance Sheet Arrangements - Discuss any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future

effect on the results of operations or financial condition of the Issuer including, without limitation, such considerations as liquidity and capital resources. This discussion shall include their business purpose and activities, their economic substance, risks associated with the arrangements, and the key terms and conditions associated with any commitments, including:

N/A

(a) a description of the other contracting part(ies);

(b) the effects of terminating the arrangement;

(c) the amounts receivable or payable, revenues, expenses and cash flows resulting from the arrangement;

(d) the nature and amounts of any other obligations or liabilities arising from the arrangement that could require the Issuer to provide funding under the arrangement and the triggering events or circumstances that could cause them to arise; and

(e) any known event, commitment, trend or uncertainty that may affect the availability or benefits of the arrangement (including any termination) and the course of action that management has taken, or proposes to take, in response to any such circumstances.

Instruction:

(1) Off-balance sheet arrangements include any contractual arrangement with an entity not reported on a consolidated basis with the Issuer, under which the Issuer has
   (a) any obligation under certain guarantee contracts;
   (b) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for the assets;
   (c) any obligation under certain derivative instruments; or
   (d) any obligation under a material variable interest held by the Issuer in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Issuer, or engages in leasing, hedging or, research and development services with the Issuer.

(2) Contingent liabilities arising out of litigation, arbitration or regulatory actions are not considered to be off-balance sheet arrangements.

(3) Disclosure of off-balance sheet arrangements should cover the most recently completed financial year. However, the discussion should address changes from the previous year where such discussion is necessary to understand the disclosure.

(4) The discussion need not repeat information provided in the notes to the financial statements if the discussion clearly cross-references to specific information in the relevant notes and integrates the substance of the notes into the discussion in a manner that explains the significance of the information not included in the MD&A.

6.10 Transactions with Related Parties - Discuss all transactions involving related parties as defined by the Handbook.

N/A

Instruction: In discussing the Issuer's transactions with related parties, the discussion should include both qualitative and quantitative characteristics that are necessary for an understanding of each transaction's business purpose and economic substance. Management should discuss:

(a) the relationship and identify the related person or entities;
(b) the business purpose of the transaction;
(c) the recorded amount of the transaction and the measurement basis used; and
(d) any ongoing contractual or other commitments resulting from the transaction.

6.11 Fourth Quarter - Discuss and analyze fourth quarter events or items that affected the Issuer's financial condition, cash flows or results of operations, including extraordinary items, year-end and other adjustments, seasonal aspects of the Issuer's business and dispositions of business segments.

N/A

6.12 Proposed Transactions - Discuss the expected effect on financial condition, results of operations and cash flows of any proposed asset or business acquisition or disposition if the Issuer's board of directors, or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with the transaction. Include the status of any required shareholder or regulatory approvals.

Acquisition of PRO
Cash flow.
Has CSE approval.

6.13 Changes in Accounting Policies including Initial Adoption - Discuss and analyze any changes in the Issuer's accounting policies, including:

N/A

(a) for any accounting policies that management has adopted or expects to adopt subsequent to the end of the most recently completed financial year, including changes management has made or expects to make voluntarily and those due to a change in an accounting standard or a new accounting standard that you do not have to adopt until a future date:

(i) describe the new standard, the date the Issuer required to adopt it and, if determined, the date the Issuer plans to adopt it,

(ii) disclose the methods of adoption permitted by the accounting standard and the method management expects to use,

(iii) discuss the expected effect on the Issuer's financial statements, or if applicable, state that management cannot reasonably estimate the effect, and

(iv) discuss the potential effect on the Issuer's business, for example technical violations or default of debt covenants or changes in business practices; and

(b) for any accounting policies that management has initially adopted during the most recently completed financial year,

(i) describe the events or transactions that gave rise to the initial adoption of an accounting policy,

(ii) describe the accounting principle that has been adopted and the method of applying that principle,

(iii) discuss the effect resulting from the initial adoption of the accounting policy on the Issuer's financial condition, changes in financial condition and results of operations,

(iv) if the Issuer is permitted a choice among acceptable accounting principles,

(A) state that management made a choice among acceptable alternatives,

(B) identify the alternatives,

(C) describe why management made the choice that you did, and

(D) discuss the effect, where material, on the Issuer's financial condition, changes in financial condition and results of operations under the alternatives not chosen; and

(v) if no accounting literature exists that covers the accounting for the events or transactions giving rise to management's initial adoption of the accounting policy, explain management's decision regarding which accounting principle to use and the method of applying that principle.

Instruction: Management does not have to present the discussion under paragraph 6.13(b) for the initial adoption of accounting policies resulting from the adoption of new accounting standards.

6.14 Financial Instruments and Other Instruments - For financial instruments and other instruments:
N/A

(a) discuss the nature and extent of the Issuer's use of, including relationships among, the instruments and the business purposes that they serve;

(b) describe and analyze the risks associated with the instruments;

(c) describe how management manages the risks in paragraph (b), including a discussion of the objectives, general strategies and instruments used to manage the risks, including any hedging activities;

(d) disclose the financial statement classification and amounts of income, expenses, gains and losses associated with the instrument; and

(e) discuss the significant assumptions made in determining the fair value of financial instruments, the total amount and financial statement classification of the change in fair value of financial instruments recognized in income for the period, and the total amount and financial statement classification of deferred or unrecognized gains and losses on financial instruments.

Instruction:

(1) "Other instruments" are instruments that may be settled by the delivery of non-financial assets. A commodity futures contract is an example of an instrument that may be settled by delivery of non-financial assets.

(2) The discussion under paragraph 6.14(a) should enhance a reader's understanding of the significance of recognized and unrecognized instruments on the Issuer's financial position, results of operations and cash flows. The information should also assist a reader in assessing the amounts, timing, and certainty of future cash flows associated with those instruments. Also discuss the relationship between liability and equity components of convertible debt instruments.

(3) For purposes of paragraph 6.14(c), if the Issuer is exposed to significant price, credit or liquidity risks, consider providing a sensitivity analysis or tabular information to help readers assess the degree of exposure. For example, an analysis of the effect of a hypothetical change in the prevailing level of interest or currency rates on the fair value of financial instruments and future earnings and cash flows may be useful in describing the Issuer's exposure to price risk.

(4) For purposes of paragraph 6.14(d), disclose and explain the income, expenses, gains and losses from hedging activities separately from other activities.

Interim MD&A

6.15 Date - Specify the date of the interim MD&A.
See below, MD&A dated September 30, 2015 and Annual MD&A

6.16 Updated Disclosure - Interim MD&A must update the Issuer's annual MD&A for all disclosure required by sections 6.2 to 6.14 except sections 6.3 and 6.4. This disclosure must include:

(a) a discussion of management's analysis of

(i) current quarter and year-to-date results including a comparison of results of operations and cash flows to the corresponding periods in the previous year;

(ii) changes in results of operations and elements of income or loss that are not related to ongoing business operations;

(iii) any seasonal aspects of the Issuer's business that affect its financial condition, results of operations or cash flows; and

(b) a comparison of the Issuer's interim financial condition to the Issuer's financial condition as at the most recently completed financial year-end.

Instruction:

(1) For the purposes of paragraph (b), do not duplicate the discussion and analysis of financial condition in the annual MD&A. For example, if economic and industry factors are substantially unchanged the interim MD&A may make a statement to this effect.

(2) For the purposes of subparagraph (a)(i), you should generally give prominence to the current quarter.

(3) In discussing the Issuer's balance sheet conditions or income or cash flow items for an interim period, you do not have to present a summary, in tabular form, of all known contractual obligations contemplated under section 6.7. Instead, you should disclose material changes in the specified contractual obligations during the interim period that are outside the ordinary course of the Issuer's business.

(4) Interim MD&A is not required for the Issuer's fourth quarter as relevant fourth quarter content will be contained in the Issuer's annual MD&A.

6.17 Additional Disclosure for Issuers without Significant Revenue:

(a) unless the information is disclosed in the financial statements to which the annual or interim MD&A relates, an Issuer that has not had significant revenue from operations in either of its last two financial years must disclose a breakdown of material components of:
SEE MD&A

(i) capitalized or expensed exploration and development costs,

(ii) expensed research and development costs,

(iii) deferred development costs,

(iv) general and administration expenses, and

(v) any material costs, whether capitalized, deferred or expensed, not referred to in paragraphs (i) through (iv);

(b) if the Issuer's business primarily involves mining exploration and development, the analysis of capitalized or expensed exploration and development costs must be presented on a property-by-property basis; and

(c) the disclosure in the annual MD&A must be for the two most recently completed financial years and the disclosure in the interim MD&A for the each year-to-date interim period and the comparative period presented in the interim statements.

6.18 Description of Securities:

(a) disclose the designation and number or principal amount of:

(i) each class and series of voting or equity securities of the Issuer for

which there are securities outstanding,

39.7 million common shares outstanding

(ii) each class and series of securities of the Issuer for which there are securities outstanding if the securities are convertible into, or exercisable or exchangeable for, voting or equity securities of the Issuer, and

At September 30, 2016, the Company had stock options outstanding as follows:

Date of grant	Stock options	Exercise price	Expiry date
		$	
May 4, 2012	2,500	4.40	May 4, 2017
June 19, 2012	9,000	2.50	Jun 19, 2017
February 14, 2013	15,000	1.50	Feb 14, 2018
February 19, 2015	375,000	0.09	Feb 19, 2020
June 2, 2016	2,000,000	0.06	June 2, 2021
	2,401,500		

The weighted average remaining contractual life of options outstanding was 4.31 years at September 30, 2016 (March 31, 2016 – 2.97 years).

Warrant reserve

As part of the financings completed on May 29, 2015, June 30, 2015, July 23, 2015, January 29, 2016 and March 30, 2016, April 14, 2016, April 18, 2016, May 19, 2016 and June 2, 2016 referred to in Note 9 (a), the Company issued common share purchase warrants which are as follows:

Expiry Date	Warrants	Exercise price	Value
		$	$
November 29, 2016	2,980,507	0.20	114,906
December 31, 2016	3,219,200	0.20	108,616
January 23, 2017	200,000	0.20	8,226
July 29, 2017	2,160,000	0.10	34,491
September 30, 2017	1,657,400	0.10	27,693
October 14, 2017	4,415,840	0.10	74,773
October 18. 2017	700,000	0.10	13,006
November 19, 2017	1,490,744	0.10	25,668
Balance, September 30, 2016	16,823,691		407,379

The weighted average exercise price was $0.14 and the weighted average remaining contractual life of warrants outstanding was 0.71 years at September 30, 2016.

(iii) subject to subsection (b), each class and series of voting or equity securities of the Issuer that are issuable on the conversion, exercise or exchange of outstanding securities of the Issuer;

Fully Diluted at September 30, 2016 = 58,949,395

(b) if the exact number or principal amount of voting or equity securities of the Issuer that are issuable on the conversion, exercise or exchange of outstanding securities of the Issuer is not determinable, the Issuer must disclose the maximum number or principal amount of each class and series of voting or equity securities that are issuable on the conversion, exercise or exchange of outstanding securities of the Issuer and, if that

maximum number or principal amount is not determinable, the Issuer must describe the exchange or conversion features and the manner in which the number or principal amount of voting or equity securities will be determined; and

(c) the disclosure under subsections (a) and (b) must be prepared as of the latest practicable date.

6.18 Provide Breakdown:

(a) if the Issuer has not had significant revenue from operations in either of its last two financial years, disclose a breakdown of material components of:

(i) capitalized or expensed exploration and development costs,

Exploration and evaluation properties

Changes in the carrying value of exploration and evaluation properties are detailed below:

	March 31, 2016	Transactions	September 30 2016
	$	$	$
SBH Shales Alberta			
Acquisition	18,642	-	18,642
Exploration	6,834,906	-	6,834,906
Madagascar			
Acquisition	1,142,853	-	1,142,853
Exploration	184,943	87,992	272,935
	8,181,344	87,992	8,269,336

Gold royalty asset

Changes in the carrying value of the gold royalty asset are detailed below:

	March 31, 2016	Transactions	Sept. 30, 2016
	$	$	$
Clifton Gold Hill Royalty	161,436	(3,403)	158,033

Clifton Gold Hill Royalty, Tooele County, Utah

This consists of the Company's interest in the net smelter return royalty in the Clifton-Gold Hill and Cane Springs property. In March 2009, DNI divested its interest in the Clifton-Gold Hill Properties and its 50% earned interest in the Cane Springs Property. On July 15, 2009, DNI sold of all of its rights and interests in these properties to Clifton Mining Company for US$255,000 and a 0.5% net smelter return royalty against future production proceeds from certain claims and the Cane Springs Property. In the three months ended Sept. 30, 2016, the Company received $1,665 (June 30, 2015 - $nil) in royalty payments.

	Three months ended Sept 30,		Six months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
Operating Activities				
Net loss	(69,346)	(145,930)	(291,001)	(447,883)
Non-cash items				
Share based compensation	-	-	111,475	-
Long-term debt accretion	6,526	-	12,673	-
Foreign exchange	(1,255)	-	(5,071)	-
Amortization of equipment	125	165	250	331

	(63,950)	(145,765)	(171,674)	(447,552)
Changes in non-cash working capital	86,111	(57,614)	118,107	117,984
Cash flows from operating activities	22,160	(203,379)	(53,567)	(329,568)
Investing Activities				
Exploration and evaluation property expenditures	(33,420)	(46,506)	(87,992)	(960,302)
Gold royalty received	2,140	-	3,403	-
Cash flows from investing activities	(31,280)	(46,506)	(84,589)	(960,302)

(ii) expensed research and development costs,

N/A

(iii) deferred development costs,

N/A

(iv) general and administrative expenses, and

General and administrative expenses

The major components of general and administrative expenses are as follows:

	Six month ended September 30	
	2016	2015
	$	$
Professional fees and salaries	93,500	150,282
Business development costs	-	108,671
Regulatory costs	12,294	8,548
Legal and audit	31,182	42,312
Investor relations	21,824	39,785
Travel and accommodations	8,630	61,404
Office rent	12,000	27,174
Communications	1,146	3,387
Office supplies	475	1,932
Other expenses	7,395	4,057
	188,446	447,552

(v) any material costs, whether capitalized, deferred or expensed, not referred to in paragraphs (i) through (iv);

N/A

(b) present the analysis of capitalized or expensed exploration and

development costs required by subsection (a) on a property-by-property basis, if the Issuer's business primarily involves mining exploration and development; and

(c) provide the disclosure in subsection (a) for the following periods:

(i) the two most recently completed financial years, and

(ii) the most recent year-to-date interim period and the comparative year-to-date period presented in the interim financial statements included, if any.

Subsection (a) does not apply if the information required under that subsection has been disclosed in the financial statements.

See Sedar and CSE for financials statements

6.20 Negative cash-flow - If the Issuer had negative operating cash flow in its most recently completed financial year for which financial statements have been included, disclose:

the period of time the proceeds raised are expected to fund operations;

See press release for LOIs – DNI will be paid cash and securities.
DNI plans to raise capital in 2017.

the estimated total operating costs necessary for the Issuer to achieve its stated business objectives during that period of time; and

the estimated amount of other material capital expenditures during that period of time.

6.21 Additional disclosure for Issuers with significant equity investees:
N/A

if the Issuer has a significant equity investee

(i) summarized information as to the assets, liabilities and results of operations of the equity investee, and

(ii) the Issuer's proportionate interest in the equity investee and any contingent issuance of securities by the equity investee that might significantly affect the Issuer's share of earnings; and

provide the disclosure in subsection (a) for the following periods

(i) the two most recently completed financial years, and

(ii) the most recent year-to-date interim period and the comparative year-to-date period presented in the interim financial statements

included in the Listing Statement, if any.

Subsection (a) does not apply if:

(i) the information required under that subsection has been disclosed in the financial statements included, or

(ii) the Issuer includes separate financial statements of the equity investee for the periods referred to in subsection (b).

7. Market for Securities

7.1 Identify the exchange(s) and quotation and trade reporting system(s) on which the Issuer's securities are listed and posted for trading or quoted.

CSE symbol DNI
Frankfurt symbol DG7N
US –OTCBB symbol DMNKF

8. Consolidated Capitalization

8.1 Describe any material change in, and the effect of the material change on, the share and loan capital of the Issuer, on a consolidated basis, since the date of the comparative financial statements for the Issuer's most recently completed financial year contained in the Listing Statement.

Since Mar. 31, 2016 (year end)
See form 9 dated April 19, 2016 – 4,924,000 units issued
See form 9 dated May 19, 2016 – 1,513,000 units issued

A total of $500,000 raised in 2016 at $.05 per unit or 10 million shares/units

9. Options to Purchase Securities

9.1 State, in tabular form, as at a specified date not more than 30 days before the date of the Listing Statement, information as to options to purchase securities of the Issuer or a subsidiary of the Issuer that are held by:

(a) all executive officers and past executive officers of the Issuer as a group and all directors and past directors of the Issuer who are not also executive officers as a group, indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies, without naming them;

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors and employees of the Company as well as persons providing ongoing services to the Company. Under the plan, options to purchase an aggregate of up to 10% of the issued common shares may be granted. The exercise price of options approximates the market price of the Company's stock on the date of grant.

A summary of the status of the Company's option plan as at September 30, 2016, and the changes during the year is presented below, with the number and exercise prices reflecting the share consolidation of December 10, 2014:

	# of options	Weighted average exercise price
		$
Outstanding, March 31, 2015	992,500	0.71
Expired	(59,500)	(1.63)
Outstanding, March 31, 2015	933,000	0.65
Expired	(197,500)	2.17
Issued	2,250,000	0.06
Outstanding, June 30, 2016	2,985,500	0.10
Expired	(584,000)	0.17
Issued	-	-
Outstanding, September 30, 2016	2,401,500	0.0875

At September 30, 2016, the Company had stock options outstanding as follows:

Date of grant	Stock options	Exercise price	Expiry date
		$	
May 4, 2012	2,500	4.40	May 4, 2017
June 19, 2012	9,000	2.50	Jun 19, 2017
February 14, 2013	15,000	1.50	Feb 14, 2018
February 19, 2015	375,000	0.09	Feb 19, 2020
June 2, 2016	2,000,000	0.06	June 2, 2021
	2,401,500		

The weighted average remaining contractual life of options outstanding was 4.31 years at September 30, 2016 (March 31, 2016 – 2.97 years).

The Company issued 2,250,000 stock options the six month period ended September 30, 2016. The options vested immediately. Those options had an estimated grant date fair value of $111,475 using the Black Scholes option pricing model. This model used an expected dividend yield of 0%, expected volatility of 180%, a risk free interest yield of 0.60% and an expected life of 5 years.

(b) all executive officers and past executive officers of all subsidiaries of the Issuer as a group and all directors and past directors of those subsidiaries who are not also executive officers of the subsidiary as a group, in each case, without naming them and excluding individuals referred to in paragraph (a), indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies;

None

(c) all other employees and past employees of the Issuer as a group, without naming them;

None

(d) all other employees and past employees of subsidiaries of the Issuer as a group, without naming them;

None

(e) all consultants of the Issuer as a group, without naming them; and

as per (a) 750,000 options are with consultants.

(a) any other person or company, including the underwriter, naming each person or company.

None

Instruction:

(1) Describe the options, stating the material provisions of each class or type of option, including:
- (a) the designation and number of the securities under option;
- (b) the purchase price of the securities under option or the formula by which the purchase price will be determined, and the expiration dates of the options;
- (c) if reasonably ascertainable, the market value of the securities under option on the date of grant;
- (d) if reasonably ascertainable, the market value of the securities under option on the specified date; and
- (e) with respect to options referred to in paragraph (f) of Item 9.1, the particulars of the grant including the consideration for the grant.

(2) For the purposes of item (f) of section 9.1, provide the information required for all options except warrants and special warrants.

10. Description of the Securities

10.1 General - State the description or the designation of each class of equity securities and describe all material attributes and characteristics, including:

a) dividend rights;

N/A

b) voting rights;

ISSUE OF RIGHTS AND LEGEND ON CERTIFICATES

One Right shall be issued at the Record Time in respect of each Common Share outstanding at the Record Time and one Right shall be issued in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time. Until Separation Time, the Rights and the Common Shares will remain together and any transfer of a Common Share will involve a transfer of its corresponding Right.

Certificates for Common Shares issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time will evidence, in addition to the Common Shares, but subject to section 3.2, one Right for each Common Share evidenced thereby and will have impressed, printed or written on or otherwise affixed to them substantially the following legend:

"UNTIL THE SEPARATION TIME (AS DEFINED IN THE RIGHTS AGREEMENT REFERRED TO BELOW), THIS CERTIFICATE ALSO EVIDENCES AND ENTITLES THE HOLDER OF THIS CERTIFICATE TO CERTAIN RIGHTS AS SET FORTH IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT DATED AS OF JULY 15, 2008 (AS THE SAME MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME IN ACCORDANCE WITH THE TERMS THEREOF, THE "RIGHTS AGREEMENT") BETWEEN DNI METALS INC. (THE "COMPANY") AND EQUITY FINANCIAL TRUST COMPANY, AS RIGHTS AGENT, THE TERMS OF WHICH ARE INCORPORATED HEREIN BY REFERENCE AND A COPY OF WHICH MAY BE INSPECTED DURING NORMAL BUSINESS HOURS AT THE PRINCIPAL EXECUTIVE OFFICES OF THE COMPANY. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, SUCH RIGHTS MAY BE AMENDED, REDEEMED OR TERMINATED, MAY EXPIRE, MAY BECOME NULL AND VOID (IF, IN CERTAIN CASES, THEY ARE "BENEFICIALLY OWNED" BY AN "ACQUIRING PERSON", WHETHER CURRENTLY HELD BY OR ON BEHALF OF SUCH PERSON OR ANY SUBSEQUENT HOLDER) OR MAY BE EVIDENCED BY SEPARATE CERTIFICATES AND MAY NO LONGER BE EVIDENCED BY THIS CERTIFICATE. THE COMPANY WILL MAIL OR ARRANGE FOR THE MAILING OF A COPY OF THE RIGHTS AGREEMENT TO THE HOLDER OF THIS CERTIFICATE WITHOUT CHARGE AS SOON AS IS REASONABLY PRACTICABLE AFTER THE RECEIPT OF A WRITTEN REQUEST THEREFOR."

Certificates representing Common Shares that are issued and outstanding at the Record Time will evidence one Right for each Common Share evidenced thereby, despite the absence of the foregoing legend until the earlier of the Separation Time and the Expiration Time.

c) rights upon dissolution or winding-up;

If the Company proposes after the Separation Time and prior to the Expiration Time to effect the liquidation, dissolution or winding-up of

the Company or the sale of all or substantially all of the Company's assets, then, in each such case, the Company will give to each holder of a Right, in accordance with section 6.8, a notice of such proposed action. The notice must specify the date on which such liquidation, dissolution, winding-up or sale is to take place, and such notice must be so given at least 20 Business Days prior to the date of taking such proposed action.

NOTICES
Notices or demands authorized or required by this agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Company will be sufficiently given or made if delivered or sent by facsimile or by first-class mail, postage prepaid, addressed (until another facsimile number or address is filed in writing with the Rights Agent) as follows:

DNI Metals Inc.
119 Pinewood Trail
Mississauga, ON L5G 2L2
Attention: President and Chief Executive Officer

Notices or demands authorized or required by this agreement to be given or made by the Company or by the holder of any Rights to or on the Rights Agent will be sufficiently given or made if delivered or sent by facsimile or by first-class mail, postage prepaid, addressed (until another facsimile number or address is filed in writing with the Company) as follows:

TSX Trust Comapany
200 University Avenue, Suite 400
Toronto, ON M5H 4H1
Attention: Manager, Corporate Trust
Facsimile: 416-361-0470

Notices or demands authorized or required by this agreement to be given or made by the Company or the Rights Agent to or on the holder of any Rights will be sufficiently given or made if delivered or sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the Company for the Common Shares. Any notice which is mailed in the manner herein provided will be deemed given, whether or not the holder receives the notice.

Notices will be deemed to have been received as follows:
(i) in the case of personal delivery, on the day of delivery, unless delivered on a day that is not a Business Day or after 4:00 p.m. on the day of delivery, in which case notice will be deemed to have been received on the next Business Day;
(ii) in the case of facsimile, on the Business Day of transmission if transmitted before 4:00 p.m. on that Business Day or, otherwise, on the next Business Day following the day of transmission; and
(iii) in the case of first class mail, on the fifth Business Day following mailing.
(iv) Any accidental error, omission or failure in giving or delivering or mailing any such notice will not invalidate or otherwise prejudicially affect any action or proceeding founded thereon.

d) pre-emptive rights;

e) conversion or exchange rights;

REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE

After the Separation Time, the Company will cause to be kept a register (the "Rights Register") in which, subject to such reasonable regulations as it may prescribe, the Company will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed the "Rights Registrar" for the purpose of maintaining the Rights Register for the Company and registering Rights and transfers of Rights as provided in this agreement. If the Rights Agent ceases to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times. After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, but subject to subsection (c) and subsection 4.1(b), the Company will execute, and the Rights Agent will countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

All Rights issued upon any registration of transfer or exchange of Rights Certificates will be valid obligations of the Company, and such Rights will be entitled to the same benefits under this agreement as the Rights surrendered upon such registration of transfer or exchange.

Every Rights Certificate surrendered for registration of transfer or exchange will be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder's attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this section 2.3, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) in connection therewith.

f) redemption, retraction, purchase for cancellation or surrender provisions,

DELIVERY AND CANCELLATION OF CERTIFICATES

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange, if surrendered to any Person other than the Rights Agent, will be delivered to the Rights Agent and, in any case, will be promptly cancelled by the Rights Agent. The Company may deliver at any time to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Rights Certificates so delivered will be promptly cancelled by the Rights Agent. No Rights Certificate will be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided for in this section, except as expressly permitted by this agreement. The Rights Agent will destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Company on written request.

g) sinking or purchase fund provisions;

N/A

h) provisions permitting or restricting the issuance of additional securities and any other material restrictions; and
N/A

i) provisions requiring a securityholder to contribute additional capital.
N/A

10.2 Debt securities - If debt securities are being listed, describe all material attributes and characteristics of the indebtedness and the security, if any, for the debt, including:

N/A

(a) provisions for interest rate, maturity and premium, if any;

(b) conversion or exchange rights;

(c) redemption, retraction, purchase for cancellation or surrender provisions,

(d) sinking or purchase fund provisions;

(e) the nature and priority of any security for the debt securities, briefly identifying the principal properties subject to lien or charge;

(f) provisions permitting or restricting the issuance of additional securities, the incurring of additional indebtedness and other material negative covenants, including restrictions against payment of dividends and restrictions against giving security on the assets of the Issuer or its subsidiaries, and provisions as to the release or substitution of assets securing the debt securities;
N/A

(g) the name of the trustee under any indenture relating to the Issuer and
N/A

(h) any financial arrangements between the Issuer and any of its affiliates or among its affiliates that could affect the security for the indebtedness.
N/A

10.4 Other securities - If securities other than equity securities or debt securities are being listed, describe fully the material attributes and characteristics of those securities.
No

10.5 Modification of terms:

(a) describe provisions about the modification, amendment or variation of any rights attached to the securities being listed; and

SUPPLEMENTS AND AMENDMENTS

[[subsection (a)] The Company may make amendments to this agreement from time to time to correct any clerical or typographical error or which are required to maintain the validity of this agreement as a result of any change in any applicable legislation, rules or regulations or decision of a court or regulatory authority. The Company, at or prior to the meeting of shareholders of the Company referred to in section 6.16, may supplement or amend this agreement without the approval of any holders of Rights or Voting Shares where the Board of Directors considers such action to be necessary or desirable (whether or not such action would materially adversely

affect the interests of the holders of Rights generally).]

Subject to subsection (a), the Company, with the prior consent of the holders of Voting Shares obtained as set forth below, at any time prior to the Separation Time, may supplement or amend any of the provisions of this agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent will be deemed to have been given if the action requiring such approval is authorized by the affirmative vote of a majority of the votes cast by Independent Shareholders present or represented at and entitled to vote at a meeting of the holders of Voting Shares duly called and held in compliance with applicable laws and the Company's by-laws.

Subject to subsection (a), the Company, with the prior consent of the holders of Rights, at any time on or after the Separation Time, may supplement or amend any of the provisions of this agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally), provided that no such supplement or amendment may be made to the provisions of Article 5 except with the written concurrence of the Rights Agent thereto.

Any approval of the holders of Rights will be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) will be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting will be those, as nearly as may be, which are provided in the Company's by-laws and the Business Corporations Act with respect to meetings of shareholders of the Company.

Any amendments made by the Company to this agreement pursuant to subsection 6.5(a) which are required to maintain the validity of this agreement:

if made before the Separation Time, be submitted to the holders of Voting Shares of the Company at the next meeting of shareholders and the holders of Voting Shares, by the majority referred to in subsection (b), may confirm or reject such amendment; and

if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for a date not later than immediately following the next meeting of shareholders of the Company and the holders of Rights, by resolution passed by the majority referred to in subsection (d), may confirm or reject such amendment.

Any such amendment will be effective from the date of the resolution of the Board of Directors adopting such amendment, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment is confirmed, it continues in effect in the form so confirmed. If such amendment is rejected by the holders of Voting Shares or the holders of Rights or is not submitted to the holders of Voting Shares or holders of Rights as required, then such amendment will cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent amendment to this agreement to substantially the same effect will be effective until confirmed by the shareholders or holders of Rights, as the case may be.

The Company will give notice in writing to the Rights Agent of any amendment or supplement to this agreement pursuant to this section within five Business Days of the date of any such amendment or supplement, provided that failure to give such notice, or any defect therein, will not affect the validity of any such supplement or amendment.

For greater certainty, neither the exercise by the Board of Directors of any power or discretion conferred on it under this agreement nor the making by the Board of Directors of any determination or the granting of any waiver it is permitted to make or give under this agreement will constitute an amendment, variation or rescission of the provisions of this agreement or Rights for purposes of this section or otherwise.

Notwithstanding anything in this section to the contrary, no supplement or amendment may be made to the provisions of Article 5 except with the written concurrence of the Rights Agent to such supplement or amendment.

(b) if the rights of holders of securities may be modified otherwise than in accordance with the provisions attached to the securities or the provisions of the governing statute relating to the securities, explain briefly.

10.6 Other attributes:

(a) if the rights attaching to the securities being listed are materially limited or qualified by the rights of any other class of securities, or if any other class of securities ranks ahead of or equally with the securities being listed, include information about the other securities that will enable investors to understand the rights attaching to the securities being listed; and
N/A

(c) if securities of the class being listed may be partially redeemed or repurchased, state the manner of selecting the securities to be redeemed or repurchased.

FRACTIONAL RIGHTS AND FRACTIONAL SHARES

(aa) The Company will not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. In lieu of such fractional Rights, there will be paid to the registered holders of the Rights Certificates with regard to which such fractional Right would otherwise be issuable, an amount in cash equal to the fraction of the Market Price of a whole Right that the fraction of a Right which would otherwise be issuable is of one whole Right.

(bb) The Company will not be required to issue fractions of Common Shares upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Company will pay to the registered holders of Rights

Certificates, at the time such Rights are exercised as herein provided, an amount in cash equal to the same fraction of the Market Price of a whole Common Share that the fraction of a Common Share which would otherwise be issuable upon the exercise of such right is of one whole Common Share at the date of such exercise.

(cc) The Rights Agent will have no obligation to make any payments in lieu of issuing fractions of Rights or Common Shares pursuant to subsection (aa) or (bb), respectively, unless and until the Company has provided to the Rights Agent the amount of cash to be paid in lieu of issuing such fractional Rights or Common Shares, as the case may be.

10.7 Prior Sales - State the prices at which securities of the same class as the securities to be listed have been sold within the 12 months before the date of the Listing Statement, or are to be sold, by the Issuer or any Related Person and the number of securities of the class sold or to be sold at each price.

See form 9s dated April 19th and May 19th, 2016

Instruction: In the case of sales by a Related Person, the information required under section 10.7 may be given in the form of price ranges for each calendar month.

10.8 Stock Exchange Price:

a) if shares of the same class as the shares to be listed were or are listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the Canadian stock exchange or market on which the greatest volume of trading generally occurs;
52 week range $.02 - $.055

b) if shares of the same class as the shares to be listed were or are not listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the foreign stock exchange or market on which the greatest volume of trading generally occurs; and
N/A

c) information is to be provided on a monthly basis for each month or, if applicable, part month, of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters.
CSE – monthly and quarterly reports, filed.

11. Escrowed Securities

11.1 State as of a specified date within 30 days before the date of the Listing Statement, in substantially the following tabular form, the number of securities of each class of securities of the Issuer held, to the knowledge of the Issuer, in escrow (which, for the purposes of this Form includes any securities subject to a pooling agreement) and the percentage that number represents of the outstanding securities of that class. In a note to the table, disclose the name of the depository, if any, and the date of and conditions governing the release of the securities from escrow.
There are no securities held in escrow.

12. Principal Shareholders

12.1 (1) Provide the following information for each principal shareholder of the Issuer as of a specified date not more than 30 days before the date of the Listing Statement:

(a) Name;

(b) The number or amount of securities owned of the class to be listed;

(c) Whether the securities referred to in subsection 12(1)(b) are owned both of record and beneficially, of record only, or beneficially only; and

(d) The percentages of each class of securities known by the Issuer to be owned.

There are over 3,000 shareholders.
Only 25-30 shareholders own 300,000 shares or more.
Only 5-7 shareholders own more than 1,000,000 shares.
Dan Weir's Family trust being one of the largest shareholders at 1,999,300 shares or 5%. There are no shareholders more than 10%

CALCULATION OF NUMBER AND PERCENTAGE OF BENEFICIAL OWNERSHIP OF OUTSTANDING VOTING SHARES
For purposes of this Agreement, the percentage of Voting Shares Beneficially Owned by any Person, shall be and be deemed to be the product (expressed as a percentage) determined by the formula:

$$100 \times \frac{A}{B}$$

where:
A=the number of votes for the election of all directors generally attaching to the outstanding Voting Shares Beneficially Owned by such Person; and
B=the number of votes for the election of all directors generally attaching to all outstanding Voting Shares.
Where any Person is deemed to Beneficially Own unissued Voting Shares, such Voting Shares shall be deemed to be outstanding for the purpose of calculating the percentage of Voting Shares Beneficially Owned by such Person, but no other unissued Voting Shares shall, for the purposes of such calculation, be deemed to be outstanding.

13. If the Issuer is requalifying following a fundamental change or has proposed an acquisition, amalgamation, merger, reorganization or arrangement, indicate, to the extent known, the holding of each person of company described in paragraph (1) that will exist after giving effect to the transaction.
N/A

13. If, to the knowledge of the Issuer, more than 10 per cent of any class of voting securities of the Issuer is held, or is to be held, subject to any voting trust or other similar agreement, disclose, to the extent known, the designation of the securities, the number or amount of the securities held or to be held subject to the agreement and the duration of the agreement. State the names and addresses of the voting trustees and outline briefly their voting rights and other powers under the agreement.
N/A

13. If, to the knowledge of the Issuer, any principal shareholder is an associate or affiliate of another person or company named as a principal shareholder, disclose, to the extent known, the material facts of the relationship, including any basis for influence over the Issuer held by the person or company other than the holding of voting securities of the Issuer.
N/A

13. In addition to the above, include in a footnote to the table, the required calculation(s) on a fully-diluted basis.

Instruction: If a company, partnership, trust or other unincorporated entity is a principal shareholder of an Issuer, disclose, to the extent known, the name of each individual who, through ownership of or control or direction over the securities of the company or membership in the partnership, as the case may be, is a principal shareholder of the company or partnership.

13. Directors and Officers

13.3 List the name and municipality of residence of each director and executive officer of the Issuer and indicate their respective positions and offices held with the Issuer and their respective principal occupations within the five preceding years.

Name	Municipality	Position in DNI	Occupation
Dan Weir	Peel, ON	Chairman, CEO, President, Secretary, Director	President of DNI Metals Inc.
Keith Minty	Toronto, ON	Director	
Ray Mitchell	Toronto, ON	Director	
Paul Hart	Halton, ON	Director	
Ravi Gopal	Halton, ON	Director	

Instruction: If, during the period, a director or officer has held more than one position with the Issuer or the Issuer's controlling shareholder or a subsidiary of the Issuer, state only the current position held.

13.3 State the period or periods during which each director has served as a director and when his or her term of office will expire.

Name	Start Date	End Date
Dan Weir	Nov 14, 2014	N/A
Keith Minty	June 2, 2016	N/A
Ray Mitchell	June 4, 2007	N/A
Paul Hart	May 20, 2016	N/A
Ravi Gopal	May 20, 2016	N/A

13.3 State the number and percentage of securities of each class of voting securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Issuer as a group.
2,041,200 shares, or 5.1%.

Instruction: Securities of subsidiaries that are beneficially owned, directly or indirectly, or over which control or direction is exercised by directors or executive officers through ownership or control or direction over securities of the Issuer do not need to be included.

13.4 Disclose the board committees of the Issuer and identify the members of each committee.

The current operations of the Company do not support a large Board of Directors and the Board has determined that the current composition of the Board is appropriate for the Company's current stage of development. Given its relatively small size the entire Board takes responsibility for the overall stewardship of the Company and accordingly, other than the Audit, Compensation, Finance, Science, Technology and Sustainability and Corporate Governance Committees, the Company does not have any other Board committees.

Audit Committee: Ray Mitchell (Chairman)
Paul Hart
Keith Minty

Compensation Committee: Ravi Gopal (Chairman)
Ray Mitchell

Corporate Governance Committee: Paul Hart (Chairman)
Ravi Gopal

Finance Committee: Paul Hart (Chairman)
Daniel Weir
Keith Minty

Science, Technology and Sustainability Committee:
Keith Minty (Chairman)
Ravi Gopal
Daniel Weir

13.5 If the principal occupation of a director or officer of the Issuer is acting as an officer of a person or company other than the Issuer, disclose the fact and state the principal business of the person or company.

N/A

13.6 Disclose if a director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect;

To the Company's knowledge, none of the proposed directors is, as at the date of this Management Proxy Circular, or has been, within 10 years before the date of this Management Proxy Circular, a director, chief executive officer or chief financial officer of any company, including the Company, that was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer or that was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect;
No.

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or
No.

(d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.
No.

13.7 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has:

(a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
N/A

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.
N/A

13.8 Despite section 13.7, no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable investor in making an investment decision.

13.9 If a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.
N/A

13.10 Disclose particulars of existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer of the Issuer or a subsidiary of the Issuer.
N/A

13.11 Management — In addition to the above provide the following information for each member of management:

(a) state the individual's name, age, position and responsibilities with the Issuer and relevant educational background;

(b) state whether the individual works full time for the Issuer or what proportion of the individual's time will be devoted to the Issuer;

(c) state whether the individual is an employee or independent contractor of the Issuer;

(d) state the individual's principal occupations or employment during the five years prior to the date of the Listing Statement, disclosing with respect to each organization as of the time such occupation or employment was carried on:

(i) its name and principal business,

(ii) if applicable, that the organization was an affiliate of the Issuer,

(iii) positions held by the individual, and

(iv) whether it is still carrying on business, if known to the individual;

(e) describe the individual's experience in the Issuer's industry; and

(f) state whether the individual has entered into a non-competition or non-disclosure agreement with the Issuer.

Daniel J. Weir – Chairman, CEO , President, Secretary and Director, 49 years old.
Mr. Weir has spent 18 working on Bay Street, at some of the top financial firms. Most of his career has been spent financing mining companies and projects. He has raised tens of millions of dollars for various companies, both public and privately. He has served on boards of mining companies, currently on the board of Mag Copper. Dan lived in Brazil for one year, and speaks Portuguese. He is a expert at evaluating and financing mining deals.
Works full time for DNI.
He is an independent contractor.
There is no non-competition or non-disclosure agreement.

Raymond E. Mitchell - Director
Mr. Mitchell joined the Company in June, 2007, and has over 30 years of experience as a chartered accountant and senior executive. Mr.Mitchell has previously served as senior vice president and chief financial officer for the Canadian Depository for Securities (CDS). During his 24 year career with CDS, he undertook a variety of senior roles, including executive oversight of the development of SEDAR. Prior to CDS, Mr.Mitchell was responsible for a variety of financial functions for a large Canadian trust company. He currently serves as CFO of Latin American Minerals ((LAT:TSX-Ven).
A small percent of his time is devoted to DNI.
He is an independent contractor.
There is no non-competition or non-disclosure agreement.

Dr. Ravi Gopal Director PHD, Engineer
Ravi holds a Bachelor's degree in Electronics and Controls and a Ph.D. in Physics and Instrumentation. He is a seasoned technology executive with a strong combination of technology and business development skills. Ravi has spent the past 25 years in clean energy technologies such as hydrogen, fuel cells and Lithium Ion batteries. Prior to founding PACEAS

(www.paceas.com), a company driven by a vision to help accelerate the shift towards a sustainable environment and clean energy technologies, Ravi was the Vice President of Applications Development at Hydrogenics Corporation (NASDAQ: HYGS, TSX: HYG). Hydrogenics is a fuel cell manufacturer, based in Canada,
A small percent of his time is devoted to DNI.
He is an independent contractor.
There is no non-competition or non-disclosure agreement.

Paul Hart Director MBA, CPA, CA
Paul is a seasoned finance and operations executive with experience in the C-Suite, most recently as Chief Financial Officer and Corporate Secretary for Electrovaya Inc., a Lithium Ion Battery manufacturer based in Mississauga, Ontario, Canada. In addition to his experience in clean-technology, he has held senior financial roles with public companies (TSX, NASDAQ) in the software, internet and financial services industries where he has been responsible for strategic planning, corporate governance, finance and operations, mergers and acquisitions and capital markets in North America and Europe.
A small percent of his time is devoted to DNI.
He is an independent contractor.
There is no non-competition or non-disclosure agreement.

Keith Minty Director Mining Engineer, MBA
Keith has more than 30 years professional experience in mineral resource exploration and development in precious and base metals, industrial minerals. Mr. Minty obtained extensive graphite technical and operating experience at both North Coast Industries (now Northern Graphite Corporation) Bissett Creek Graphite and Cal Graphite Corporation (now Ontario Graphite Inc.) Kearney graphite mine and has experience of in the development of several past and new Sri Lanka graphite projects. Mr. Minty has had the opportunity of conducting Madagascar precious metals project valuations and is knowledgeable of the political and social requirements associated with Madagascar project development and operations. Mr. Minty is an active member of the board of directors of Auryn Resources Inc. and Callinex Mines Inc. mineral resource companies.
A small percent of his time is devoted to DNI.
He is an independent contractor.
There is no non-competition or non-disclosure agreement.

Steven Goertz Country Manager – Madagascar Geologist
Mr. Goertz is the Principal of Hendry Consulting, a consultancy group servicing the resources and business sectors and is based in Madagascar's Capital City, Antananarivo. A (Canadian / Australian) geologist and investor with over 30 years' experience in various countries, Mr. Goertz has been based full-time in Madagascar since early 2007. During this period, he has developed an extensive local contact network of professional and administrative personnel within Madagascar's government and business communities.
A small percent of his time is devoted to DNI.
He is an independent contractor.
There is no non-competition or non-disclosure agreement.

John Carter Special Advisor Process Engineer
Has over 35 years experience in the metals and mining industries. Mr. Carter specializes in the engineering design and manufacturing of mineral processing equipment for mining operations and operators such as Timcal Inc., currently the largest natural graphite mining company in North America. Recently Mr. Carter served as Vice President of Engineering at Saint Jean Carbon, and VP Operations at Canada Carbon both junior mining companies.
John has built over 200 mineral processing plants around the world, including 3 graphite processing plants.
A small percent of his time is devoted to DNI.
He is an independent contractor.
There is no non-competition or non-disclosure agreement.

Peter Eriksson Country Manager – Brazil Logistics Expert
Mr. Eriksson is the Managing Director of SR Brazil., in Belo Horizonte, Brazil. He has lived in Brazil since 1993, and is fluent in Portuguese and English. Prior to moving to Brazil from Canada, Mr. Eriksson was the VP Business Development at Longview Capital. He has over 18 years in the natural resource industry. He managed a very successful Brazilian Import/Export Business.
A small percent of his time is devoted to DNI.
He is an independent contractor.
There is no non-competition or non-disclosure agreement.

Instruction:

(1) For purposes of this Item "management" means all directors, officers, employees and contractors whose expertise is critical to the Issuer, its subsidiaries and proposed subsidiaries in providing the Issuer with a reasonable opportunity to achieve its stated business objectives.

(2) The description of the principal occupation of a member of management must be specific. The terms "businessman" or "entrepreneur" are not sufficiently specific.

14. Capitalization

14.1 Prepare and file the following chart for each class of securities to be listed:

Issued Capital

Common shares
Authorized capital of the Company is an unlimited number of common shares without par value.

Issued and outstanding common shares

	Number	Value
Balance, March 31, 2015	18,986,497	25,304,120
Private placement (a), (c), (d), (e), (f)	9,916,507	1,001,067
Warrants issued (a), (c), (d), (e), (f)	-	(316,140)
Shares issued for Madagascar property (b)	4,000,000	460,000
Shares issued as a finder's fee	84,200	10,946
Share issue costs	-	(61,931)
Balance, March 31, 2016	32,987,204	26,398,062
Private placement (g), (h), (i), (j)	6,399,000	318,050
Warrants issued (g), (h), (i), (j)	-	(121,389)
Shares issued as a finder's fee	38,000	1,900
Debt settlement	300,000	15,000
Share issue costs	-	(22,763)
Balance, June 30, 2016	39,724,204	26,588,860
Balance September 30, 2016	39,724,204	26,588,860
Balance December 31, 2016	39,724,204	26,588,860

Public Securityholders (Registered)

Instruction: For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

There are over 3,000 shareholders.
Only 25-30 shareholders own 300,000 shares or more.

Only 5-7 shareholders own more than 1,000,000 shares.
Dan Weir's Family trust being one of the largest shareholders at 1,999,300 shares or 5%. There are no shareholders more than 10%

14.2 Provide the following details for any securities convertible or exchangeable into any class of listed securities

At September 30, 2016, the Company had stock options outstanding as follows:

Date of grant	Stock options	Exercise price	Expiry date
		$	
May 4, 2012	2,500	4.40	May 4, 2017
June 19, 2012	9,000	2.50	Jun 19, 2017
February 14, 2013	15,000	1.50	Feb 14, 2018
February 19, 2015	375,000	0.09	Feb 19, 2020
June 2, 2016	2,000,000	0.06	June 2, 2021
	2,401,500		

The weighted average remaining contractual life of options outstanding was 4.31 years at September 30, 2016 (March 31, 2016 – 2.97 years).

Warrant reserve

As part of the financings completed on May 29, 2015, June 30, 2015, July 23, 2015, January 29, 2016 and March 30, 2016, April 14, 2016, April 18, 2016, May 19, 2016 and June 2, 2016 referred to in Note 9 (a), the Company issued common share purchase warrants which are as follows:

Expiry Date	Warrants	Exercise price	Value
		$	$
November 29, 2016	2,980,507	0.20	114,906
December 31, 2016	3,219,200	0.20	108,616
January 23, 2017	200,000	0.20	8,226
July 29, 2017	2,160,000	0.10	34,491
September 30, 2017	1,657,400	0.10	27,693
October 14, 2017	4,415,840	0.10	74,773
October 18. 2017	700,000	0.10	13,006
November 19, 2017	1,490,744	0.10	25,668
Balance, September 30, 2016	16,823,691		407,379

14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2.

N/A

15. Executive Compensation

15.1 Attach a Statement of Executive Compensation from Form 51-102F6 or any successor instrument and describe any intention to make any material changes to that compensation.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

This disclosure is intended to communicate the compensation provided to the individuals noted for the financial year ended March 31, 2016. The individuals are referred collectively as the "Named Executive Officers" of the Company and include the Chief Executive Officer, the Chief Financial Officer and each of the Company's three most highly compensated executive officers, or the three

most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000.

During the most recently completed financial year ended March 31, 2016, the Company had two Named Executive Officers, namely its President and Chief Executive Officer and its Interim Chief Financial Officer. Until November 13, 2014 the President and Chief Executive Officer was Mr. Shahé F. Sabag, and following his resignation on that date Mr. Daniel J. Weir was appointed to these positions. The Interim Chief Financial Officer at March 31, 2016 was Brian Howlett.

Other than as disclosed above, there were no executive officers at the end of the most recently completed financial year or executive officers that served during the financial year whose total salary exceeded $150,000 per year.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Committee

The Company has a compensation committee consisting of Messrs. Gopal and Mitchell (the "**Compensation Committee**").

The Compensation Committee establishes executive and senior officer compensation, the general compensation structure, policies and programs of the Company. The Compensation Committee has also been mandated to review the adequacy and form of the compensation of directors and to ensure that such compensation realistically reflects the responsibilities and risk involved in being an effective director.

The Compensation Committee meets at least annually to receive information on and determine matters regarding executive compensation in accordance with policies approved by the Board of Directors. The executive compensation is not based on known or measured corporate or individual performance objectives but, in determining the compensation, the Compensation Committee will consider things such as effectiveness of the exploration work conducted on the Company's properties in serving to advance their development, as well as the success of financing activities to enable the Company to continue advancing the development of its properties.

Compensation Philosophy and Objectives

The principal objective of the Company in determining the compensation to be paid to its executives and directors is to provide a competitive base compensation as well as long term incentives in order to attract, reward, retain and motivate quality employees who will enhance the growth of the Company.

Elements of the Company's Compensation Program

The Company does not have a structured compensation package per se. The Company's Named Executive Officers receive compensation in the form of fees invoiced for services rendered as required in addition to stock options under the Company's stock option plan (the "**Stock Option Plan**").

The Company has two Named Executive Officers at March 31, 2016, namely its President and Chief Executive Officer, Mr.Daniel J. Weir (prior to November 13, 2014, Shahé F.Sabag PGeo), and its Interim Chief Financial Officer, Mr. Brian Howlett CPA, CA, who provide administrative and accounting services to the Company, Brian is currently no longer the CFO of DNI, on a fee for service basis. Prior to November 13, 2014 Mr. Sabag also provided geological services to the Company. The Company has no short or long term service contracts nor obligations to the foregoing Named Executive Officers Their services are periodically invoiced to the Company by them, or by entities related to them, in the normal course of operations at per diem rates prescribed by the

respective self regulating organizations which regulate their professional licensures. Comparative differences of amounts paid by the Company to its Named Executive Officers from any given period to the next, accordingly, reflect increases or decreases, as the case may be, in the Company's operational requirements from one period to the next.

The Company has paid a base salary to its President and Chief Executive Officer subsequent to November 13, 2014, but pays no pre-determined bonuses to its Named Executive Officers, with the exception of an occasional bonus paid on an ad hoc basis at the discretion of the Board.

The stock option component of executive compensation is provided to focus management's attention on corporate performance over a period of time longer than one year in recognition of long-term horizons for returns on investments and strategic decisions relevant to the mining industry. The level of stock option awards granted to each executive is determined by his position and contributions to the Company. The number and terms of existing stock option awards previously granted to an executive are considered but have no material impact on the number of options that might be granted to the executive. All stock option awards are reviewed by the Compensation Committee and recommended to the Board of Directors for approval. The Compensation Committee determines a meaningful level of award for employees ranging from key employees to the Chief Executive Officer. The level of stock option awards is also influenced by the number of executives and key employees in the current year and the likelihood of grants in future years to executives and key employees since the total number of stock options available under the Stock Option Plan is fixed.

The incentive compensation is not based on known or measured corporate or individual performance objectives but is determined with the view to improve the executive officers' compensation and to encourage their work toward achieving increased corporate an increase of the earnings per share by advancing the Company's project forward.

Compensation of Executive Officers

The following table sets forth all annual and long-term compensation awarded, paid to or earned by the Company's Named Executive Officers during the three financial years of the Company ended March 31, 2016, 2015 and 2014:

Compensation of Executive Officers - Summary Compensation Table									
Name and Principal Position	**Year**	**Salary ($)**	**Share-Based Awards ($)**	**Option-Based Awards (2)(3) ($)**	**Non-Equity Incentive Plan Compensation ($)**		**Pension Value ($)**	**All Other Compensation ($)**	**Total ($)**
					Annual Incentive Plan	**Long-Term Incentive Plan**			
Daniel J. Weir, President and	2016 2015	- - -	- - -	- 20,000 -	- - -	- - -	- - -	120,000 105,000 (1) -)	120,000 125,000

Compensation of Executive Officers - Summary Compensation Table									
Name and Princip	**Year**	**Salary ($)**	**Share-Base**	**Option-Based Awards**	**Non-Equity Incentive Plan Compensation ($)**		**Pension Value**	**All Other Compensation**	**Total ($)**
Chief Executive Officer (1)(2)	2014								-
Shahé F. Sabag President and Chief Executive Officer (1)(2)	2016 2015 2014	- - -	- - -	- - -	- - -	- - -	- - -	- 116,500 (1) 195,900 (1)	- 195,900 195,900
Colin A. Grant Chief Financial Officer	2016 2015 2014	- - -	- - -	- 4,000 -	- - -	- - -	- - -	26,500 46,500 39,400	26,500 50,500 39,400
Brian Howlett Interim Chief Financial Officer	2016 2015 2014	- - -	- - -	- - -	- - -	- - -	- - -	4,500 - -	4,500 - -

Notes: (1) On November 13, 2014 Mr. Sabag resigned as President and Chief Executive Officer and Mr. Weir was appointed in his place: (2) Includes amounts paid to a company related to the Named Executive Officer; (3) The amounts disclosed in this column reflect the accounting fair value of the award in accordance with Section 3870 of the Canadian Institute of Chartered Accountants Handbook, and estimated using the Black-Scholes option pricing method as reflected on the Company's financial statements

Outstanding Option-Based Awards

Information regarding option-based awards outstanding as at March 31, 2016, for each Named Executive Officer, are tabulated below:

	Option-Based Awards			
Name	**Number of Securities Underlying Unexercised Options (1) (#)**	**Option Exercise Price ($)**	**Option Expiration Date (2)**	**Value of Unexercised In-the-Money Options ($)**

Name	Option-Based Awards			
	Number of Securities Underlying Unexercised Options (1) (#)	Option Exercise Price ($)	Option Expiration Date (2)	Value of Unexercised In-the-Money Options ($)
Daniel J. Weir President and Chief Executive Officer	250,000	0.09	19-Feb-2020	0
Brian Howlett Interim Chief Financial Officer	-	-	-	-

Notes: (1) The value of Unexercised In-the-money options has been calculated based on the March 31, 2016, closing price of $0.05 per share.

The following table discloses the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date.

Name	Option-Based Awards Value Vested during the Year ($)	Non-Equity Incentive Plan Compensation Value Earned During the Year ($)
Daniel J. Weir President and Chief Executive Officer	Nil	Nil
Brian Howlett Chief Financial Officer	Nil	Nil

Note: The value earned during the year is determined according to the closing price on the CSE on the day the options became exercisable, minus the amount to be paid by the Named Executive Officer for exercising his options. As the options are fully vested on the date of the grant and have an exercise price at least equal to the closing price preceding the day of the grant, the value earned is systematically "nil".

Compensation of Directors

The following table sets out the remuneration of the directors, which are not Named Executive Officers, for the year ended March 31, 2016. The Company's directors receive no cash compensation for serving as directors.

Name (1)	Director Compensation Table						
	Fees Earned ($)	Share-Based Awards (1) ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation ($)	Total ($)
Denis A. Clément	Nil	25,000	-	Nil	Nil	Nil	5,000
Paul A. Gorman	Nil	Nil	-	Nil	Nil	Nil	Nil
Raymond E. Mitchell	Nil	Nil	-	Nil	Nil	Nil	Nil

(1) The amounts disclosed in this column reflect the accounting fair value of the award in accordance with Section 3870 of the Canadian Institute of Chartered Accountants Handbook, and estimated using the Black-Scholes option pricing method as reflected on the Company's financial statements

Outstanding Option-Based Awards

The table below sets forth information regarding option-based awards outstanding as at March 31, 2016, for each director who is not a Named Executive Officer:

	Option-Based Awards			
Name(1)	**Number of Securities Underlying Unexercised Options (2) (#)**	**Option Exercise Price (2) ($)**	**Option Expiration Date**	**Value of Unexercised In-the-Money Options (2) ($)**
Denis A. Clément	100,000 9,000 25,000 200,000	3.00 2.50 1.50 0.09	29-Jun-2016 19-Jun-2017 14-Feb-2018 19-Feb-2020	Nil Nil Nil Nil
Paul A. Gorman	100,000	0.09	19-Feb-2020	Nil
Raymond E. Mitchell	21,250 9,000 10,000 100,000	3.00 2.50 1.50 0.09	29-Jun-2016 19-Jun-2017 14-Feb-2018 19-Feb-2020	Nil Nil Nil Nil

Notes: (1) The value of Unexercised In-the-money options has been calculated based on the March 31, 2015, closing price of $0.17 per share.

The following table discloses the aggregate dollar value that would have been realized if the options under the option-based awards had been exercised on the vesting date for each Director who is not a Named Executive Officer.

Name (1)	**Option-Based Awards – Value Vested during the Year (2) ($)**	**Non-Equity Incentive Plan Compensation – Value Earned During the Year ($)**
Denis A. Clément	Nil	Nil
Paul Gorman	Nil	Nil
Raymond E. Mitchell	Nil	Nil

Note: (1) The value earned during the year is determined according to the closing price on the CSE on the day the options became exercisable, minus the amount to be paid by the optionee for exercising his options. As the options are fully vested on the date of the grant and have an exercise price at least equal to the closing price preceding the day of the grant, the value earned is systematically "nil".

Pension Plan Benefits

No pension or retirement benefits plans have been instituted and none are proposed at this time.

Equity Compensation Plan Information
The following table shows, as of March 31, 2015, aggregated information for the Company's Stock Option Plan that was the only compensation plan under which equity securities of the Company are authorized for issuance from treasury.

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Common Shares Remaining Available for Future Issuance Under the Plan
Stock Option Plan of the Company approved by the shareholders (1)	993,000	$0.65	2,305,720
Stock Option Plan of the Company not approved by the shareholders	Nil	N/A	Nil
Total	993,000	$0.65	2,305,720

Notes: (1) The Company's Plan limits the number of options granted to 10% of the issued and outstanding common shares; (2) On December 10, 2014 the Company consolidated its issued and outstanding common shares on a 1 for 10 basis; (3) None of the options previously granted were exercised during the year ended March 31, 2016.

As at March 31, 2016, an aggregate of 993,000 common shares were issuable upon the exercise of outstanding options representing 3.0% of the issued and outstanding common shares on that date. Such options were exercisable at exercise prices ranging from $0.09 to $4.40 per share, and had expiry dates up to February 19, 2020.

During the financial year ended on March 31, 2016, 0 options were granted under the Stock Option Plan to persons who were Named Executive Officers, Directors, employees or consultants of the Company. During the financial year ended on March 31, 2016, no options previously granted under the Stock Option Plan to Directors and employees were exercised. The aforementioned numbers all reflect the 1 for 10 consolidation of the Company's shares on December 10, 2014.

EMPLOYMENT CONTRACTS
The Company does not have an employment contract with any Named Executive Officer.

TERMINATION OF EMPLOYMENT OR CHANGE OF CONTROL
The Company does not have any arrangements for compensation in the event of termination as a

result in a change of control of the Company.

LIABILITY INSURANCE
The Company does have directors and officers liability insurance.

INDEBTEDNESS OF SENIOR EXECUTIVES AND DIRECTORS

No senior executive, no director and no proposed nominee for election as director of the Company, including partners or affiliates of such persons, was granted any loans during the financial year ended March 31, 2016.

16. Indebtedness of Directors and Executive Officers

N/A

AGGREGATE INDEBTEDNESS ($)					
Purpose	To the Issuer or its Subsidiaries	To Another Entity			
(a)	(b)	(c)			
Share purchases					
Other					

16.1 Aggregate Indebtedness

(1) Complete the above table for the aggregate indebtedness outstanding as at a date within thirty days before the date of the information circular entered into in connection with:

(a) a purchase of securities; and

(b) all other indebtedness.

(2) Report separately the indebtedness to:

(a) the Issuer or any of its subsidiaries (column (b)); and

(b) another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries (column (c)),

of all officers, directors, employees and former officers, directors and employees of the Issuer or any of its subsidiaries.

(3) "Support agreement" includes, but is not limited to, an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness of the borrower.

16.2 Indebtedness of Directors and Executive Officers under (1) Securities Purchase and (2) Other Programs

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE AND (2) OTHER PROGRAMS						
Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During [Most Recently Completed Financial Year] ($)	Amount Outstanding as at [the date of the Form] ($)	Financially Assisted Securities Purchases During [Most Recently Completed Financial Year] (#)	Security for Indebtedness	Amount Forgiven During [Most Recently Completed Financial Year] ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Securities Purchase Programs						
Other Programs						

(1) Complete the above table for each individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Issuer, each proposed nominee for election as a director of the Issuer, and each associate of any such director, executive officer or proposed nominee,

(a) who is, or at any time since the beginning of the most recently completed financial year of the Issuer has been, indebted to the Issuer or any of its subsidiaries, or

(b) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries,

and separately disclose the indebtedness for security purchase programs and all other programs.

(2) Note the following:

Column (a) – disclose the name and principal position of the borrower. If the borrower was, during the year, but no longer is a director or executive officer, state that fact. If the borrower is a proposed nominee for election as a director, state that fact. If the borrower is included as an associate, describe briefly the relationship of the borrower to an individual who is or, during the year, was a director or executive officer or who is a proposed nominee for election as a director, name that individual and provide the information required by this subparagraph for that individual.

Column (b) – disclose whether the Issuer or a subsidiary of the Issuer is the lender or the provider of a guarantee, support agreement, letter of credit or similar arrangement or understanding.

Column (c) – disclose the largest aggregate amount of the indebtedness outstanding at any time during the last completed financial year.

Column (d) – disclose the aggregate amount of indebtedness outstanding as at a date within thirty days before the date of the information circular.

Column (e) – disclose separately for each class or series of securities, the sum of the number of securities purchased during the last completed financial year with the financial assistance (security purchase programs only).

Column (f) – disclose the security for the indebtedness, if any, provided to the Issuer, any of its subsidiaries or the other entity (security purchase programs only).

Column (g) – disclose the total amount of indebtedness that was forgiven at any time during the last completed financial year.

(3) Supplement the above table with a summary discussion of:

(a) the material terms of each incidence of indebtedness and, if applicable, of each guarantee, support agreement, letter of credit or other similar arrangement or understanding, including:

(i) the nature of the transaction in which the indebtedness was incurred,

(ii) the rate of interest,

(iii) the term to maturity,

(iv) any understanding, agreement or intention to limit recourse, and

(v) any security for the indebtedness;

(b) any material adjustment or amendment made during the most recently completed financial year to the terms of the indebtedness and, if applicable, the guarantee, support agreement, letter of credit or similar arrangement or understanding. Forgiveness of indebtedness reported in column (g) of the above table should be explained; and

(c) the class or series of the securities purchased with financial assistance or held as security for the indebtedness and, if the class or series of securities is not publicly traded, all material terms of the securities, including the provisions for exchange, conversion, exercise, redemption, retraction and dividends.

Instruction:

(1) For purposes of this item, the following interpretation applies to the term "routine indebtedness":

(a) A loan, whether or not in the ordinary course of business, is considered as routine indebtedness if made on terms, including terms relating to interest rate and security, no more favourable to the borrower than the terms on which loans are made by the Issuer to employees generally unless the amount at any time during the last completed financial year remaining unpaid under the loans to any one director or executive officer together with his or her associates exceeds $25,000, in which case the indebtedness is not routine;

(b) A loan made by an Issuer to a director or executive officer, whether or not the Issuer makes loans in the ordinary course of business, is routine indebtedness if:

(i) the borrower is a full-time employee of the Issuer or a subsidiary of the Issuer,

(ii) the loan is fully secured against the residence of the borrower, and

(iii) the amount of the loan does not exceed the annual aggregate salary of the borrower from the Issuer and its subsidiaries;

(c) If the Issuer makes loans in the ordinary course of business, a loan to a person or company other than a full-time employee of the Issuer or of a subsidiary of the Issuer is routine indebtedness, if the loan:

(i) is made on substantially the same terms, including terms relating to interest rate and security, as are available when a loan is made to other customers of the Issuer with comparable credit ratings, and

(ii) involves no greater than usual risks of collectability; and

(d) Indebtedness for purchases made on usual trade terms, for ordinary travel or expense advances or for loans or advances made for similar purposes is routine indebtedness if the repayment arrangements are in accordance with usual commercial practice.

(2) For purposes of this item, "support agreement" includes an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness of the borrower.

(3) No disclosure need be made under this item of indebtedness that has been entirely repaid on or before the date of the Listing Statement.

17. Risk Factors

17.1 Disclose risk factors relating to the Issuer and its business, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by the Issuer, environmental and health risks, reliance on key personnel, regulatory constraints, economic or political conditions and financial history and any other matter that would be likely to influence an investor's decision to purchase securities of the Issuer.

17.2 If there is a risk that securityholders of the Issuer may become liable to make an additional contribution beyond the price of the security, disclose that risk.

17.3 Describe any risk factors material to the Issuer that a reasonable investor would consider relevant to an investment in the securities being listed and that are not otherwise described under section 17.1 or 17.2.

Instruction: Disclose risks in the order of seriousness from the most serious to the least serious. A risk factor must not be de-emphasized by including excessive caveats or conditions.

a) Funding Requirements
While the Company has been able to rely on its ability to obtain financing in public or privately negotiated equity offerings, there is no assurance that such financing will be available when required, or under terms that are favourable to the Company. The Company may also pursue other options such as the exploration and development of mineral properties through joint-venture participation.

b) Exploration and Mining Risks
The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on the mineral properties of which the Company intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable

or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time augments its internal exploration and operating expertise with due advice from consultants and others as required.

The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment located on the Company's properties, nor any known body of commercial ore. Programs conducted on the Company's mineral properties are an exploratory search for ore.

c) Title to Property
While the Company has diligently investigated title to the properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

d) Permits and Licenses
The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

e) Mineral Prices
Even if the Company's exploration activities are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

f) Competition
The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

g) Environmental Regulations
The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

h) Conflicts of Interest
Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time

i) Stage of Development
The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or the provision of return on investment, and in future there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

j) Industry Conditions
Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

k) Uninsured Hazards
Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards that cannot be insured against or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

l) Key Employees
Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

m) Canada Customs and Revenue Agency
No assurance can be made that Canada Customs and Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the Income Tax Act (Canada).

18. Promoters

Instruction: In this Part, "promoter" includes any person performing Investor Relations Activities (as defined in the Policies) for the Issuer.

18.1 For a person or company that is, or has been within the two years immediately preceding the date of the Listing Statement, a promoter of the Issuer or of a subsidiary of the Issuer, state:

the person or company's name;
Michael Bayback & Company Inc., U.S.A.
General Research GMBH, Germany
Chinese Investment Club, Canada
Milestone Media, Germany
Kat Tosine

(b) the number and percentage of each class of voting securities and equity securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control is exercised;
N/A

(c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from the Issuer or from a subsidiary of the Issuer, and the nature and amount of any assets, services or other consideration therefor received or to be received by the Issuer or a subsidiary of the Issuer in return; and
N/A

(c) for an asset acquired within the two years before the date of the Listing Statement or thereafter, or to be acquired, by the Issuer or by a subsidiary of the Issuer from a promoter:
$25,790; UGeneral Research GMBHGermany; July 2015.
$50,000; Milestone Media, Germany; Feb 2015.
$2,370US; Michael Bayback & Co Inc., USA; 2014-2015.
$2,147; Chinese Investment Club, Canada; Apr 2015.
$30,000 Kat Tostine February 2016

(i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined,

(ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with the Issuer, the promoter, or an associate or affiliate of the Issuer or of the promoter, and

(iii) the date that the asset was acquired by the promoter and the cost of the asset to the promoter.

18.2 (1) If a promoter referred to in section 18.1 is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer, or chief financial officer of any person or company that:
N/A

a) was subject to an order that was issued while the promoter was acting in the capacity as director, chief executive officer or chief financial officer; or
N/A

b) was subject to an order that was issued after the promoter ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the promoter was acting in the capacity as director, chief executive officer or chief financial officer,
N/A

state the fact and describe the basis on which the order was made and whether the order is still in effect.

(2) For the purposes of section 18.2 (1), "order" means:

(a) a cease trade order;

(b) an order similar to a cease trade order; or

(c) an order that denied the relevant person or company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

(3) If a promoter referred to in section 18.2 (1):
N/A

(a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

(b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the promoter, state the fact.

(4) Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a promoter referred to in section 18.2(1) has been subject to:
N/A

(a) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial and territorial securities regulatory authority or has entered into a settlement agreement with a provincial and territorial securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

(5) Despite section 18.2(4), no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be considered important to a reasonable investor in making an investment decision.

Instruction: *The disclosure required by sections 18.2(2), 18.2(4) and 18.2(5) also applies to any personal holding companies of any of the persons referred to in sections 18.2(2), 18.2(4), and 18.2(5).*

1. *A management cease trade order which applies to a promoter referred to in section 18.1 is an "order" for the purposes of section 18.2(2)(a) and must be disclosed, whether or not the director, chief executive officer or chief financial officer was named in the order.*

2. *For the purposes of this section, a late filing fee, such as a filing fee that applies to the late filing of an insider report, is not a "penalty or sanction". The disclosure in section 18.2(2)(a) only applies if the promoter was a director, chief executive officer or chief financial officer when the order was issued against the person or company. The Issuer does not have to provide disclosure if the promoter became a director, chief executive officer or chief financial officer after the order was issued*

19. Legal Proceedings

19.1 Describe any legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter and any such proceedings known to the Issuer to be contemplated, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.
N/A

Instruction: No information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed 10 per cent of the current assets of the Issuer and its subsidiaries on a consolidated basis. However, if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, the amount involved in the other proceedings shall be included in computing the percentage.

19.2 Regulatory actions - Describe any:

(a) penalties or sanctions imposed against the Issuer by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof;
N/A

(b) other penalties or sanctions imposed by a court or regulatory body against the Issuer necessary to contain full, true and plain disclosure of all material facts

relating to the securities being listed; and
N/A

(c) settlement agreements the Issuer entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.
N/A

20. Interest of Management and Others in Material Transactions

20.1 Describe, and state the approximate amount of, any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three years before the date of the Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Issuer or a subsidiary of the Issuer:
N/A

(a) any director or executive officer of the Issuer;

(b) a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of your outstanding voting securities; and

(c) an associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b).

Instruction:

(1) The materiality of an interest is to be determined on the basis of the significance of the information to investors in light of all the circumstances of the particular case. The importance of the interest to the person having the interest, the relationship of the parties to the transaction with each other and the amount involved are among the factors to be considered in determining the significance of the information to investors.

(2) Give a brief description of the material transaction. Include the name of each person or company whose interest in any transaction is described and the nature of the relationship to the Issuer.

(3) For any transaction involving the purchase of assets by or sale of assets to the Issuer or a subsidiary of the Issuer, state the cost of the assets to the purchaser, and the cost of the assets to the seller if acquired by the seller within three years before the transaction.

(4) This item does not apply to any interest arising from the ownership of securities of the Issuer if the security holder receives no extra or special benefit or advantage not shared on an equal basis by all other holders of the same class of securities or all other holders of the same class of securities who are resident in Canada.

(5) Information must be included as to any material underwriting discounts or commissions upon the sale of securities by the Issuer if any of the specified persons or companies were or are to be an underwriter or are associates, affiliates or partners of a person or company that was or is to be an underwriter.

(6) No information need be given in answer to this item as to a transaction, or an interest in a transaction, if

(a) the rates or charges involved in the transaction are fixed by law or determined by competitive bids;

(b) the interest of a specified person or company in the transaction is solely that of a director of another company that is a party to the transaction;

(c) the transaction involves services as a bank or other depository of funds, a transfer agent, registrar, trustee under a trust indenture or other similar services; or

(d) the transaction does not involve remuneration for services and the interest of the specified person or company arose from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of equity securities of another company that is party to the transaction and the transaction is in the ordinary course of business of the Issuer or its subsidiaries.

(7) Describe all transactions not excluded above that involve remuneration (including an issuance of securities), directly or indirectly, to any of the specified persons or companies for services in any capacity unless the interest of the person or company arises solely from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of equity securities of another company furnishing the services to the Issuer or its subsidiaries.

21. Auditors, Transfer Agents and Registrars

21.1 State the name and address of the auditor of the Issuer.
MCGOVERN, HURLEY, CUNNINGHAM, LLP
Suite 300, 2005 Sheppard Avenue East
Toronto, Ontario, Canada, M2J 5B4

21.2 For each class of securities, state the name of any transfer agent, registrar, trustee, or other agent appointed by the Issuer to maintain the securities register and the register of transfers for such securities and indicate the location (by municipality) of each of the offices of the Issuer or transfer agent, registrar, trustee or other agent where the securities register and register of transfers are maintained or transfers of securities are recorded.
TSX Trust Company

22. Material Contracts

22.1 Give particulars of every material contract, other than contracts entered into in the ordinary course of business that was entered into within the two years before the date of Listing Statement by the Issuer or a subsidiary of the Issuer.
LOI dated Dec 23, 2016 – Sale of Alberta Project. See press release on page 7.
LOI dated Dec 16, 2016-Joint Venture with Cougar Metals. See press release on Page 6.

Instruction:

(1) The term "material contract" for this purpose means a contract that can reasonably be regarded as material to a proposed investor in the securities being listed and may in some circumstances include contracts with a person or company providing the Issuer with promotional or investor relations services.

(2) Set out a complete list of all material contracts, indicating those that are disclosed elsewhere in Listing Statement and provide particulars about those material contracts for which particulars are not given elsewhere in the Listing Statement.

(3) Particulars of contracts should include the dates of, parties to, consideration provided for in, and general nature of, the contracts.

22.2 If applicable, attach a copy of any co-tenancy, unitholders' or limited partnership agreement.
N/A

23 Interest of Experts

23.1 Disclose all direct or indirect interests in the property of the Issuer or of a Related Person of the Issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of the Listing Statement or prepared or certified a report or valuation described or included in the Listing Statement.
N/A

23.2 Disclose the beneficial ownership, direct or indirect, by a person or company referred to in section 23.1 of any securities of the Issuer or any Related Person of the Issuer.
N/A

23.3 For the purpose of section 23.2, if the ownership is less than one per cent, a general statement to that effect shall be sufficient.

23.4 If a person, or a director, officer or employee of a person or company referred to in section 23.1 is or is expected to be elected, appointed or employed as a director, officer or employee of the Issuer or of any associate or affiliate of the Issuer, disclose the fact or expectation.

24. Other Material Facts

24.1 Give particulars of any material facts about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.
N/A

25. Financial Statements

25.1 Provide the following audited financial statement for the Issuer:

(a) copies of all financial statements including the auditor's reports required to be prepared and filed under applicable securities legislation for the preceding three years as if the Issuer were subject to such law; and
DNI Annual Reports 2016 attached.

(b) a copy of financial statements for any completed interim period of the current fiscal year.
Six months to Sept 30, 2016 attached.

25.2 For Issuers re-qualifying for listing following a fundamental change provide N/A

(a) the information required in sections 5.1 to 5.3 for the target;

(b) financial statement for the target prepared in accordance with the requirements of National Instrument 41-101 *General Prospectus Requirements* as if the target were the Issuer;

(c) pro-forma consolidated financial statements for the New Issuer giving effect to the transaction for:

(i) the last full fiscal year of the Issuer, and

(ii) any completed interim period of the current fiscal year.

The first certificate below must be signed by the CEO, CFO.

CERTIFICATE OF THE ISSUER

The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Mississauga, Ontario

this 28 day of December, 2016.

Chief Executive Officer

Chief Financial Officer

Chairman

APPENDIX A: MINERAL PROJECTS

(1) Property Description and Location – Describe:

(a) the area (in hectares or other appropriate units) and location of the property;

121,856 ha (1,218 square km).
The Permits extend over an approximate 20kmx90km quadrant defined by R12-R14 and T95-T103, W4 Meridian, in northeast Alberta. The Property is located over the Birch Mountains approximately 120 kilometres to the north of Fort McMurray, Alberta, in the Athabasca oil sands region.

(b) the nature and extent of the Issuer's title to or interest in the property, including surface rights, obligations that must be met to retain the property and the expiration date of claims, licences and other property tenure rights;

DNI's 100% interest in the Property is subject to a traditional royalty retained by the Province of Alberta against metal production revenues therefrom. There are no other overriding royalties encumbering DNI's interest. The Permits grant DNI the exclusive right to explore for metallic and industrial minerals for fourteen years subject to traditional assessment work performance biannually, and also grant use of the surface for the purposes of mineral exploration work.

Coexisting rights to oil sands, oil and gas over the Property are held by third parties. There are four active oil sands projects under different stages of development adjacent to the Property's east and south boundaries (Horizon, Pierre River, Equinox and Frontier). The Horizon oil sands mine is adjacent to the south boundary of the Property has been in production for several years. An active gas distribution pipeline network straddles the south-western boundary of the Property.

The permits comprising the Property have commencement dates ranging 2008-2014. The permits are contiguous and are grouped for assessment filing purposes. DNI has previously filed an aggregate of $3,108,593 toward assessment work ($958,362-Aug/2010; $2,150,231-Apr/2012) to renew portions of the Property, including in excess expenditures "banked" for future renewals.

An aggregate of $4,297,010 was spent on the above permits during the period Feb/2012-Sept30/2014 (including a 10% administrative overheads provision of $390,637). The aggregate expenditures (including an excess of $2,459 for future use) are being applied against 21 of the permits to extend their anniversary dates to 2020-2023 dates. Some of the foregoing permits are being downsized.

(c) the terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the property is subject;

N/A

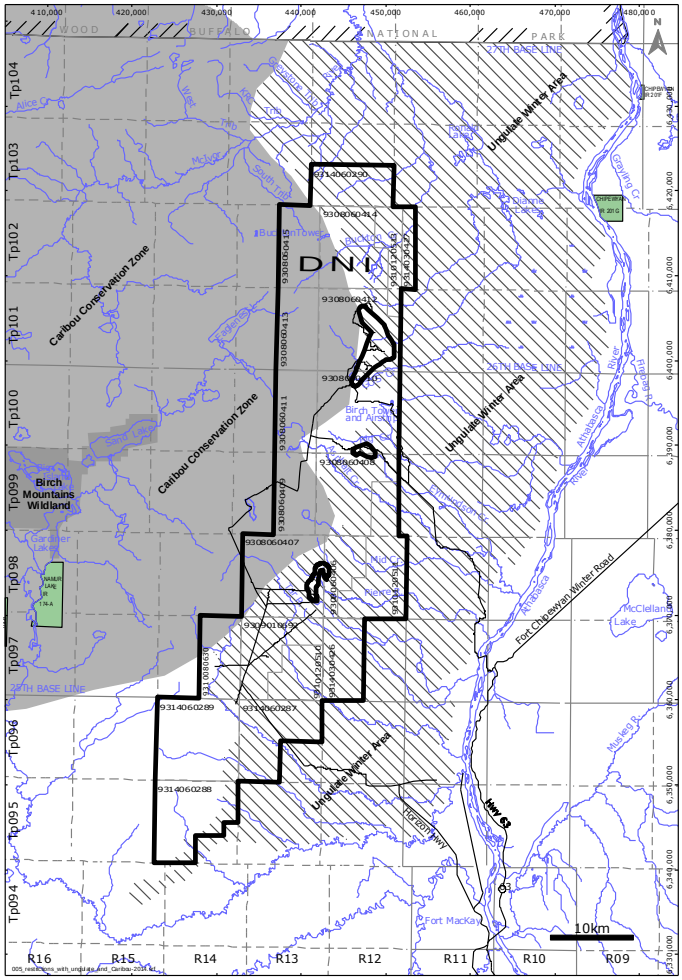
(d) all environmental liabilities to which the property is subject;

Land use in the area is regulated by the Alberta Department of Environmental Protection, which regulates issuance of land use permits for surface disturbances, with participation from a structured process of local community consultation. Due permitting (and subsequent site reclamation) is necessary for all "invasive" and mechanized work which might disturb the surface (e.g. drilling, road building).

Despite the coexistence of metallic and hydrocarbon mineral tenure in the region, conflicts in precedence of land use are minimal and are as yet untested due to the scarcity of previous exploration for non-hydrocarbon minerals.

Minor sensitivities exist in the region which affect exploration activities and land use to an extent comparable to elsewhere in Canada. These include due attention to wolf migration, moose and caribou calving seasons, traditional land use and miscellaneous trapping rights. Wood Buffalo National Park is located 15km to the north of the northernmost boundary of DNI's Property. There are no aboriginal claims pending in the region, although due consultation with five first nations groups, notably the Fort McKay community which is the nearest to the Property, is a pre-requisite for land use permitting.

Surface restrictions consist of minor activity restrictions over the western fifth of the Property (Figure below) in connection with caribou calving and migration routes requiring the annual recess of field activities during the four month period March 1 through July 1.



There exist known gas accumulations in the region, especially in areas surrounding Fort McMurray. Low pressure gas has been documented from the Viking Formation known to occur at depths of 100m□200m beneath surface in the Birch Mountains under porti ons of the Property. This Formation is lower (deeper) in the stratigraphy than DNI's polymetallic shale targets and has not previously been a hindrance to exploration. Higher pressure gas occurs deeper in the stratigraphy, in the McMurray Formation (host to Oil Sands), approximately 500m-600m below the surface of the Birch Mountains. Scattered gas pockets are common throughout region, hence taking due precaution during drilling is common practice.

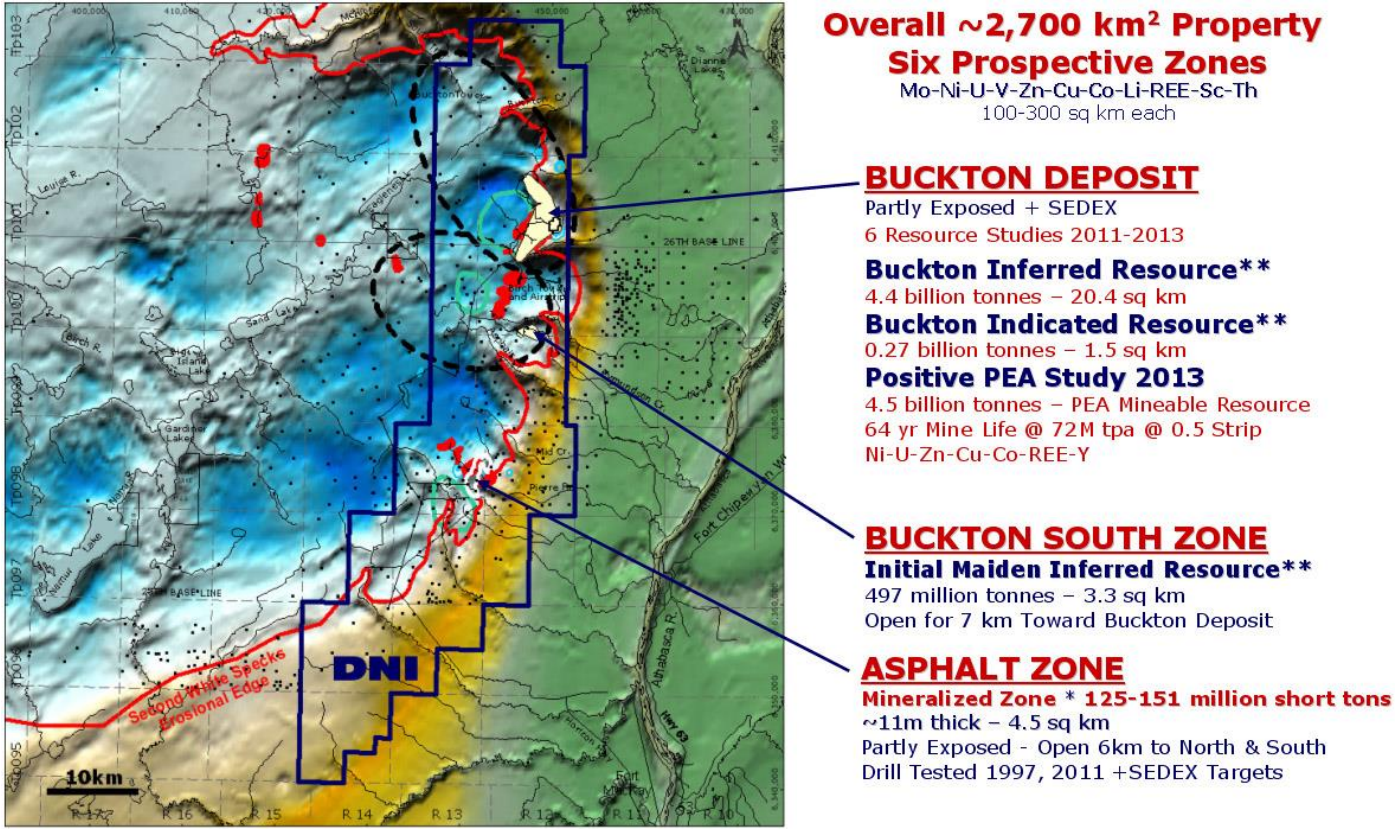
Timber rights for a considerable portion of the region, including the Birch Mountains, are held by various groups under Provincial Forest Management Agreements. Rights in the Birch Mountains Area are held mainly by Alberta Pacific, necessitating compensation payable by way of timber damage assessment (TDA) in the event any clearing is made during preparation of drill pads and access.

The Property is subject to the Lower Athabasca Region Plan and is located within an area designated for miscellaneous use which includes mineral development activities.

(e) the location of all known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailings ponds, waste deposits and important natural features and improvements; and

Mineralized zones and resources are shown in the figure below. There are no mine workings, no tailings ponds, no waste deposits, no improvements.

** Per Section 2.3(2) of NI-43-101. The Asphalt "Mineralized Zone", previously named a "Potential Mineral Deposit", was renamed as a "Mineralized Zones", being a target for further exploration, to harmonize with amendments to NI-43-101 which came into effect on June 30, 2011. **Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the mineral resource reported herein will be converted into a mineral reserve. An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be*



estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

(f) to the extent known, the permits that must be acquired to conduct the work proposed for the property and whether permits have been obtained;

The Permits grant DNI the exclusive right to explore for metallic and industrial minerals for seven consecutive two-year terms (total of fourteen years), subject to traditional biannual assessment work. Work requirements for maintenance of permits in good standing are $5.00/ha for the first term, $10.00/ha for each of the second and third terms, and $15.00/ha for each the fourth, fifth, sixth and seventh terms.

The statutes also provide for conversion of Permits to Metallic Minerals Leases once a mineral deposit has been identified. Leases are granted for a renewable term of 15 years, and require annual payments of $3.50/ha for rent to maintain them in good standing. There are no work requirements for the maintenance of leases and they confer rights to minerals.

Complete terms and conditions for mineral exploration permitting and work can be found in the Alberta Mines and Minerals Act and Regulations (Metallic and Industrial Minerals Tenure Regulation 145/2005, Metallic and Industrial Minerals Exploration Regulation 213/98). These and other acts and regulations, with respect to mineral exploration and mining, can be found in the Laws Online section of the Government of Alberta Queen's Printer website (www.qp.alberta.ca/Laws_Online.cfm).

(2) Accessibility, Climate, Local Resources, Infrastructure and Physiography – Describe:

(a) the means of access to the property;

Fort McMurray is nearly at the centre of the region and is accessible by highway from Edmonton (350km away) and by regular daily commercial flights from Edmonton, Calgary and Toronto. Principal access is by road, although discussions emerge from time to time to re-commission the historic CN rail service which currently offers freight railhead just to the south of Fort McMurray.

Fort McMurray is a fast expanding and thriving town which is well supplied. It offers all support services necessary to exploration work in the area, including expediting, fixed and rotary air support, communications, medical and equipment supplies. Radio as well as telephone communications are also excellent throughout the region. Cellular telephone coverage is good throughout the region, with good reception to localities as far away as the Birch Mountains air strip and fire tower.

The Athabasca and the Clearwater rivers represent the two principle waterways in the region with countless other streams and smaller rivers draining into them, the majority of which are characterized by jagged shapes consisting of many relatively straight water courses, reflecting in most part underlying faults and joint systems. The Athabasca River bisects the region and provides relatively good water access across most of the region and also a barge service over its northern portions to the north of Fort McMurray. The Athabasca River flows north into Lake Athabasca.

Access throughout the region is relatively good, facilitated by a network of highways, secondary roads and old seismic lines which serve well as winter roads and bush roads, and in some cases are also accessible by all-terrain vehicles. Past exploration activities have occasionally gained access to the west shore of the Athabasca River by ice-bridge constructed from a locality near Bitumont, as a joint effort between forestry harvesting and mineral exploration. Future programs will, however, benefit from considerable road construction in progress by several dozen oil sand projects which are in various stages of development.

Access throughout the east and west flanks of the Athabasca River are in a state of rapid development, providing road access to several pending oil sand projects skirting the Birch Mountains over localities adjacent to the south and east boundaries of DNI's Property, to as far north as its northeast corner (the Property is surrounded on its east and south by four oils sands mines under development). Significant pending developments include Shell Canada's planned construction of a bridge across the Athabasca River to access its Pierre River oil sands mine (permitting stage), adjacent to the east boundary of DNI's Property. This will significantly enhance access to the Property, since the planned Pierre River Mine is downslope from the Asphalt and Buckton South metal bearing Zones.

The Birch Mountains have traditionally been accessed in the summer months by barge/boat via the Athabasca River, although the principal mode of access has been by rotary aircraft or by fixed wing aircraft landing on the half mile long Birch Mountain Airstrip which also houses a seasonally manned Fire Tower and telecommunications relay station. There are other private airstrips throughout the region, the nearest being Shell Canada's at its Pierre River Project, and Canadian Natural Resources Horizon oil sands project to the south of the Property. Winter access is via the Birch Mountain Winter Road which passes northerly from the village of Fort MacKay and provides a sinuous path which, over its northern parts, is better negotiable after freeze-up as it crosses several streams and over wet muskeg. The Horizon road splays from the foregoing partway and provides the principal all weather access to CNRL's Horizon oil sands mine. Many other winter roads, under road allowance agreements to oil sands companies exploring the Birch Mountains, provide good N-S access across much of the bottom three quarters of the Property.

Access throughout (within) the Birch Mountains is best by rotary aircraft, although countless old seismic lines offer adequate, albeit selective, access throughout much of the area. Past drilling has typically confined itself to the winter months when old trails and seismic lines could be cleared of snow and graded, with minimal surface disturbance, to gain access to localities within the Birch Mountains Area for the mobilization of crews and equipment.

It is assumed that a new all-weather access road will be constructed Northwards from the CNRL Horizon project, a distance of about 30 km. The road would accommodate highway transport trucks for the construction phase as well as for delivery of supplies, equipment, and personnel during operation; this would be a gravelled road.

(b) the proximity of the property to a population centre and the nature of transport;

Fort McMurray is the closest population centre, about 120km to the south of the DNI Property. See above for the nature of transport.

(c) to the extent relevant to the mining project, the climate and length of the operating season;

Northeast Alberta weather is somewhat cooler than Canadian central provinces. Winter temperatures are cold, averaging -20 degrees C (min -40 degrees), and summers are warm averaging 17 degrees C (max 30 degrees C) and are typically short (Jun-Aug), much like northern Canada. Average annual precipitation for Fort McMurray is approximately 460mm.

The Birch Mountains, by virtue of elevation, are somewhat cooler than rest of the region, and are susceptible to fog during long periods of wet weather.

(d) the sufficiency of surface rights for mining operations, the availability and sources of power, water, mining personnel, potential tailings storage areas, potential waste disposal areas, heap leach pads areas and potential processing plant sites; and

RIGHTS

The Permits grant DNI the exclusive right to explore for metallic and industrial minerals for seven consecutive two-year terms subject to traditional assessment work performance biannually.

POWER

Although the sulfur acid plant will generate electricity, the Buckton Deposit will be connected to the Alberta power grid to provide opportunity to sell excess power when possible as well as to ensure a power supply when the acid plant is non-operational.

It is assumed that a 240kV power line would be constructed from a point near the CNRL Horizon operation, a distance of about 30 km. Step down transformers will reduce the voltage at site and power will be distributed to locations such as the conveying systems, heap leach area, and offices.

WATER

The main source of raw water supply for the project will be the Athabasca River. A river intake and water pipeline will be constructed near the Teck Frontier site. Other process water will be collected from run-off and precipitation events

in order to minimize water demand from the river.

MINING PERSONNEL
The Buckton Deposit is not remote and therefore will have direct road access to the infrastructure, services and skilled labour in the Fort McMurray region.

In order to facilitate the transportation of personnel living outside the Fort McMurray region, an airstrip will be provided at site. This can be used for the delivery of supplies but the main purpose is personnel access. There is a public access forestry airstrip available at the Birch Fire Tower.

LEACH PADS AND TAILINGS
It is anticipated that any future mining of the Buckton Deposit would use a bio-heap leaching process to separate metals from raw leach feed. The bio-heap leaching process for the Buckton Deposit is currently being tested and optimized (see Sabag, 2010). Bio-heap leaching is generally simpler, and there more cost-effective and environmentally friendlier to operate and maintain than traditional smelting processes because, for example, the leaching bio-organisms grow naturally in the shale resulting in less landscape damage, and the bio-organisms can be easily cultivated and recycled. Important factors to be determined and mitigated in the final tailings disposal scheme are the potential for chemicals that are sometimes produced in the process via the addition of sulfuric acid and chemical contaminants (in addition to the bio-organisms) to leach the metals of interest.

The term “tailings” used herein is commonly used at other operations to describe a slurry form of barren waste material. In this case however, the ‘tailings’ will be in a solid state.

The physical characteristics of the final tailings must be considered in the tailings disposal scheme, especially their porosity, permeability, and position within the landscape and meteoric water regime. Subsequently, primary heaps at the SBH Property would be fully sealed to surface- and ground-waters for obvious environmental and economic reasons.

A single leach cycle is envisaged for leaching of metals from the Buckton Deposit, and tailings can be expected to be low in heavy metals (because the leach feed itself is relatively low-grade by mining standards and most leachable heavy metals will have been recovered). The final tailings would also be expected to be fine-grained (generally silt-sized or finer) and of low permeability (similar to the shale leach feed itself). Detailed studies will be necessary to determine the actual properties of the tailings and the environmentally acceptable limits for the SBH Property, however, at this stage it is anticipated that a reasonable degree of latitude will be available in planning a final tailings disposal scheme. As noted below, aqueous processing by-products present different (and potentially more immediate) challenges than the final tailings products, and will require extensive contingency planning and engineering.

Two important points for planning future operations are: 1) adequate engineering in the design and construction of all water enclosures; and 2) anticipation of extreme events such as abnormally high rainfall, in the environmental management planning stages, particularly regarding water budgets.

The currently anticipated tailings disposal method for the Buckton Deposit would be for tailings to be mixed with a suitable amount of neutralizing material (e.g., lime), and placed on a purpose-built pad on top of mine waste after bio-heap leaching for the first few years of operation. However, because any future mine at the Buckton Deposit is anticipated to be an open pit mine, tailings will be backfilled into pit throughout the life of the mine as portions of the pit become exhausted.

BUILDINGS
The Administration and Operations buildings will be a pre-engineered, steel-framed structure with a spread footing foundation and metal deck roof cladding. The buildings will provide offices for administrative and technical staff, including management, training, accounting, safety, and security. It will also include staff support facilities such as a conference rooms and lunch rooms. It will be connected to a change room/dry complex.

The maintenance shop will be used to service the mine mobile equipment. The truck shop itself will be comprised of three regular service bays, one welding bays and one preventative maintenance bay. The truck shop and other bays will be serviced by a 50 tonne bridge crane. The building would be prefabricated from steel structural framing and metal cladding, with concrete floors.

A warehouse will be contained adjacent to the truck maintenance shop and connected via a passageway. It will be used for storage of parts and materials needed for mine and plant operations.

On-Site Accommodations
It is anticipated that the Buckton Deposit work force will live off-site and be shuttled to site via charter aircraft or bus service from Fort McMurray. The location of the Buckton site is too far from Fort McMurray to consider daily commuting. A camp with capacity to accommodate approximately 500 operating people is envisioned.

(e) the topography, elevation and vegetation;

Physiography over the general region around Fort McMurray, is variable and is characterized by low, often swampy, relief punctuated by a handful of features protruding above the otherwise flat terrain. The Birch Mountains are the most conspicuous topographic features in the region and are located in the north of the region, to the south of Wood Buffalo National Park. DNI’s Property covers the eastern erosional edge of the Birch Mountains.

By far the greatest topographic relief in the region are the Birch Mountains (elev 750m-820m asl) which protrude conspicuously some 500m-600m above the surrounding areas (250m asl), with a distinct erosional edge. The Birch Mountains are characterized by many river and creek incisions in poorly consolidated stratigraphy susceptible to active

landslides and slumps. River valley incisions in the area are progressively deeper as they near the erosional edges of the Birch Mountains and the drainage in the area defines an approximate radial pattern outward from the Birch Mountains. Localized radial drainages are also present within the Birch Mountains area, characterized by creeks flowing outward from what appear to be 1km-2km diameter circular domes.

Given the relatively flat-lying stratigraphy in the region, the Birch Mountains provide excellent vertical exposures, especially in river valleys, across relatively long sections of nearly flat-lying stratigraphy which are otherwise buried to the west and eroded to the south and east.

The McIvor River Valley is the most formidable topographic feature in the Birch Mountains, representing a 20km long east-northeasterly trending valley which opens to a width of some 10km at its eastern extremity which is located immediately to the north of the Property. Unlike other sharply incised valleys in the Birch Mountains area, it is a relatively flat-bottomed feature dominated by the McIvor River with its many braided meanders and countless tributaries. The valley is surrounded by zones of active slumpage representing broad zones of continual sediment recharge such that the active flow channel of the McIvor River is in a continual state of flux within the central section of the river valley, shifting back and forth within several hundred meters of valley bottom. The McIvor River flows north into Lake Claire.

Glacial history of northeast Alberta is complex. In gross terms, multiple glacial advances from the east/northeast/north (Laurentide source) and the west (Cordilleran or Rocky Mountain source) have been recognized, as have been also considerable interactions between the two principal ice directions (Dufresne et al 1994). Transverse advances in glacial directions in response to localized topography have been documented and work suggests that the Birch Mountains have had a significant affect on local ice directions in the area. The reader is referred to Considerable work completed in the area by the Alberta Geological Survey toward investigation of quaternary geology.

Glacial history of the region is complex and not clearly understood. Principal ice direction throughout the northeastern portion of the region is southwesterly, although ice flow is believed to have splayed around (and over) the Birch Mountains such that throughout the balance of the region crosscutting composite directions are common, manifested as multiple tills.

Principal ice direction throughout the Birch Mountains Area is southwesterly and can be seen in large scale glacial scouring across the area, although ice flow is believed to have splayed around, and over, the Birch Mountains such that crosscutting composite directions are common to its south, manifested as multiple tills.

The Buckton, Buckton South and Asphalt polymetallic shale Zones are located along the erosional edge of the Birch Mountains over the eastern part of the Property, and much of the glacial till in the area appears to be locally derived by scouring of shale units nearest surface (notably the Labiche Formation).

Surficial deposits of sand to the east of the Birch Mountains and further east (eg: Firebag River area) are believed to be glacial backwash of sand from the Pelican sandstone Formation scoured from the Birch Mountains.

(3) History - Describe:

(a) the prior ownership of the property and ownership changes and the type, amount, quantity and results of the exploration work undertaken by previous owners, and any previous production on the property, to the extent known;

DNI commenced assembly of its land position in 2007 and acquired the Property by direct application to Alberta Energy. DNI, accordingly, holds a 100% interest therein under metallic and industrial mineral agreements with Alberta Department of Energy. Through ongoing prioritization of portions of the Property, DNI has periodically modified the Property by downsizing certain permits or altogether abandoning certain other permits of lesser importance. DNI modified the Property most recently in March 2014 by allowing prior permits adjacent to the western parts current Property to lapse, to focus all of its future efforts on developing and advancing the Buckton, Buckton South and Asphalt Zones located over the eastern parts of the Birch Mountains. DNI also acquired additional permits adjacent to the southeast and northeast portions of the Property to secure locations with potential for hosting sand which might be suited for use as a natural sand proppant in the oil/gas industries.

There are no historic mineral mines or similar operations, in the area nor on the Property. All prior, historic, activities in the area consist entirely of exploration work.

DNI's Property currently contains several historic properties previously held and explored for metals by others, notably by Tintina Mines Limited which explored them extensively in the 1990's.

The Property contains the historic Buckton, Buckton South and Asphalt Properties, which were previously held by Tintina Mines Limited, and extensively explored by it during the 1990's. The Property also contains a single township permit (T97/R13) previously held by Ells River Resources, and the southern parts of an early-stage property previously held by Ultrasonic Industries. DNI revised the Property in March 2014 by allowing certain permits to lapse which previously contained the historic Eaglenest Property as well as other early stage zones which DNI had identified as reconnaissance targets for future exploration (McIvor West and North Lilly targets).

Geological databases from historic work conducted over the above properties, and their vicinities, together with work conducted by the AGS and GSC, are the only geological information available from the area obtained from the field toward the exploration for metals.

DNI's work since acquisition of the Property consists almost entirely of metals recovery testwork, drilling, resource studies and Preliminary Economic Assessment of the Buckton Zone. As such, results from the historic work field continue to represent the only legacy of geological mapping and sampling for the Birch Mountains area and the Property, although they are partly superceded in scope and substance by findings from DNI's exploration work since. In addition, none of the historic work addressed potential of identifying sand proppant at the Property.

To maintain continuity with historic work, DNI has elected to retain historic location names to facilitate referencing of prior year results by referring to the Buckton, Buckton South and Asphalt historic properties. A summary overview of previous third-party work is outlined below.

PREVIOUS THIRD-PARTY WORK– METALS, DIAMONDS AND OIL/GAS EXPLORATION
The area under DNI's Permits and the broader Birch Mountains Area, were aggressively explored during the period 1993-1999 by Tintina Mines Limited as part of its exploration programs over a much larger (3 million acre) land position it then held across northeast Alberta covering approximately 135 townships. Tintina's exploration programs were active until late 1999 and comprised multi-phased multifaceted campaigns straddling several years focusing entirely on base metals and uranium (rather than rare earths and specialty metals). Tintina collected several thousand multimedia samples in addition to conducting drilling and consolidating considerable other information from various studies, surveys and other testwork completed on its behalf by various professional geoscientists and consulting groups, and from collaborative work with the AGS and the GSC.

Tintina discovered the metal bearing black shales (DNI's polymetallic shale targets) by accident in 1995 while searching for metal bearing permeability traps in redox fronts across northeast Alberta. Tintina started its regional work in 1993, focusing on the Cretaceous-Devonian unconformity, but discoveries it made in the Birch Mountains in 1995 in carbonaceous shales shifted focus of its subsequent work to exploration of the black shales as prospective redox fronts which could accumulate considerable metals at their base. Intrinsic potential of the shales as hosts to metals was not recognized until after 1997 drilling designed to probe beneath the lower contact of the shales, but which discovered metal enrichment within the black shales themselves instead. What started out in 1993 as a search for carbonate hosted gold-copper bearing redox systems similar to roll-front Uranium deposits, ultimately led over a four year period to the discovery of a formidable metalliferous black shale assemblage at the Lower-Upper Cretaceous unconformity associated with considerable subaerial venting and previously unknown extinction markers.

While Tintina's work, and DNI's initial focus, concerned itself mainly with the Second White Speckled Formation metal enriched black shale, DNI recently broadened scope of its exploration to also focus on the overlying Labiche Formation black shale as a host to valuable metallic mineralization. DNI also recently recognized the merits of the Shaftesbury (Belle Fourche Formation) beneath the Second White Speckled Formation as also a host to recoverable metallic mineralization, although DNI's exploration efforts have not yet commenced to evaluate this Formation other than via initial metals leaching tests.

Tintina's work spanned the full spectrum of exploration activities ranging from grass roots reconnaissance and systematic regional sampling (1994-1995), through in-fill sampling, anomaly identification and follow-up (1995-1997), to confirmation drilling (1996-1997) and preliminary metallurgical testwork, leaching and benchtests (1997-1999). Diamond indicator investigations and extensive check assaying work (1997-1999) were also completed. Results from all of these work programs are collated in a series of Alberta Mineral Assessment Reports all of which are publicly available . Ells River Resources conducted minimal sampling in 1996 over its single permit property (T97/R13).

Historic exploration work conducted by Tintina over DNI's Property and the broader Birch Mountains, comprise the following: (i) LANDSAT remote imagery analysis (1994); (ii) Airphoto imagery analysis (1995); (iii) Lake sediment/water geochemical sampling (1994); (iv) Stream sediment geochemical sampling (1994); (v) Stream sediment heavy mineral concentrate sampling (1994), and follow-up heavy mineral concentration testwork (1994-1995); (vi) Lake Sediment/Water geochemical infill sampling (1995); (vii) Stream sediment geochemical infill sampling (1995); (viii) Stream sediment infill heavy mineral concentrate sampling (1995); (ix) Lithogeochemical reconnaissance sampling (1994) and follow-up heavy mineral concentration; (x) Lithogeochemical reconnaissance sampling (1995); (xi) Stratigraphic compilation and modelling (1995); (xii) Soil geochemical sampling (1995); (xiii) Follow-up Soil geochemical sampling (1996); (xiv) Winter drilling (1996-1997); (xv) High resolution aeromagnetic survey (1997); (xvi) Preliminary flotation, leaching, and sequential/selective leaching tests (1997-1998); (xvii) Diamond indicator resampling and analytical work (1998); (xviii) Check assaying program (1998-1999).

Concurrently with Tintina's efforts, the Alberta Geological Survey (AGS) and the Geological Survey of Canada (GSC) also completed sampling and mapping programs over the Birch Mountains, and elsewhere over northeastern Alberta, to characterize bedrock and till. Some of the work by the AGS focused on expanding upon Tintina's discoveries of metal enriched Cretaceous shales as it might apply to Cretaceous shales elsewhere in Alberta. Some of this work was conducted under the 1992-1995 Canada-Alberta Agreement on Mineral Development, initially a federal project with provincial participation, though studies therefrom were completed and results ultimately released in reports by the Alberta Geological Survey (eg: AGS 2001).

Many of the samples collected by AGS over the Birch Mountains and the Property duplicated samples from exposures also sampled by Tintina and, as such, provide good corroboration for results documented in Tintina databases and reports. The concurrent work included review and sampling of Tintina drill core as well as a joint Tintina-GSC program focusing on characterizing composition and morphology of alluvial gold and related native metals and minerals discovered by Tintina in the Birch Mountains drainages. Results from all of these studies are publicly available as traditional Geological Reports, as geological articles in technical journals, and as posters/abstracts contributions to various geological conferences (eg: Ballantyne et al 1994-1995).

Tintina ceased its exploration activities in 1999 and allowed its permits to subsequently gradually lapse. There was no further activity on the Property until 2008 when the last of the original permits previously held by Tintina expired and were re-assembled by DNI during 2008.

Considerable sample material from Tintina's sampling programs were archived in storage at the Mineral and Core Research Facility (MCRF), Edmonton. The samples collectively provide a broad variety of duplicate sample material all of which are available for reference, verification and for future testwork. The archives include split drill core from Tintina's 1997 drilling over the Asphalt and Buckton Zones, in addition to material from thematic sampling suites, ranging from regional reconnaissance work to follow-up and in-fill sampling, in addition to mineral concentrates from various heavy mineral sampling surveys. Most of the drill footages were resampled by DNI during the course of its own drilling to expand databases in support of mineral resource delineation studies at the Buckton Zone.

Geological databases from historic work conducted by Tintina over its properties and vicinity, together with work conducted by the AGS and GSC, form the substance of the only baseline geological information available from the Birch Mountains and the Property toward the exploration for metals. The foregoing data were consolidated by DNI into its NI-43-101 report for the Property (Sabag 2008), and represent the foundation of DNI's work on the Property. The historical work results straddle exploration work programs completed during six years over different geographic locations. Salient portions of the historic work are reiterated herein in sections of this Report describing geology and re-interpretations thereof by DNI in 2008. Excerpted results from the foregoing are appended herein.

In addition to prior exploration for metals, Tintina also carried out field work to explore for diamonds. There has been other exploration in the area for gas in Formations deeper beneath the black shales which are DNI's targets, as there have also been considerable ongoing work over the Birch Mountains as a whole for oil sands which might be recoverable by steam assisted gravity drainage methods (SAGD). There are existing active gas operations to the west of the Property and to its south.

DNI commenced its exploration work on the Property in September 2007 prior to commencing its land assembly, and has since actively continued its work on the Property to advance its development.

(b) if a property was acquired within the three most recently completed financial years of the Issuer or during its current financial year from, or is intended to be acquired by the Issuer from, an insider or promoter of the Issuer or an associate or affiliate of an insider or promoter, the name and address of the vendor, the relationship of the vendor to the Issuer, and the consideration paid or intended to be paid to the vendor; and
N/A

(c) to the extent known, the name of every person or company that has received or is expected to receive a greater than five per cent interest in the consideration received or to be received by the vendor referred to in subparagraph (b).
N/A

(4) Geological Setting — The regional, local and property geology.

In broad terms, regional geology of northeastern Alberta is represented by a sequence of substantially flat-lying Devonian carbonates overlain by equally flat-lying predominantly clastic Cretaceous and younger sediments. The Devonian sequences unconformably overlie the Precambrian Shield which is sporadically exposed only in the northeasternmost part of the region near the Saskatchewan border, from whence southwestwards the Precambrian is buried by progressively thicker sedimentary formations of the Western Canada Sedimentary Basin.

The sedimentary pile consists of Devonian sequences (carbonates, evaporite and red beds), which are unconformably overlain by Cretaceous clastic sediments, the lowermost of which (McMurray Formation) host to the oil sands deposits. The Lower Cretaceous sequences transition upward through a series of unconformities and disconformities to Upper Cretaceous clastic sequences separated from same by a principal extinction marker (the Fish Scales Marker Bed, Shaftesbury Formation) and a lesser known extinction horizon, the Second White Specks Formation.

Precambrian rocks underlying the region belong to the Talston Magmatic Arc (TMA) and the Rae Province. The TMA is a major crustal suture zone marking the boundary between the Archean Rae Province to the east and the Proterozoic Buffalo Head Terrain to the west (Ross and Bowring, 1991), and it is characterized by a sinuous aeromagnetic fabric consistent with the geology of its exposed portions in the northeast of the region where large anastomosing mylonitic shear zones cut through large (up to 50km diameter) granitic batholiths intruding 2.0-1.8Ga old ortho and paragneisses. The TMA can be traced north for several hundred kilometres from the Snowbird Tectonic Zone (~100km southeast of Fort McMurray) to the Great Slave Lake Shear Zone where it is displaced to the northeast and continues as the Thelon Magmatic Zone.

(5) Exploration Information — The nature and extent of all exploration work conducted by, or on behalf of, the Issuer on the property, including:

DNI commenced its exploration work on the Property in September 2007 prior to commencing its land assembly, and has since actively continued its work on the Property to advance its development. pursuant to recommendations of its NI-43-101 compilation report for the Property relying on synthesis and re-interpretation of information from prior third-party historic work.

While DNI's earlier work (2007-2008) mainly entailed data consolidation and review, its work quickly progressed by 2009 into extensive laboratory based activities focusing almost entirely on investigating metal extraction and recovery testwork studies to formulate an economically viable flowsheet for extraction of collective base metals from the mineralized shales. This work entailed completion of BioLeaching as well as conventional abiotic leaching testwork which advanced to column leaching testwork by 2012 (Section 14.2). Encouraged by results from the leaching testwork, DNI commenced drilling at the Property in 2010-2011 with a winter drilling program which was subsequently followed up with summer 2012 drilling (Section 13). Several resource studies were also completed delineating mineral resource over two of the six zones discovered on the Property (the Buckton and Buckton South Zones), leading to the preparation of a preliminary economic assessment of the Buckton zone in 2013 demonstrating that the Buckton zone hosts a mineable mineral deposit (Section 17).

While DNI's initial focus was on exploring and developing the base metal (Mo-Ni-V-Zn-Co-Cu) and uranium potential of the Property, DNI expanded its focus to: (i) include rare-earth elements and specialty metals (e.g., Li, Sc and Th) given incidental recovery of these rare metals as co-products during its leaching test work, and (ii) broaden scope of mineral resource definition to also include the Labiche Formation black shale overlying the Second White Speckled Shale Formation considering that it too is mineralized with metals which are recoverable by the same leaching methods as those used to extract metals from the Second White Speckled Shale (eg: the Labiche shale contains equivalent and/or higher concentrations of elements of interest in comparison to the Second White Speckled Shale and the Labiche has also positively returned recoverable metals during leaching test work).

Exploration work completed by DNI during the period 2007-2010 consisted of a variety of efforts ranging from reconnaissance level synthesis and compilation of all available third party information (2007-2008) and its consolidation into an NI-43-101 compliant technical report (2008), to considerably more detailed localized studies (2008-2009) and analytical work (2009-2010) intended to assess metal recoveries from the shale while relying on sample material collected by DNI from the Property during the 2009 field season and on archived samples in storage at the MCRF.

A detailed report of DNI's work for the period 2007□2010 was filed in Alberta Mineral Assessment Report MIN20100017 in August 2010 (Sabag 2010), outlining considerable work completed by DNI during the period 2007-2010 including the following: (i) Regional and Property scale geological data synthesis and compilation, including synthesis of information from the Western Canada Sedimentary Basin with specific focus on northeast Alberta the Birch Mountains (2007-2008); (ii) Consolidation of the information from geological data synthesis and compilation into databases as well as preparation of a NI-43-101 compliant Technical Report for the Property (2008); (iii) Preliminary review and inventory of historic third-party drill core archived at the MCRF from the Property (2008); (iv) Review, cataloguing and resampling of historic third-party drill core archived at the MCRF from the Property (2008-2009); (v) Verification analytical work of historic third-party drill core archived at the MCRF from the Property (2009); (vi) Expansion of subsurface geological database, related synthesis and subsurface stratigraphic modeling (2008-2010); (vii) Strategic field sampling program and related analytical work (2009); (viii) A number of leaching and mineral testwork as follows: Initial cyanidation testwork (2009); Micro scaled mineral (MLA) study of samples from the Property (2009-2010); Bio-Organism cultivation, culture adaptation and BioLeaching study – ARC (2009-2010); CO2 Sequestration study – ARC (2009-2010); BioLeaching testwork – BRGM (2009-2010); and Sulfuric acid leaching testwork (2010); (ix) Strategic field sampling program and related analytical work (2010). Results from the foregoing work programs have been incorporated into this Report.

Exploration work completed by DNI during the period 2010-2012 consisted of a variety of efforts culminating in preparation of two mineral resource studies, concluded in 2012, reporting an initial resource from the Buckton Zone. Other activities leading up to preparation of the resource studies consisted of a winter 2010-2011 drilling program (related permitting and community consultation), and continuing leaching testwork to establish metals recoveries from the Second White Speckled Shale and the overlying overburden material.

A detailed report of DNI's work for the period 2007□2010 was filed in Alberta Mineral Assessment Report MIN20120007 in April 2012 (Sabag 2012), outlining considerable work completed by DNI during the period 2010-2012 including the following: (i) Conclusion of analytical work on samples collected in 2010 (field sampling previously reported in Alberta Mineral Assessment Report MIN20100017); (ii) conclusion of bioleaching and analytical work related to sample fractions previously omitted from testing during 2009-2010 testwork completed at the AITF (previously reported in Alberta Mineral Assessment Report MIN20100017); (iii) Permitting and Community consultation related to the 2010-2011 winter drilling program; (iv) Winter 2010-2011 drilling program completed during Dec/2011-Feb/2012, in addition to subsequent core logging, sampling and analytical work; (v) Follow-Up bioleaching testwork completed by the AITF in 2011-2012 on composite drill core samples from the Second White Speckled Shale and overlying overburden; (vi) A Resource Study, completed in Oct/2011, for a portion of the Buckton Zone relating to Mo-Ni-U-V-Zn-Co-Li contained in the Second White Speckled Formation shale, representing the maiden resource from the Buckton Zone and the first to ever be delineated on the Property; (vii) A supplemental resource study, completed in Jan/2012, relating to REE-Y-Sc-Th contained in the Buckton maiden resource; and (viii) Leaching testwork completed by the AITF in 2011-2012 to evaluate using CO2 as a leaching solvent. Results from the foregoing work programs have been incorporated into this Report.

DNI's work during 2012-2014 expanded on its previous findings through additional metals recovery testwork, and advanced the Buckton Zone through two resource expansions to its first Preliminary Economic Assessment study. DNI also delineated an initial mineral resource at the Buckton South Zone during the foregoing period, and commenced evaluating the Pelican sandstone Formation as a potential host to natural sand proppant (fracsand) for use by the oil/gas industry.

Please refer to the above named reports for particulars.

(a) the results of all surveys and investigations and the procedures and parameters relating to surveys and investigations;
Please refer to the above named reports for particulars.

(b) an interpretation of the exploration information;
Please refer to the above named reports for particulars.

(c) whether the surveys and investigations have been carried out by the Issuer or a contractor and if by a contractor, identifying the contractor; and
Please refer to the above named reports for particulars.

(d) a discussion of the reliability or uncertainty of the data obtained in the program.
Please refer to the above named reports for particulars.

(6) Mineralization — The mineralization encountered on the property, the surrounding rock types and relevant geological controls, detailing length, width, depth and continuity together with a description of the type, character and distribution of the mineralization.

BUCKTON ZONE AND THE BUCKTON DEPOSIT

The Buckton polymetallic Zone hosts the Buckton Deposit which is open. The Buckton Deposit extends over an approximate 3km x 8km area, and is hosted in the continuous shale package consisting of the Labiche Formation Shale and the Second White Speckled Shale Formation beneath it. Although recoverable polymetallic mineralization has been identified in the upper portions of the Belle Fourche Formation beneath the Speckled Shale, the Belle Fourche shale has not yet been incorporated into mineral resources at the Deposit. The Buckton Deposit Inferred and Indicated mineral resources are discussed in Section 15 of this Report.

The polymetallic mineralization at the Buckton Deposit consists of Mo-Ni-U-V-Zn-Cu-Co-Li-REE-Y-Sc-Th, per the Updated and Expanded Buckton resource study, although the 2013 Buckton Preliminary Economic Assessment study (Section 17) omitted Mo-V-Li-Th-Sc-Th based on economic or marketing considerations and concluded that Ni-U-Zn-Cu-Co-REE-Y can be economically produced from the Deposit.

The Buckton Deposit has good lateral continuity and is vertically zoned, containing generally better grading base metals and Uranium within the uppermost 10m of the Second White Speckled Shale, similar grades of REE in the entire shale package, and better Li-Sc grades in the Labiche Formation Shale which makes up the upper portions of the Deposit.

Prior work (eg: Sabag 2010, Sabag 2012) had identified general metals enrichment vectors within the Second White Speckled Shale Formation proposing progressively better grades northward in the upper parts of the Formation, accompanied also by progressive thickening of the better grading sections. The prior work is, however, superceded by the Buckton PEA and underlying resource studies which collectively suggest that the Buckton Deposit is suited to high throughput bulk mining, and as such any subtle enriched subzones would likely not make a material contribution to the overall be value extracted from the Deposit.

The Buckton Deposit, and the broader surrounding Zone is open in three directions: to the south toward the Buckton South Zone; to the west across an isopach anomaly and to the north over areas suspected to also host exhalative vents.

Prior work over the Buckton Zone and Deposit had assumed that mineable mineralization is hosted in only the Speckled Shale and had, accordingly, paid considerable attention to constraints of overburden cover over the Shale, resource studies for the Deposit and subsequent Buckton PEA concluded that the Speckled as well as overlying Labiche Formation shale are mineable as a continuous shale package, and that cover rocks present far lesser constraints than previously believed. It is noteworthy that cover rocks above the Buckton Deposit consist of glacial till which has in most part been scoured from the Labiche Shale nearest the surface, and that composition of this till is quite similar to those of the Labiche.

BUCKTON SOUTH ZONE

The Buckton South Zone was previously named the Buckton South Target Area by historic work, but has since been confirmed by drilling and an initial mineral resource study has been delineated therein. Buckton South and vicinity represents a prospective polymetallic target with many well defined coincident composite geochemical, stratigraphic, and other interpreted anomalies which collectively are similar to surface anomalies over the Buckton and Asphalt Zones. The eastern parts of the Buckton South Target Area are accessible by a variety of winter roads, by seismic lines via ATV and also by air utilizing the Birch Mountain Airstrip.

DNI confirmed the Buckton South Zone with 2012 drilling and delineated an initial “maiden” inferred resource therefrom which is open and can most likely be expanded subject to additional drilling. The Buckton South Zone is bounded on the east by the erosional edge of the Birch Mountains, and is open to the south into untested ground. The Zone is open to the north under surface geochemical anomalies over the 7km-8km distance to the Buckton Deposit.

The Buckton South Zone is likely the southerly extension of the Buckton Deposit, and future work would consist almost entirely of drilling to expand the existing Buckton South inferred mineral resource to include in-fill drilling to upgrade it.

ASPHALT ZONE

The Asphalt polymetallic Zone hosts a volume of polymetallic mineralization (named the Asphalt Mineralized Zone by prior work) which extends over an approximate 1km x 4.5km area comprising approximately 4.5 square kilometers, with an estimated thickness ranging 7.2m to 11.6m, and represents an aggregate of approximately 109-132 million short tons of mineralized material (99-120 million tonnes). DNI's verification sampling of the historic drill core reported measured values for Specific Gravity ranging 2.22-2.49 for the Second White Speckled Shale suggesting that tonnages might in fact be larger than those estimated. DNI's recent focus (work in progress and discussed in Sections 13, 14 and 15) has shifted to Mo-Ni-U-V-Zn-Cu-Co-Li (Ag omitted) contained in the Zone, in addition to Specialty Metals (Sc-Th) and REE.

DNI's work programs over the Asphalt Zone have included considerable detailed review and consolidation of historic work therefrom and vicinity, in addition to verification sampling of historic drill core from the Zone and limited confirmation drilling in 2010-2011 (see Sabag 2012). Collateral efforts were also directed to better resolve subsurface stratigraphy relying on oil/gas well drilling in the area.

Although DNI had previously intended to advance the Asphalt Zone through drilling to resource delineation, it opted to advance exploration and development of the Buckton and Buckton South Zones. The reader is referred to Sabag 2012 for a detailed discussion of the Asphalt Zone.

SEDEX STYLE SULPHIDE TARGETS
In general terms, sedimentary exhalative sulfide deposits are known to accumulate in restricted basins or half grabens bounded by synsedimentary growth faults, with exhalative centers located along the faults or their junctions. Depositional environments vary from deep "starved" marine to shallow water restricted shelf settings, although the more common host rocks are those found in euxinic environments, namely black (carbonaceous) shales. The deposits have electromagnetic and magnetic signatures and might be detected when steeply dipping though are difficult to detect if flat-lying, or if the sulfide layers are fine and distributed over a thick stratigraphic column.

Geological, stratigraphic, lithogeochemical and metal distribution trends documented from the Property are characteristic of settings which would be highly conducive to hosting sedimentary exhalative - SEDEX style - sulfide mineralization within the black shales, providing a collateral deposit type with potential to exist on the Property.

Several localities have been identified as areas which have potential for hosting exhalative venting with potential also for related sedimentary exhalative sulfides. The foregoing areas present natural targets for additional investigation in the field, as part of a broader evaluation of the Property for hosting sedimentary exhalative - SEDEX style - sulfides. The targets are: Buckton north, the westernmost parts of the Buckton South, the immediate area surrounding the Asphalt Zone. The targets are discussed in greater detail in prior reports (Sabag 2010, 2012).

DNI's work programs have to date included only minimal field efforts directed at re-examining the foregoing localities and broader efforts toward evaluating the potential of this area for hosting SEDEX style sulfides. Incremental progress made to date includes expansions of the subsurface stratigraphic database and its detailed synthesis and modelling with the objective of identifying synsedimentary structures across the Property. Although several prospective localities have been identified which hold potential for hosting exhalative vents, DNI has focused its efforts entirely on advancing the polymetallic zones discovered in black shales on the Property, and has no immediate plans to conduct exploration for sedimentary exhalative sulfides on the Property.

FRACSAND TARGETS
DNI acquired additional permits in April 2014 adjoining the northeast and southeast corners of the Property to secure localities over new targets which have potential for hosting large volumes of sand which might be suited for use as natural sand proppant (fracsand) in the oil/gas industry. A number of large exposures of Pelican Sandstone Formation have been identified by historic work on the Property, none of which has been tested for suitability for use as fracsand. Potential of identifying fracsand on the Property is discussed further in Section 18 of this Report.

Based on the availability of access and better proximity to ultimate markets or transport facilities, DNI has prioritized areas over the southeast parts of the Property for field sampling and testing. DNI completed reconnaissance sampling over two of the southernmost target areas, the Tar River and Asphalt Creek exposures in July 2014. DNI has since sieved all samples and its review and characterization of samples and concentrates is in progress.

(7) Drilling — The type and extent of drilling including the procedures followed and an interpretation of all results.

2010-2011 WINTER DRILL PROGRAM
A diamond drilling program was completed by DNI during the 2010-2011 winter over the Buckton and Asphalt Mineralized Zones. Sufficient holes were completed over the Buckton Mineralized Zone to delineate an initial inferred resource over a portion of it. The program is the first drilling completed by DNI at the Property.

Mobilization of drill equipment and road building commenced in late December 2010. Demobilization was completed in February 2011 after completion of some site reclamation (to be completed in 2012).

A total of eight HQ diameter vertical holes were cored during the period Jan19-Feb14, 2011, (aggregate of approximately 648m) to test portions of the Asphalt and Buckton polymetallic Mineralized Zones which are exposed or are near surface under thin cover. The drilling was carried out by Lone Peak Drilling of Kimberley, British Columbia, and implemented on behalf of DNI by Apex Geoscience Ltd of Edmonton, Alberta, under the overall direction of Mr.M.Dufresne PGeol who had also previously directed all historic drilling over the two Zones in 1997.

2010-2011 DRILL PROGRAM CONCLUSIONS
The drill program reached the following conclusions:

· the Second White Speckled Shale Formation was penetrated at anticipated depths based on the historical results of a 1997 drill program.

· The Second White Speckled Shale Formation observed in the drill holes exhibits remarkable lithological consistency.

· The Second White Speckled Shale Formation in the drill holes varies in thickness 11m-26m, but is generally 20m-24m thick, variations in thickness at the Buckton property notwithstanding. Considering that there is little or no evidence of present-day slumping in the exposed outcrops of Second White Speckled Shale Formation in the Buckton area, the variations in thickness can be attributed to synsedimentary faulting and/or thrusting, a proposal supported by breccia-textured zones in some drill core from the Buckton Zone.

· The results of the 2010-2011 winter drill program, together with historical 1997 drill results, illustrate that the Second White Speckled Shale Formation in the eastern portion of the Birch Mountains maintains a generally consistent thickness and physical lithological characteristics.

· Drill core from one hole, 11AS-01, contained some disturbed bedding features which can be attributed to glaciation and/or recent slumping.

· The 2010-2011 drill program confirmed previous proposal that locating drill collars further east along the eastern slopes of the Birch Mountains might decrease the amount of waste material directly overlying the Second White Speckled Shale Formation (i.e., Labiche Formation and overburden units with little polymetallic potential). Depths from drill collar to the top of the Second White Speckled Shale Formation vary from 27m to 94m. Four of the seven drill holes, however, penetrated the top of the Second White Speckled Shale Formation between depths of 41m and 61m confirming that waste material overlying the Second White Speckled Shale Formation is thinner near the eastern edge of the Birch Mountains. Accessing the Second White Speckled Shale Formation while limiting the amount of overlying waste material is essential to improve the waste-to-ore ratio and the overall economics of a polymetallic black shale mine operation.

2012 HELICOPTER SUPPORTED DRILL PROGRAM
A heli-supported diamond drilling program was completed by DNI during the 2012 summer over the Buckton and Buckton South Zones (Figure 44) with the minimum objective of completing sufficient number of holes to enable the drill testing and confirmation of the Buckton South Zone to delineate an initial resource therefrom, and of exploring northward projected extension of the Buckton Zone with a view to expanding the Buckton initial inferred resource.

Drill equipment was mobilized by helicopter. Mobilization commenced in early August 2012. Demobilization was completed in October 2012 after completion of some site reclamation.

The drilling program, including core logging and sampling, was implemented on behalf of DNI by Apex Geoscience Ltd of Edmonton, Alberta, under the overall direction of Mr.M.Dufresne PGeol who had previously also directed all historic 1997 drilling over the Property, and Mr.R.Eccles PGeol. The drilling was carried out by Tahltan Drilling Services (formerly Lone Peak Drilling) of Smithers, British Columbia.

A total of nine HQ diameter vertical holes were cored during the period August7-Oct1, 2012, (aggregate of approximately 982m) to test portions of the Buckton and Buckton South polymetallic Mineralized Zones which are exposed or are near surface under thin cover. All of the holes cored, except one, 12BK05, intersected the Second White Speckled Shale Formation which has been DNI's principal target hosting polymetallic mineralization at the Buckton and Buckton South Zones. One of the holes, 12BK05 was located too far to the east of the erosional edge of this Formation to intersect it. Intercepts of this Formation in the drill holes range 11m to 22m, and are consistent with prior drilling in the area. Labiche Formation black shale which overlies the speckled Shale was also intersected in all of the holes in intercepts ranging 16m to 84m. An additional eleven holes planned to continue expanding the Buckton resource northward, and to further infill over the Buckton and Buckton South Zones, were deferred due to scheduling and budgetary constraints. Three of the drill holes were cored at the Buckton South Zone located eight kilometres to the south of the Buckton inferred resource and successfully confirmed this Zone over approximately three square kilometres. The current holes are the first ever cored over the Buckton South Zone which had previously been identified relying on surface trenching and historic oil/gas well downhole subsurface information.

2012 HELICOPTER SUPPORTED DRILL PROGRAM CONCLUSIONS
The drill program achieved its principal objectives as follows:

· Four holes drilled to test the projected northward extension of the Buckton Zone inferred resource confirmed extension to the Zone and resource for an additional 3km to the north. The drilling results served to expand the Buckton Consolidated and Updated Inferred mineral resource northward by approximately an additional 4km2. The foregoing mineral resource and its expansion and re-statement as the Updated and Expanded Buckton resource are discussed in Sections 15.3 and 15.4 of this Report.

· Two strategically located in-fill holes at the Buckton Zone sufficiently enhanced the drilling database to enable upgrading a portion of the Inferred mineral resource to the Indicated mineral resource class as stated in the Updated and Expanded Buckton resource (discussed in Section 15.4 of this Report).

· three holes completed over the Buckton South Zone, located 8 kilometres to the south of the Buckton Zone inferred resource, successfully confirmed the Buckton South Zone over approximately 3 square kilometres and enabled delineation of an initial "maiden" inferred resource therefrom (discussed in Section 16 of this Report). Considering limited number of holes and their distribution, the drilling did not definitively ascertain whether the Buckton South Zone is the southerly extension of the Buckton Zone or whether it is a separate stand-alone Zone of similar grade and distribution.

· The 2012 drilling results reiterate that the Cretaceous shales at the Buckton and Buckton South Zones demonstrated considerable geological and geochemical continuity over large distances of several kilometres across the Property. The results were consistent with analytical results from all prior drilling and sampling in the area as documented from historic

drilling and sampling work.

(8) Sampling and Analysis — The sampling and assaying including:

(a) a description of sampling methods and the location, number, type, nature, spacing and density of samples collected;

CORING, LOGGING AND SAMPLING SPECIFICATIONS

All holes were cored from casing to completion depth. Collars were positioned by GPS (NAD27Z12). Drill core samples were screened in the field with a handheld XRF to guide the drilling, and subsequently submitted for analysis to Actlabs.

Cores were flown from the drill sites into camp by helicopter. Once in camp, cores were cleaned, metre-marked, photographed, and processed by a geotechnician, who recorded the rock quality designation (a statistic used to quantify the competence of rock at the multi-metre scale) and core recovery. Cores were logged by the project geologist and sample intervals were picked. Core was sampled on a standard 1m interval.

Drill core samples were screened in the field with a handheld Innov-X Systems X-50 XRF unit to guide the drilling, and subsequently submitted for analysis to Actlabs. The XRF was user-calibrated daily using commercial standards (supplied with the machine) and internal standards made from previous samples collected by DNI from the Buckton area and analyzed under by Actlabs.

The XRF screening proved a useful tool for separating often similar looking muddy shale intercepts. The Second White Speckled shale Formation (as logged with the X-50 XRF in camp) has very high values of Hg, Ag, Cd, Sb, and Ba, especially near the top of the formation, and locally high values of V and P. The concentration of S and Mo is generally very high throughout the Second White Speckled shale Formation. Concentrations of Zn, Ni, Cu, and U are also higher than in the Belle Fourche or Labiche Formations, but generally not significantly higher.

After processing and logging, all drill core footages were photographed (wet and dry photos). The core was also photographed after it was split.

Core was sampled by manual splitting with hand tools as had been done previously in other drilling of the shales (the fresh core being soft enough to split with a putty knife). Split core samples were submitted to Activation Laboratories, Ancaster, Ontario ("Actlabs") for analysis, and the split half-core was shipped to Edmonton for storage by Apex in secure storage facilities. Sample numbering retained protocols previously formulated by DNI, namely; sample numbers consisted of an eleven digit id, the first six digits representing hole-ID (eg:12BK04) and the final 5 digits representing the depth in cm to the top of the sample interval (eg: sample# 12BK0405200 corresponds to the sample in hole 12BK-04 that starts at 5200cm below surface).

Two analytical control samples (often called "blanks") were inserted into the sample batch after every tenth sample. These are samples LBST-1 and LBST-2 which had been previously blended and prepared for DNI. These standard blanks were created from homogenized core collected from the Labiche Formation during earlier drill programs at the SBH Property. The standards were recorded in the sample log (i.e., whether LBST-1 or LBST-2 was used), and were otherwise bagged similarly to the rest of the 2012 drill program samples. Standards were placed in the sequence of core samples after every tenth sample. Sample numbers for standards were the same as for other samples, except that standards were given assumed depths in the sample names that corresponded to the 99 centimetre mark of the depth between the two samples where that standard occurred (i.e., the standard placed between samples 12BK0804400 and 12BK0804500 was named 12BK0804499). In some holes, where samples were shorter than one metre occurred, the centimetre before the next sample was used as the arbitrary depth of the standard.

A duplicate split was taken of every 20th sample, and retained for future use. Duplicates were taken by breaking up the original sample by hand (in the original sample bag) and selecting approximately half of the pieces, which were removed by hand from the original bag and placed in the duplicate-sample bag. Since each original sample weighs approximately 2-3 kg, more than enough material was present in each original sample and duplicate sample for lab analyses. In total, 34 duplicates were collected from the total footage drilled and shipped to Edmonton for storage by Apex in secure storage facilities.

All cores and samples were stored in the field camp for the duration of the project, with the exception of 109 samples that were shipped to the project expediter (McMurray Serv-U Expediting, Ltd.) early in the program and held until the field program ended. In total, 854 samples were collected for lab analyses and submitted to Actlabs.

ANALYTICAL SPECIFICATIONS

All split drill core samples from the 2012 drill program were submitted to Activation Laboratories in Ancaster, Ontario, for multielement geochemical analysis by Actlabs package 1H2 (four acids TD-ICP + INA) and Code 8 (REE Assay Package). Actlabs had previously carried out all analytical work in connection with DNI's 2010-2011 drilling as well prior historic drilling over the two Zones and the Property. In addition to the above work, samples were weighed by Actlabs upon arrival "as received", weighed also after drying and weights reported to enable estimation of moisture content. Specific Gravity determination (on pulps) were also made and reported. Unlike prioir drilling programs, samples were not analyzed for Corg-Stotal by Code 5G, nor for whole rock geochemistry by Code 4B, nor for paste pH.

Samples were dried slowly at moderate temperatures per standard Actlabs protocols. Typically, a 500g analytical fraction was pulverized from each sample. Two 50gm subsamples (denoted with "A" and "B" suffixes to the sample number) were shipped to DNI from this pulp to be archived as "witness" samples. Additional details

All rejects and pulps are currently in storage at Storage Mart.

DOWNHOLE GEOLOGY
Downhole stratigraphy documented from logging of drill cores from the 2012 drilling program is consistent with that previously documented from historic drilling completed by Tintina mines in 1997, as well as that from DNI's 2010-2011 drilling program, all of which holes were drilled under the supervision of Mr.M.Dufresne PGeol of Apex Geoscience. To that end, the idealized stratigraphic section formulated in 1997 by Mr.Dufresne to typify the Second White Speckled Shale Formation and shales adjacent to its upper and lower contacts, was used as a guideline.

(b) identification of any drilling, sampling or recovery factors that could materially impact the accuracy or reliability of the results;
See above.

(c) a discussion of sample quality and whether the samples are representative of any factors that may have resulted in sample biases;
See above.

(d) rock types, geological controls, widths of mineralized zones, cut-off grades and other parameters used to establish the sampling interval; and
See above.

(e) quality control measures and data verification procedures.
See above.

(9) Security of Samples — The measures taken to ensure the validity and integrity of samples taken.
Samples were collected in clear plastic sample bags secured with single-use nylon ratchet-straps. The sample number is written on both sides of each bag and on a tag inside the bag (either a plastic card or a piece of standard plastic flagging tape). Samples were placed white poly-woven bags. Poly-woven bags were fitted in camp with red plastic security tags to mitigate the possibility of undetected tampering during transport. The half of each core that was not sent for analysis was retained in its original core box and shipped back to Edmonton for storage on behalf of DNI. Samples have been sent for assay to Activation Laboratories in Ancaster, Ontario ("ActLabs").

(10) Mineral Resources and Mineral Reserves — The mineral resources and mineral reserves, if any, including:

(a) the quantity and grade or quality of each category of mineral resources and mineral reserves;
Buckton Inferred Resource
4.4 billion tonnes – 20.4 sq km

Buckton Indicated Resource
0.27 billion tonnes – 1.5 sq km

Positive PEA Study 2013
4.5 billion tonnes – PEA Mineable Resource
64 yr Mine Life @ 72M tpa @ 0.5 Strip
Ni-U-Zn-Cu-Co-REE-Y

BUCKTON SOUTH ZONE
Initial Maiden Inferred Resource
497 million tonnes – 3.3 sq km
Open for 7 km Toward Buckton Deposit

(b) the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves; and
Modelling, resource estimation and statistics for this Technical Report was by performed by Mr. Nicholls, MAIG under the direct supervision of Mr. Eccles and Mr. Dufresne, P. Geol., who are both Qualified Persons as defined by National Instrument 43-101. Mineral resource modelling and estimation was carried out using a 3-dimensional block model based on geostatistical applications using commercial mine planning software MICROMINE (v12.5.5).

The project limits area is based in the Universal Transverse Mercator (UTM) coordinate system, North American Datum (NAD) 1927 and UTM Zone12. A parent block size of 250 m x 250 m x 3 m with sub-blocking down to 25 m x 25 m x 1.5 m was applied. The Buckton resource modeling utilized six historic core holes that were drilled in 1997, five DNI core holes completed in 2011 and six DNI core holes drilled in 2012. Mr. Dufresne, P.Geol, supervised all three drill campaigns along with logging and sampling of the drill core. Grade (assay) and geologic information is derived from work conducted by APEX personnel, on behalf of DNI, during the 1997, 2011 and 2012 field seasons.

The updated and expanded Buckton mineral resource estimate is reported in accordance with the Canadian Securities Administrators National Instrument 43-101 and has been estimated using the CIM "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines" dated November 23rd, 2003 and CIM "Definition Standards for Mineral Resources and Mineral Reserves" dated November 27th, 2010. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no guarantee that all or any part of the mineral resource will be converted into a mineral reserve.

The Buckton mineral resource estimate has been calculated utilizing the estimated recoverable grade for each of 25 metals (or oxides thereof) as follows: MoO_3, Ni, U_3O_8, V_2O_5, Zn, Cu, Co, Li_2CO_3, REO (La_2O_3 to Lu_2O_3), Y_2O_3, ThO_2 and Sc_2O_3.

(c) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political and other relevant issues.

Bench scale tests have been run on the extraction of the suite of metals and this is an area that can likely be further optimized.

As stated earlier, minor environmental sensitivities exist, mainly related to wildlife. These sensitivities are not considered significant obstacles to development of the Buckton Deposit and are comparable to those that could be expected elsewhere in Alberta and in Canada. Such issues include wolf migration, and moose and caribou calving seasons.

The permits comprising the Property are being renewed by filing of this report and related expenditures to 2020-2022 dates, such that most of the permits over the eastern two-thirds of the Property over polymetallic shale and fracsand targets will bear a 2022 renewal anniversary. It is recommended that DNI file the necessary applications 2018-2019 to convert some of the permits, or portions thereof, over the Buckton and Buckton South polymetallic resources to mineral leases.

The statutes provide for conversion of Permits to Metallic Minerals Leases once a mineral deposit has been identified. Leases are granted for a renewable term of 15 years, and require annual payments of $3.50/ha for rent to maintain them in good standing. There are no work requirements for the maintenance of leases and they confer rights to minerals.

The Property is adjacent to the operating, CNRL Horizon oilsands mine, and the future Teck Frontier oilsands mine.

(11) Mining Operations — For development properties and production properties, the mining method, metallurgical process, production forecast, markets, contracts for sale of products, environmental conditions, taxes, mine life and expected payback period of capital.

N/A, Preliminary Economic Assessment stage.

(12) Exploration and Development — A description of the Issuer's current and contemplated exploration or development activities, to the extent they are material.

Polymetallic Shale Projects

DNI's leaching testwork programs completed during the past several years have successfully demonstrated that metals can be collectively extracted from DNI's polymetallic black shales, that the metals can be recovered from the leaching solutions by processing flowsheets as formulated by the Buckton PEA, and that mining operations at Buckton would have positive economics which can be further enhanced by operational optimizations. Although additional leaching testwork would expand the existing database, it will do little to advance development of the polymetallic black shales, notably the Buckton Deposit, toward production if the testwork carried out in isolation from a broader scope of work to advance toward a pilot demonstration bulk test to demonstrate recovery of metal final products from the shales. As such, it is recommended that no further leaching tests be carried out in isolation from broader work intended to advance toward pilot demonstration. It is recommended in this regard that DNI commence preliminary planning to advance toward the foregoing pilot demonstration to comprise its next stage of work on the Buckton Deposit and the polymetallic black shales elsewhere on the Property. This work would require two-three years for completion and would likely cost approximately $10 million. Given depressed current metal markets, however, DNI may well defer such work until markets have improved.

Additional recommendations are made below relating to possible future leaching testwork.

Drilling
The only drilling that would be warranted at this time is the drilling of holes over the 7km distance separating the Buckton Deposit and the Buckton South resource to confirm that the two mineral resources are indeed connected as suggested by countless surface anomalies and subsurface information extrapolated from oil/gas well downhole records in the area. Such drilling would, however, only serve to further expand the Buckton Deposit (likely double the size) which is already of immense size and its economics would not incrementally benefit from additional tonnage. As such, no further drilling is recommended.

Leaching Testwork
Considerable bench scale leaching/bioleaching testwork has been carried out to date which collectively achieved their objective of demonstrating that metals can indeed be collectively extracted from the Second White Speckled Formation, the Labiche Formation, and the Bell Fourche Formation shales. The tests investigated various leaching conditions which have a direct affect on metals extraction or on reagent consumption, and also identified a number of parameters which can enhance metals recoveries. Nearly three quarters of this work consists of stirred tank leaching tests (AITF and Canmet), whereas a quarter of them represent initial column leaching tests carried out at Canmet. None of the tests has advanced to establishing optimum leaching parameters to enable design of a definitive optimum metals processing flowsheet.

All leaching testwork completed to date has been carried out on surface samples or a handful of drill core composites, focusing mainly on the Second White Speckled Formation shale. Some tests were also carried out at the AITF on individual samples from the Labiche Formation shale and, more recently, on a sample from the Belle Fourche Formation shale.

It is recommended that no further leaching tests be carried out on individual samples of the shales, and that the next stage of leaching testwork focus on testing weighted composite samples from the Buckton Deposit, to be constructed from drill core archives on hand. It is recommended in this regard that once DNI has decided to proceed with additional leaching tests, it conduct the test on a weighted composite sample which best represents each of the three shales at the Deposit, that each be separately tested, and that a blended weighted composite be also prepared that is representative of a mixed Second White Speckled and Labiche Formation shales. Preparation of weighted composites would require 2-3 months to complete and would likely cost approximately $60,000 including related analytical work.

To the extent that column tests, requiring several months to complete, conducted at Canmet reported extractions similar to those from stirred tank leaching completed over a much shorter few week period, it is recommended that, once DNI has decided to proceed with additional leaching tests, the leaching of the above composite samples initially rely mostly on stirred tank tests, before expanding the tests to the column leaching tests. In the latter regard, it is also recommended that larger columns be tested to expand on Canmet's testwork which relied on 1m long columns and was intended as a preliminary foray into column testing. This work would likely require one year and likely cost approximately $200,000-$400,000.

Although further leaching testwork will serve to collect additional information that would be beneficial to better design of metals leaching and processing flowsheets, it is recommended that no additional leaching tests be carried out in isolation from more strategic planning relating to design of a broader scope of work intended to advance the Buckton Deposit toward an ultimate pilot demonstration.

Buckton PEA
The Buckton PEA successfully demonstrated that the Buckton Deposit represents a formidable long term future source of Ni-U-Zn-Cu-Co-REE-Y and that it can be mined with positive economics. Subsequent work carried out by DNI identified many operational and processing modifications which can significantly enhance economics of the Deposit by reducing reagent consumption or by enhancing metals processing parameters. DNI's work also identified significant additional economic enhancements which might be achieved through the recovery of co-product Scandium from the leaching solution. The financial latitude afforded by capture of foregoing value from Scandium might enable scaling down of the mining operations contemplated by the PEA, and help also to simplify processing circuits by excluding some lower value metals toward significant reductions in capital costs necessary to place the Deposit into production.

It is recommended that DNI internally examine iterations of the cash flow model from the Buckton PEA to identify, prioritize and optimize various enhancements identified to date in preparation for ultimately revising and updating the PEA with the help of independent consultants. This work would likely require two months to complete at an estimated cost of approximately $50,000. Revision of the PEA would likely require six months to complete at an estimated cost of approximately $200,000.

General Geology
While historic work, and DNI's initial exploration focus, concerned itself entirely with the Second White Speckled Formation black shale and polymetallic zones therein, DNI broadened scope of its exploration in 2011-2012 to also focus on the overlying Labiche Formation black shale as a host to valuable metallic mineralization. The Labiche shales were previously regarded as cover waste material overlying the Speckled shale. DNI has since also recognized merits of the Belle Fourche Formation shales (Shaftesbury Formation) beneath the Second White Speckled Formation as yet an additional host to recoverable metallic mineralization, although DNI's exploration efforts have not yet commenced to evaluate this Formation other than via initial metals leaching tests.

In the above regard, the historic work, and DNI's early exploration work summarized in prior reports are narrow in their scope and, by being pre-occupied with the Second White Speckled Formation, provide only a partial discussion of the polymetallic mineralization which exists on the Property and its ultimate potential. The databases underlying the foregoing, nonetheless, contain considerable information from the Labiche and Belle Fourche Formations and a review of this data may well serve to broaden interpretations to evaluate the two foregoing additional potential hosts of polymetallic mineralization which exists on the Property.

It is recommended that DNI give consideration to re-visiting the historic databases and data from its work programs to update its interpretations of polymetallic mineralization that exist on the Property, with an eye to making a determination whether enrichment vectors might be identified for groupings of metals of economic potential with the benefit of information and guidelines from the Buckton PEA. This work would likely require four months to complete at an estimated cost of approximately $80,000.

Fracsand Projects
Although DNI's review of samples from its fracsand sampling program is in progress, the information gathered so far serves to identify locations with the coarser cleaner sands and others which report the higher yields. It is recommended that a selection be made once the review is completed, to consist of three samples and that they be submitted to Proptester or Stimlabs for rigorous fracsand testwork, to characterize the samples and fully test the 1620, 2040, 4060, and 6070, 70100 mesh size fractions, to include conductivity tests for each. Estimated cost $60,000.

It is also recommended that the Asphalt and Tar exposures be re-sampled in detail before the onset of winter to collect larger and more continuous channel samples which better represent the exposures than the reconnaissance grab/channel samples collected in July. The foregoing sampling should focus on the lower parts of the exposures, away from its upper contacts with shales and on parts away from intercalated shale material. This work would likely require 3 months to complete, including sample beneficiation, at an estimated cost of approximately $100,000. Laboratory testing of select samples from the foregoing would likely require 3 months for completion (mostly lab turnaround time) and would cost an estimated $100,000 (apprx $10,000-$12,000 per sample depending on the number of grain size fractions tested from each).

It is also recommended that any available Pelican exposures located further to the south of the Tar River be inspected in the field and also sampled, since those areas were recently acquired by DNI and have not yet been inspected. This work would likely require 2 months to complete, including sample beneficiation, at an estimated cost of approximately $50,000.

Subject to favourable results from the above tests, DNI may also elect to review and re-interpret downhole wireline geophysical logs from its 2009 subsurface stratigraphic database of oil/gas wells, in addition to those to be acquired for all additional drilling from the area. While the primary objective of the foregoing would be to identify sections of potential coarse sands in the Pelican sections, the secondary, but equally as important objective, would be to make a determination of whether the available information might be sufficient for the estimation of volumetric resources over certain areas. This work would likely require 2 months to complete at an estimated cost of approximately $75,000.

Land Tenure Management
The permits comprising the Property are being renewed by filing of this report and related expenditures to 2020-2022 dates, such that most of the permits over the eastern two-thirds of the Property over polymetallic shale and fracsand targets will bear a 2022 renewal anniversary. It is recommended that DNI file the necessary applications 2018-2019 to convert some of the permits, or portions thereof, over the Buckton and Buckton South polymetallic resources to mineral leases.

Madagascar Graphite Asset.

See LOI – potential JV with Cougar Metals – Press release Dec. 16, 2016

HENDRY CONSULTING GROUP

Mineral Industry Consulting & Advisory Services

Technical Report for the Vohitsara Graphite Project (Madagascar)

Report Prepared for:

DNI Metals Inc.

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Technical Report for the Vohitsara Graphite Project (Madagascar)

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IMPORTANT NOTICE

This report was prepared as a National Instrument 43-101 '*Standards of Disclosure for Mineral Projects'* Technical Report for DNI Metals Inc. ('DNI') by Hendry Consulting Sarl ('Hendry'). The quality of information, conclusions, and estimates contained herein are based on: **(i)** - information available at the time of preparation; **(ii)** -data supplied by outside sources; and **(iii)** - the assumptions, conditions and qualifications set forth in this report. This report is intended for use by DNI subject to the terms and conditions of its engagement with Hendry. The engagement permits DNI to file this report as a Technical Report with Canadian securities regulatory authorities, pursuant to National Instrument 43-101. Except for the purposes legislated under provincial securities law, any other uses of this report by any third party is at that party's sole risk. The responsibility for this disclosure remains with DNI. The user of this document should ensure that this is the most recent Technical Report for the property, as it is not valid if a new Technical Report has been issued.

The author of this report, Steven GOERTZ is the Principal of Hendry. He is currently engaged as Country Manager – Madagascar for DNI and is a shareholder of the Company.

Cover: *Hand specimen – main graphite zone near Trench 2*

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1 EXECUTIVE SUMMARY

Hendry Consulting was commissioned by DNI Metals Inc. ('DNI') to undertake a corporate and site assessment of its Madagascar assets. Through its wholly-owned Malagasy subsidiary DNI Metals Madagascar Sarl, DNI is the beneficial owner of the Vohitsara graphite project in central-eastern Madagascar. Having acquired the property in 2015, DNI is currently raising funds in the market to allow progression of the project. The objectives are to delineate a mineral resource of sufficient quantity and tenor to be a viable commercial mining operation. This report is designed to fulfil the disclosure requirements for a reportable transaction under National Instrument 43-101.

The Republic of Madagascar, which is the world's fourth largest island, is located about 420 kilometres (km) east of Mozambique in the Indian Ocean. Madagascar has an area of 587,040 square kilometres and a population of more than 20 million. Historically its mining industry has been noted for the production and export of chemical and metallurgical-grade chromite ore, high-quality crystalline flake graphite, and precious, semiprecious, and ornamental gemstones. In addition to these minerals, small quantities of beryllium and gold and such industrial mineral commodities as cement, feldspar, ornamental stone, quartz, and salt were produced. Madagascar is also known to have resources of bauxite, coal, cobalt, copper, lead, manganese, nickel, platinum, tin, titanium, zinc, iron and zirconium.

The Vohitsara project is located approximately 50km south of the regional administrative centre and port city of Toamasina in central eastern Madagascar. Toamasina (or Tamatave) is the main commercial port for Madagascar. The project comprises a single contiguous mining lease covering 43.75sqkm. The project is not currently in production; although there has been observed and anecdotally reported historical production from the post-war colonial period (pre-1960).

The project mining lease was acquired from a local Malagasy vendor in June 2015 under a three-year option to purchase totalling US$400,000. Outstanding consideration totalling US$284,000 remain to be paid on or before 12th June 2017.

The Project overlies a highly deformed Neoproterozoic assemblage of quartzo-feldspathic schists and gneisses, which have been variably weathered. The mineralised lithology comprises highly weathered low silica schists of the Manampotsy Formation; which contain local strike-concordant horizons / lenses of graphitic schists. In-situ Cgr grades average 4-7%; up to >25%; with flake sizes greater than 1mm not uncommon. Topographic relief and dissection are moderate. Regolith is almost entirely residual, with transported horizons restricted to topographic lows – frequently under cultivation.

The author of this report, Mr. Steven Goertz, principal of Hendry Consulting, has directly participated in the most recent field exploration programmes; comprising prospecting, ground geophysics and trenching along known graphite mineralised trends. Results of these programmes have returned strongly encouraging results of up to 35% graphitic carbon from surface samples

and 20 metres at over 13% graphitic carbon. The primary target area of mineralisation as defined from trenching and ground geophysical surveying comprises 900 metres of strike averaging 300-400 metres in width. This in turn comprises part of a larger zone that extends for just under 2 km in strike extent.

Initial testing of the graphitic material has indicated a flake size distribution comprising Jumbo (+50M) and Large (+70M) of 62.5%; with corresponding graphitic carbon contents ranging from 91.3 to 97.9%.

DNI is currently raising capital to fund a 3,000m core drilling programme, with the objective of delineating a mineral resource within the primary target area in the first instance. Also planned is a 2-300 tonne bulk sampling programme for pilot test work.

2 INTRODUCTION

2.1 Issuer & Terms of Reference

DNI Metals Inc. (CSE: DNI) (FSE: DG7N) ('DNI' / 'the Company') is a Canadian-based junior resources company focused on developing a vertically integrated graphite extraction, refining and wholesale business. As an integral part of this process and after recognising the high quality of graphite from central- eastern Madagascar, the Company acquired the Vohitsara graphite property in July 2015 and has commenced exploration to delineate a commercially viable graphite resource. Initial surface exploration has returned encouraging results and the Company is now preparing to undertake resource delineation drilling and bulk sampling programmes from mid-2016.

The acquisition of Vohitsara is a reportable transaction and Hendry Consulting has been engaged by DNI to prepare an NI 43-101 compliant technical report on the project, exploration to date and planned forward programmes.

2.2 Competent Person

The assessment was undertaken by Mr. Steven Goertz, Principal of Hendry Consulting, who is a Member of the Australasian Institute of Mining & Metallurgy and of the Australian Institute of Geoscientists. Mr.

Goertz has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken, to qualify as a Qualified Person under the requirements of National Instrument 43-101.

Disclosure: The author is currently the Country Manager – Madagascar for DNI Metals Inc. and is a shareholder of the Company. He is also the local Gérant (Manager) for DNI's Madagascar subsidiary, DNI Metals Madagascar Sarl.

2.3 Information & Data Sources

In the preparation of this report, the author has relied on his own information from site visits and direct participation in issuer exploration programmes, as well as verbal and written information from recent exploration programmes on the Permit. Additionally, the author has relied on published materials relevant to the subject matter and scope of this report.

2.4 Site Visits

Site visits were undertaken by the writer to the Vohitsara project site during March and July 2015 and in January 2016. The visits comprised respectively: **(i)** - initial site assessment and prospecting; **(ii)** - trenching, geophysics and further prospecting; and **(iii)** - assessment of additional zones of mineralisation, planning for upcoming resource delineation drilling and assessment for bulk sampling.

3 RELIANCE ON OTHER EXPERTS

The author has not relied on a report, opinion, or statement of another expert who is not a Qualified Person as defined by National Instrument 43-101, or on information provided by the issuer, concerning legal, political, environmental, or tax matters relevant to the technical report.

4 PROPERTY DESCRIPTION & LOCATION

4.1 Madagascar Overview

The Republic of Madagascar, which is the world's fourth largest island, is located about 420 kilometres (km) east of Mozambique in the Indian Ocean. Madagascar has an area of 587,040 square kilometres and a population of more than 20 million (refer Figure 1).

The capital of Madagascar is Antananarivo (*'Tana' / 'Tananarive'*) a city of approximately 2,500,000 people located in the central eastern area of the island. The city layout resembles a 'growing together' of numerous smaller population centres. Located approximately 180 kilometres inland from the central – eastern coast of Madagascar, Antananarivo lies at an elevation of just over 1,300m above sea level.

Figure 1: Map of the Republic of Madagascar, showing major towns, highways (**brown**) and administrative regions (**green-dashed**)

The country is divided into six (6) semi-autonomous administrative regions (**green-dashed** lines as shown on Figure 1). Subsequent to 65 years of French colonial rule, Madagascar gained its independence in 1960. Despite an ongoing association with the former Soviet Union during the following two decades, the French maintained a reasonably strong presence that continues to this day.

Madagascar is governed under a unitary, bicameral system comprising a National Assembly (*Lower House*) and a Senate, overseen by an Executive branch comprising a directly elected President and a Prime Minister and PM-appointed Cabinet.

Following a military-backed coup d'état in January 2009, the elected President, Marc Ravalomanana, was overthrown and subsequently left the country. A transitional government (*Haute Autorité de la Transition*
- *'HAT'*) under Mr. Andry Rajoelina, held power from March 2009 until the successful completion of national elections at the end of 2013. The current President is Mr. Hery Rajaonarimampianina; who served as Minister of Finance during the latter period of the Transition.

Madagascar has an ethnically diverse population of approximately 22 million people, comprising peoples of Indo-Asian, African, Arab, Indian and Portuguese origin. There are some 26 distinct ethnic groups within Madagascar; the dominant ethnicities being the Merina and Betsileo people; of predominantly of Indonesian origin. They comprise the highlanders, occupying the central highland plateau of Madagascar, with people of African descent occupying the coastal parts of the country; Arabian and Portuguese in the extreme north.

Madagascar is officially bilingual; French being the language of government, business and the educated elite, with Malagasy comprising the official 'local' language. English is taught in schools but is not widely spoken outside of business and government circles. The average official literacy rate is 70%.

Madagascar consists mainly of a block of crystalline rocks. It is generally described as a plateau, rising sharply from the narrow plain of the east coast and descending in a series of steps to the strip of sedimentary rocks along the west coast. The high plateau is much indented and, on the eastern edge, cut by deep gorges and waterfalls. There are numerous volcanic outcrops that produce heights over 1,800m. The highest point is Mount Maromokotro (*2,876m*) in the Tsaratanana Massif. The eastern coast is almost straight and has very few anchorages. Behind its coral beaches there is an almost continuous line of lagoons from Foul-pointe to Farafangana. These are linked by manmade channels to form an inland waterway called the Pangalanes Canal. The island's major rivers flow westward and are navigable for about 160km inland.

The climate of the eastern and north western coasts is dominated by the almost constant blowing of the south-easterly trade winds, which carry heavy rains during the austral winter (*May to September*). The central plateau and the western coast are sheltered from these winds but receive rain from the monsoon winds, which blow during the austral summer (*October to April*). Neither

the trade winds nor the monsoons reach the southern part of the island, which consequently receives little rain and is, in places, a semi-desert. The central plateau enjoys a tropical mountain climate with well-differentiated seasons.

Generally speaking, the climate throughout the island is moderated by altitude, with the coast being hotter (*average temperatures 21– 27°C*) and wetter than the plateau (*average temperatures 13–19°C*). Toamasina ('*Tamatave*'), on the east coast, has 2840mm of rainfall annually, while Antananarivo, inland, and has about 1400mm.

The Tropic of Capricorn passes across the south of the island; hence it is subject to frequent cyclonic weather in the December to June period, particularly along the east coast. These cyclones have occasionally caused major devastation. Cyclone Giovanna hit eastern Madagascar in mid-February 2012; crossing the coast at Brickaville (*75km south of Tamatave*), causing widespread damage and a number of deaths.

4.2 Madagascar Mining Sector

Most of the (domestic resource) industry is held in private hands; particularly the small-scale mining sector. There are few large enterprises. The Ambatovy nickel-cobalt project east of the capital Antananarivo and the QMM-Toalagnaro titanium project in the south of the country are owned by conglomerates of foreign companies, with the government of Madagascar owning a 20% interest in the latter. The Kraoma chromite mine is owned by the state mining company KRAOMITA MALAGASY SA.

Historically Madagascar's mining industry has been noted for the production and export of chemical and metallurgical-grade chromite ore, high-quality crystalline flake graphite, and precious, semiprecious, and ornamental gemstones. In addition to these minerals, small quantities of beryllium and gold and such industrial mineral commodities as cement, feldspar, ornamental stone, quartz, and salt were produced. Madagascar is also known to have resources of bauxite, coal, cobalt, copper, lead, manganese, nickel, platinum, tin, titanium, zinc, iron and zirconium.

4.3 Madagascar Mining Law

At the instigation of the World Bank, a new mining code for Madagascar was promulgated in 1999, followed in 2000 by a decree on the conditions of application. The current Mining Code is established under the Law n° 99-022 of 19 August 1999 modified by the Law 2005-021 of 17 October 2005, and under its decree of application n° 2006-910 of 19 December 2006.

In conjunction with this step, the '*Bureau du Cadastre Minière de Madagascar*' or '*BCMM*' as it is known locally, was established in May 2000. The BCMM is designed to serve as a '*one-stop tenement office*' for mining operators. All mineral licences in Madagascar are issued by the BCMM; with title documents signed by the Minister for Mines.

For the purpose of permit license, Madagascar is divided into cadastral squares of 0.3906 km² (i.e. 625m per side). Coordinates area defined by the Laborde projection, which is based on a Paris datum.

Conversion algorithms between Laborde and UTM (WGS84) projections are in common use in Madagascar.

The Government can declare some areas unavailable for mining activities. There are no such declared areas within or adjacent to the Vohitsara project area.

Virtually all normal BCMM permitting operations ceased in early September 2010, following a Decree by then Minister for Mines and Hydrocarbons, Mr. Mamy Ratovomalala. However, small-scale artisanal mining permits ('PRE') – available exclusively to Malagasy Nationals – were excluded from the 2010 Decree and have remained largely unaffected by the cessation of normal BCMM permitting operations. This is largely attributed to the formidable political clout that can be mustered by the small mining operators lobby.

This situation was considerably relaxed following the inauguration of an elected government in Madagascar in January 2014. Currently the only BCMM administrative activity that remains on hold are the reception of new applications for commercial mining and exploration permits. The Vohitsara permit was acquired by DNI (DNI-Mada) through a process of Cession or Transformation of the original PRE.

All prospecting, research, exploitation, possession, transportation, transformation and commercialisation of minerals except for water and hydrocarbons are ruled by the Mining Code. Research and exploitation of minerals are authorized under an appropriate permit license. Research, exploitation, transformation, packaging, transportation and commercialization of radioactive minerals and hydrocarbons require special agreement with the Malagasy State.

4.3.1 *Types of Commercial Mineral Permits*

There are three (3) types of mineral permits available to commercial operators in Madagascar:

Temporary Exploration Permits **('AERP')**; which are valid for three months and are not renewable. Only surface prospecting and remote sensing are authorized. Drilling and pitting are not allowed on AERP. Until granting of the PR, all AERP converted into PR remain valid.

Research (Exploration) Permits **('PR')**; which allows it holder to:

- Conduct exploration activities for minerals within the perimeters and during the period of validity of the permit for all substances mentioned in the permit;
- Have a priority right in filing application for exploitation permit on the perimeters subject to conduct exclusive prospecting work on the area covered by the permit.

The PR permit does not allow its holder to commercialize products extracted from the premises during the prospecting work. The initial term of a PR is for five (5) years renewable for two (2) periods of three (3) years each. PR permit is a movable asset, which can be transferred, leased or used as security.

Exploitation Permits ('PE'); which gives a holder an exclusive right to exploit authorised minerals and to continue exploration and research of such minerals inside the perimeters during the period of validity of the permit. No other person than the holder can claim any right over any valid exploitation permit in respect of related minerals or substances to which the permit relates.

PE permits are valid for 40 years and renewable an unlimited number of times for a period of 20 years. An Exploitation Permit allows its holder to commercialise product extracted from the premises. PE permit is an immovable asset, which can be transferred, leased or mortgaged.

Annual administration fees are payable on all mineral licences in Madagascar, with the proceeds largely going to fund the operations of the BCMM. These fees are charged per square annually invoiced at December each year and are payable by end of March the following year. There are currently no statutory annual expenditure requirements on mineral permits in Madagascar.

4.3.2 *Rights & Obligations of Permit Holders*

The holder of mining title has a right to occupy the surface of the area concerned, subject to payment of rent to be determined with the owner of the surface areas. The parties must convene their respective rights and obligations under a lease agreement. More recently, the government has decreed that extractive mineral operators should acquire title to the underlying surface affected by their operations.

In the event that the owner of the surface areas cannot come to an agreement with the permit holder, litigation must be referred to the competent authority of the Province autonomic or the "*Collectivité*

territoriale décentralisée" (i.e. *Madagascar Administrative Divisions*) before referring the matter to the *Comité Provincial des Mines* (i.e. *Mining Provincial Committee*), in order to find out an amicable settlement.

Furthermore, exploration or exploitation permit gives to its holder the right to build any permanent or temporary structures and to use wood and water situated within the permit boundary. The permit holder has also the right to erect infrastructure inside or outside the perimeters such as electrical, telecommunication installation, water bores and canals, warehousing, staff accommodation, communication means of every nature including pipeline.

With the exception of environmental impact study and environmental management plan which are prerequisites for the initiation of exploration or exploitation activities, these conditions of use may be considered as ordinary course of business obligations to be complied with as, when applicable, to the permit holder.

According to the provisions of Article 30 of the mining code, in case the holder of permits finds indications of other mineral substances that are not authorized by the mining title, the holder can file an application for exploration/exploitation of other mineral substances at the BCMM. The right to explore/exploit the other mineral substances should be legitimately granted to the holder, subject to environmental authorization, where necessary.

No additional environmental authorization is required if the new mineral substances, the subject of the extension of right, are in the same nature of the previous authorized minerals, unless it is required to modify the initial works plan.

Furthermore, in case the new mineral substances are radioactive, the Holder must comply with the provisions of Article 8 of the mining code, which provides that a specific agreement with the Malagasy State is required in case of research, exploration, exploitation, transportation, commercialisation of radioactive mineral substances. Extension of mineral substances is confirmed and registered as an amendment of the initial title.

The extension of minerals implies modification of the mining title. Such modification is subject to payment of complementary fees determined by decision of the Minister of Mining. The applicable fee for year 2007 according to Order n° 10907/2007 of 4 July 2007 is 5.000 Ar per operation plus 100 Ar per square. The extension of mineral substances is confirmed and registered by the BCMM after the payment of complementary fees. The mention of the additional mineral substances is recorded as an amendment in the existing mining title. The law does not provide any limitation in the number of mineral substances that can be covered by a mining title.

Before starting any activity, the holder of a permit must contact the administrative authorities in charge of the areas covered by the permit. Without such formalities, the Administrative Authorities cannot arbitrate any litigation between the holder and the landowner where necessary. Any prospecting and exploitation activity within the perimeters must be subject to prior environmental impact study prepared and agreed according to the applicable law in Madagascar. All permit holders must take the necessary action in order to protect the environment and to restore any damages caused by their activities.

4.4 Vohitsara Project

The Vohitsara project is located approximately 50km south-southwest of the port city and regional capital of Toamasina and 35 km northeast of the town of Brickaville in central eastern Madagascar (refer Figure 1). Administratively, it is located within the Fokontany (Village) VOHITSARA, Rural Municipality AMBINANINONY, District of BRICKAVILLE (North), Region ANTSINANANA, TOAMASINA Province.

The project comprises a single mining lease numbered 38642 and comprising 112 contiguous squares of 0.3909km^2 (625m a side) for a total of 43.75 sq km (the 'Permit'). The Permit is centred on (UTM Zone 39K) 7,952,000mN / 305,000mE; using the World Geodetic System 1984 (WGS 84) datum (refer Figures 2 & 3 overleaf).

The Permit is 100% owned by DNI Metals Madagascar Sarl ('DNI-Mada'), a private company incorporated under the laws of the Republic of Madagascar. The shareholder structure of DNI-Mada comprises 100 shares; of which 99 shares are held by DNI and 1 share is held by Mr. Steven GOERTZ. Mr. Goertz is currently the Country Manager – Madagascar for DNI Metals Inc. and is a shareholder of the Company.

Mr. Goertz is the Resident Gérant (Resident Manager) for DNI-Mada.

The Permit is a commercial mining lease (Permis d'Exploitation or 'PE' – refer 4.1 following) converted from an artisanal mining license (Permis Réservé aux Petits Exploitants or 'PRE'); as registered by the national tenement office (Bureau ou Cadastre Minière de Madagascar or 'BCMM') on 15th July 2015. The Permit has a term of 40 years, is renewable and confers commercial mining rights to DNI-Mada. Surface land rights are not included; however regularisation of surface rights is a generally routine process.

The original PRE was issued to Mme. Mamy Estelle RANDRIANASOLO (the 'Vendor') on 01st December 2010 for a period of eight (8) years. The permit authorises the exploration and mining of: graphite, gold, pyrite, rose quartz and ruby (corundum). Environmental Authorisation No.42/10 was subsequently granted on 30th November 2010 for PRE38642.

This has remained unchanged upon transformation to a PE.

Through its local subsidiary DNI-Mada, DNI entered into an option agreement to acquire the Permit from the Vendor via staged payments on 12th June 2015. Pursuant to the option agreement, DNI Madagascar will acquire the Permit in exchange for an aggregate of US$400,000 in cash, of which US$116,000 has been paid to date and US$284,000 remains outstanding. US$134,000 is due on or before 18th April 2016 and US$150,000 is due on or before 12th June 2017.

Under the structure of the option agreement Robert Barnes, associate of the Vendor and the Lender, lends to DNI Metals, the Borrower, a Loan amounting to US$380,000 (representing US$400,000, less US$10,000 paid previously to each of Barnes and the Vendor). The Loan is intended to formalise the reimbursement by the Borrower of certain expenses and funds made by the Lender in respect of the activities carried out by Ms. Mamy Estelle over the Property; which is in the process of being acquired by the Borrower via a Madagascar-domiciled Mining Permit Sale Agreement.

As security for this loan, DNI Metals has entered into a pledge agreement, whereby DNI pledges the entirety of the shares of its 100% owned subsidiary DNI Madagascar Sarl to Mr. Barnes as Lender. The pledge will expire upon discharge of all payments owing under the Definitive Agreement.

Prior to entering into the option agreement, the Vendor had obtained the requisite environmental permits for artisanal extraction. Whilst this will suffice for the exploration and bulk testing phase of development of the Vohitsara project, it will be necessary to upgrade the existing environmental permit to a commercial mining environmental permit. This process will be undertaken as part of the requisite surface access, community consultation and reclamation planning (Environmental Impact Study) that is necessary prior to commencing physical mining operations in Madagascar.

Annual tenement rents currently totalling Ar5.940.000 (US$1,900) are necessary to maintain the Permit.

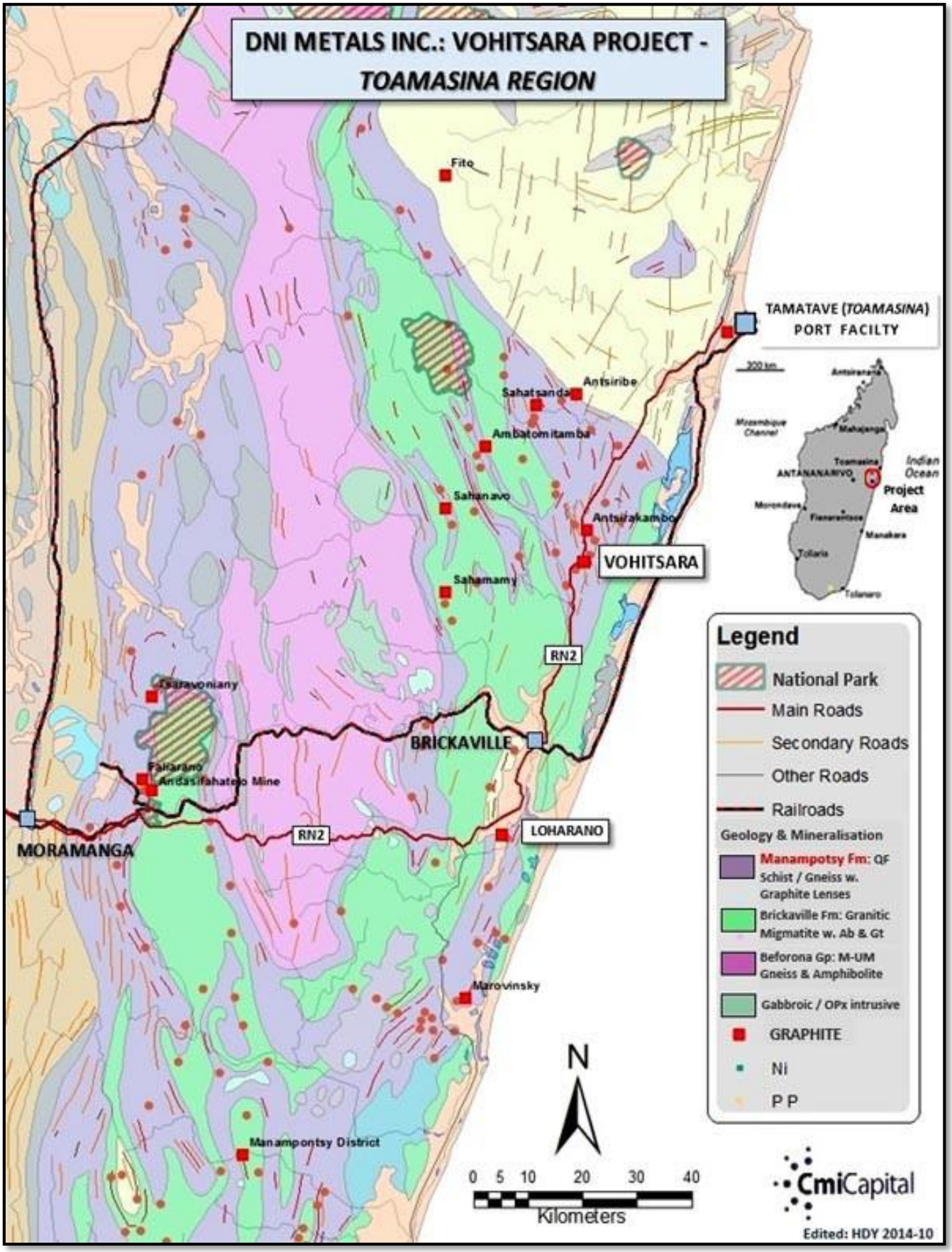


Figure 2: Regional location of the Vohitsara Project. The 'RN2' (Route Nationale No. 2) is the main sealed highway connecting Toamasina with the national capital of Antananarivo. The railway is also operational.

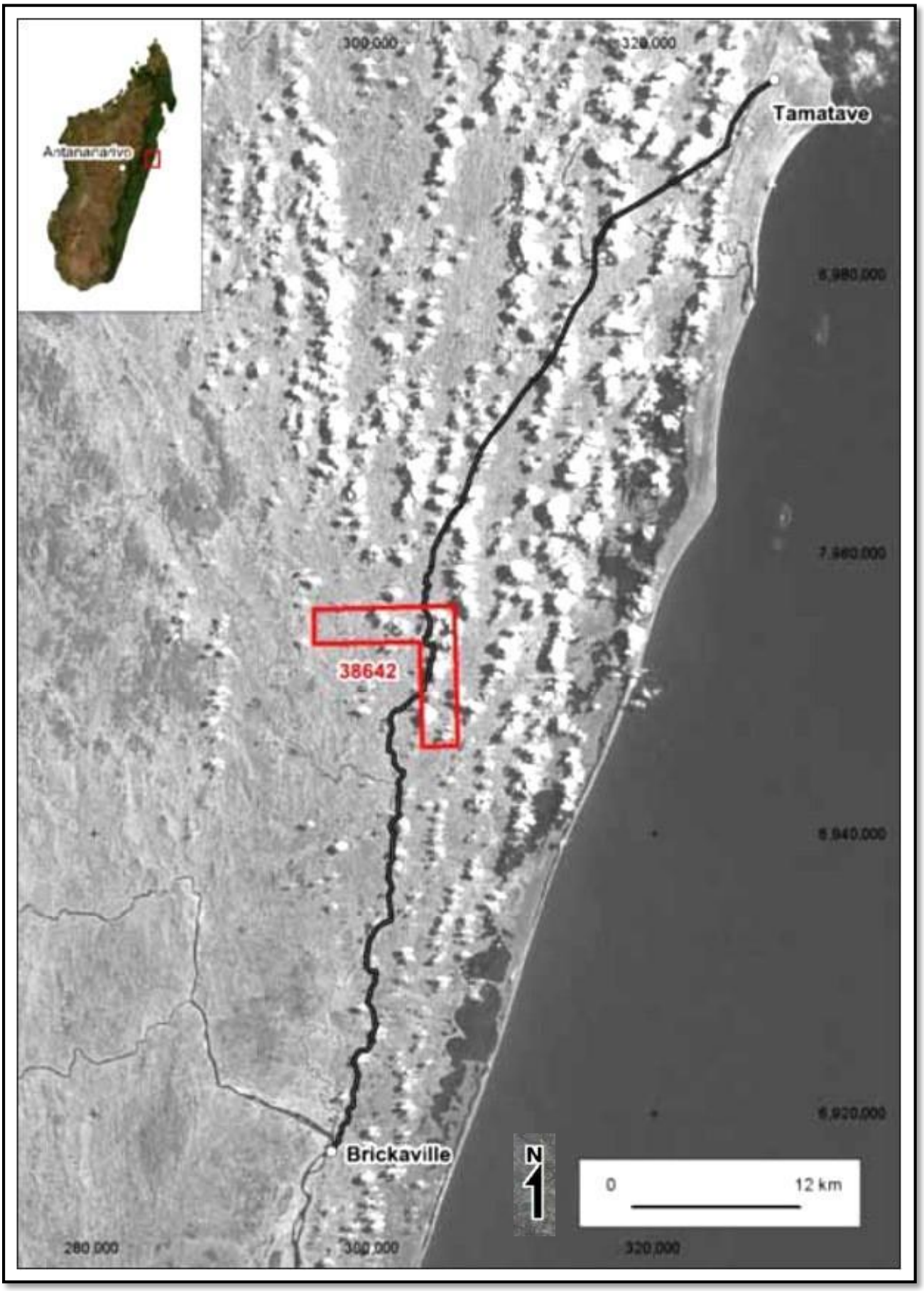


Figure 3: Vohitsara Project Permit PE38642. (Source: Vato, 2014)

5 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE & PHYSIOGRAPHY

5.1 Physiography

Madagascar is divided into four distinct parts determined by the topography and ethnic distribution. The Vohitsara project lies within the eastern coast subdivision dominated by narrow coastal plains. The fertile soil of the East Coast of Madagascar makes agriculture possible. The nearness to the sea provides a moderate climate in this region. The eastern coastal strip is suitable for the cultivation of cash crops like coffee, fruits, vanilla and cloves. The fishing industry is also another part of the economy of the East Coast.

The dominant ethnic group in this region is the Betsimisaraka. The Betsimisaraka constitute 15% of the Malagasy population and are the second largest ethnic group after the dominant Merina. The Betsimisaraka speak several dialects of the Malagasy language, which is a branch of the Malayo-Polynesian language group derived from the Barito languages, spoken in southern Borneo. Like the Sakalava to the west, the Betsimisaraka are composed of numerous ethnic sub-groups united by historical circumstances under the same denomination. Most Betsimisaraka are of mixed Bantu-African and Asian-Austronesian descent.

Local terrain is of moderate dissection and relief – averaging between 30-115m AMSL mean elevation. Flora on the property is primarily a mix of dense sub-tropical vegetation and regrowth and grassland; the latter associated with areas of lateritic carapace (refer Plate following).

Regolith is almost entirely residual, with transported horizons restricted to local topographic lows – frequently under cultivation.

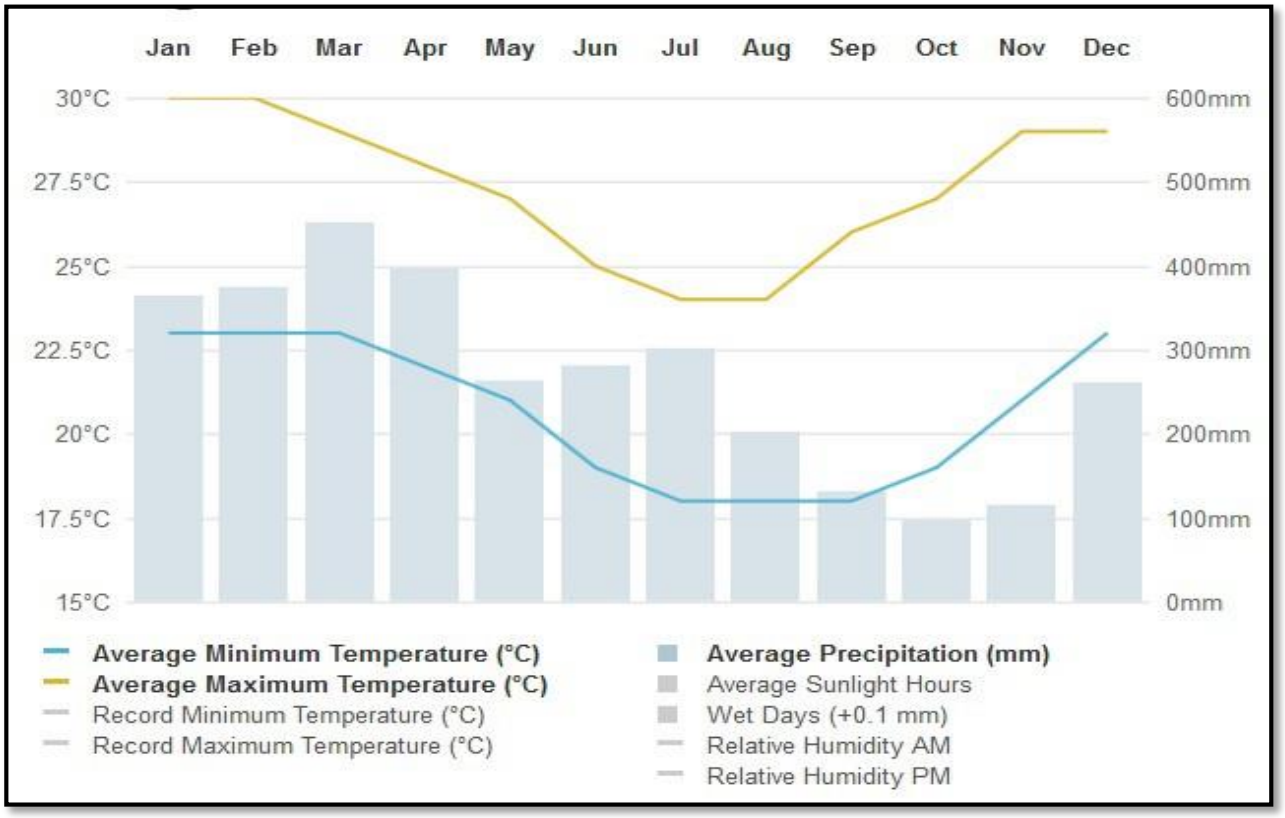
Typical relief and vegetation cover along main mineralised trend at Vohitsara

5.2 Climate

The Vohitsara project features a tropical rainforest climate under the '*Koppen*' climate classification system. While the area has no true dry season month (i.e. *where the precipitation average falls below 60 mm*), the area has noticeably wetter and drier periods of the year. September–November is the driest period of the year, while February–April is the wettest time of the year.

Average temperatures are relatively constant throughout the course of the year, though it is slightly cooler in the months of July and August, where average highs hover around 24 degrees Celsius and warmer in the months of January and February, where high temperatures on average reach 30 degrees Celsius. The area averages roughly 3,250 mm of precipitation annually.

The mine is located approximately 20 kilometres from the coast and 50 kilometres south of the regional centre of Toamasina. The port of Toamasina provides the following weather information:



Summary of average temperature & rainfall in Toamasina (Source: BBC Weather)

5.3 Accessibility, Local Resources & Infrastructure

Access to the Vohitsara Project area is via the sealed Route Nationale No. 02 (RN2) highway to the village of Vohitsara, 50km south-southwest of Toamasina (**NB:** the RN2 traverses the Permit). From the village, access is currently by trail and requires a creek crossing (average <1m depth). Portions of a historical road network dating from post-war colonial mining are still observed within

the project area. This road network is amenable to restoration and there are several sites in the project area where the local drainage can be traversed by the installation of a ford or bridge.

The local population is openly supportive of reinvigoration of the historical graphite industry. A number of older residents of the Vohitsara and surrounding villages have previously worked directly on graphite exploitation; both during and after the post-war colonial period.

Portion of historical access road near RN2 highway.

RN2 at the village of Vohitsara - looking in direction of Toamasina

The closest major population centre is Toamasina (Fr: 'Tamatave'). Toamasina is the nation's chief port and is connected by rail with Antananarivo. It is the administrative capital of the Atsinanana (Eastern) administrative region of Madagascar and is known informally as the '*commercial capital*'. It is the second largest city in Madagascar, with a population of approximately 250,000. Toamasina exports sugar, coffee, cloves, and rice. Food processing and goods trans-shipment are the chief industries.

The city's name – meaning '*place of salt*' – originally derived from the extensive salt marshes around the area. It is located at the northern extremity of the *Canal des Pangalanes*, an impressive chain of semi- natural coastal canals and lakes that extend for 645km down the eastern coastline of Madagascar. The marshes were the root cause of numerous outbreaks of disease in Toamasina, until they were drained by the French at the close of the 19th century. The city itself was rebuilt following its near total destruction from a cyclone in 1926.

The port is on the Northern Network of the Malagasy Railway which consists of three lines, built between 1903 and 1926. They carry 94% of the rail freight and 86% of the passenger rail traffic of the country. The network is entirely single track, metric gauge with a maximum axle load of 16 tons. The TCE line connects the port of Toamasina to the capital city of Antananarivo.

Anchorage depth is between 9.0 and 15.2 metres and the cargo pier depth is up to 6 metres. The port offers a well-protected anchorage and can handle ships up to 150 metres in length. The core port system has been left largely untouched since independence in 1960; though in some areas, the private sector itself began to manage port facilities. Since 2006, a consortium of companies led by Sherritt and Dynatec have invested approximately USD8.0B in trans-shipment and processing facilities in the Toamasina port. This is related to their development of the Ambatovy lateritic nickel-cobalt operation some 120km inland from Toamasina.

Aerial view of the Toamasina port facility – looking north (Source: JialiangGao – 2007-11)

Port Authority building in Toamasina Port

The entrance to Ambatovy's dedicated trans-shipment facility and pier. Ambatovy have spent in excess of U$8.0B in Madagascar since deciding to develop Ambatovy

Artist's impression of a planned expansion of the Toamasina port facility for 2018 – looking east. The Ambatovy pier can be seen in the center mid-ground. The facility in the rear is an enhanced reef island converted into a Ro-Ro facility to increase port throughput five-fold.

All containers are handled by Madagascar International Container Terminal Services Ltd. ('*Mic-Ter-Ser*' or '*MIC-TSL*' in local parlance). Local company 'Gasynet' has the ongoing contract in partnership with SGS to handle container cargo scanning for customs. MIC-TSL is managed by Mr. Michael RATRIMO; whom the author met in 2013 on a previous port visit.

The Port facility has been steadily improved since 2012; as observed via several site visits by the author during this period. Existing buildings are being extensively renovated and there are plans to construct a large RORO container farm via land reclamation of a harbour shoal. The intention is to increase the throughput of the port by an initial three-fold up to five-fold.

Additionally, a dedicated cruise liner pier is also planned. It was not clear how far the planned expansion project had progressed (refer above plate); however anecdotal reports indicate that the programme should be well advanced by the end of 2018.

Toamasina is serviced by an international airport and terminal; with daily flights to and from the capital Antananarivo, as well as selected internal destinations (Reunion-based *Air Austral* operates a regular service between Toamasina and St. Denis – Reunion).

6 HISTORY

6.1 Historical (pre-PRE38642) Activity

No formal records exist for the period prior to the acquisition of the Permit by the Vendor as PRE38642. Anecdotal reports compiled by the Madagascar Geological Service during and after the colonial period are the best available source of information in this regard.

Exploration from the historical production period is not detailed; however it can be assumed that surface prospecting and hand augering; likely with the aid of visual indicators in the vegetation, were used.

During the 1950s, the French government funded country-scale mapping through the old Madagascar Geological Service ('MGS'). At the same time, the US Bureau of Mines – forerunner of the USGS, completed a detailed overview of Madagascar's mineral potential. These works produced some very high- quality data; and were in turn used as baseline data for extensive interpretive mapping completed by subsequent geological team under the supervision of Henri Besairie during the 1970s.

More recently, in the early 1980s, the BRGM completed a country-wide review of the geology and mineralisation potential of the island. This was published in three volumes in 1985. Quite a bit of drilling was completed during this period; although it is not clear how much if any was done in the Vohitsara area specifically.

Within the general Brickaville-Toamasina belt, there are approximately 45 historical graphite mineralisation centres recorded (Vato, 2014). Those in closest general proximity to the Vohitsara permit are shown in Figure 4 following.

The Ampositrabe – Vohilava trend (the 'AMP-VOH' or 'Main Zone') extends for a recorded 3km and is the principal graphite occurrence within the Permit. An unnamed zone – an extension of the neighbouring Vatomaina trend – occurs 2km southwest of the Main Zone and lies approximately 250m inside the western boundary of PR38642.

According to Besarie (1966) the Main Zone was periodically exploited prior to 1952 from four (4) pits; with an estimated 3,500 tonnes of graphitic material mined. The mineralisation strikes generally 010-015 degM and dips on average 40 deg to the east.

Adjacent mining centres at Menagisy and Vatomaina (Figure 4) were reportedly exploited between 1949 and 1952. Menagisy was abandoned in 1951 due to low head grades (3% to 5% flake in-situ)

whilst Vatomaina extracted an estimated 3,000 tonnes over a three (3) year period to 1952. Head grades were generally above 5% flake graphite. The Vatomaina zone strikes 350-355 degM and dips 50 deg to the west. The parallel Menagisy zones may extend into the Vohitsara permit and future exploration programmes will test this possibility. The mineral permits covering Vatomaina were acquired in 2014 by an Indian group, Tirupati Carbons under an option agreement. This will be discussed further at Section 23 below.

6.2 PRE38642 – 2014 (Northern Discovery) Programme

In 2014, PRE38642 was temporarily under option to Australian consortium, Northern Discovery ('ND'). Prior to expiry of the option in January 2015, limited surface mapping and sampling were commissioned by the option holder to assess the project. During the period October to December 2014, Antananarivo- based Vato Consulting Sarl ('Vato') and ND personnel made two visits to the permit area and collected a total of 18 samples. These samples contained estimated flake graphite contents of 2% to 10% graphitic carbon ('Cgr'). Sample locations are plotted on Figure 5 following.

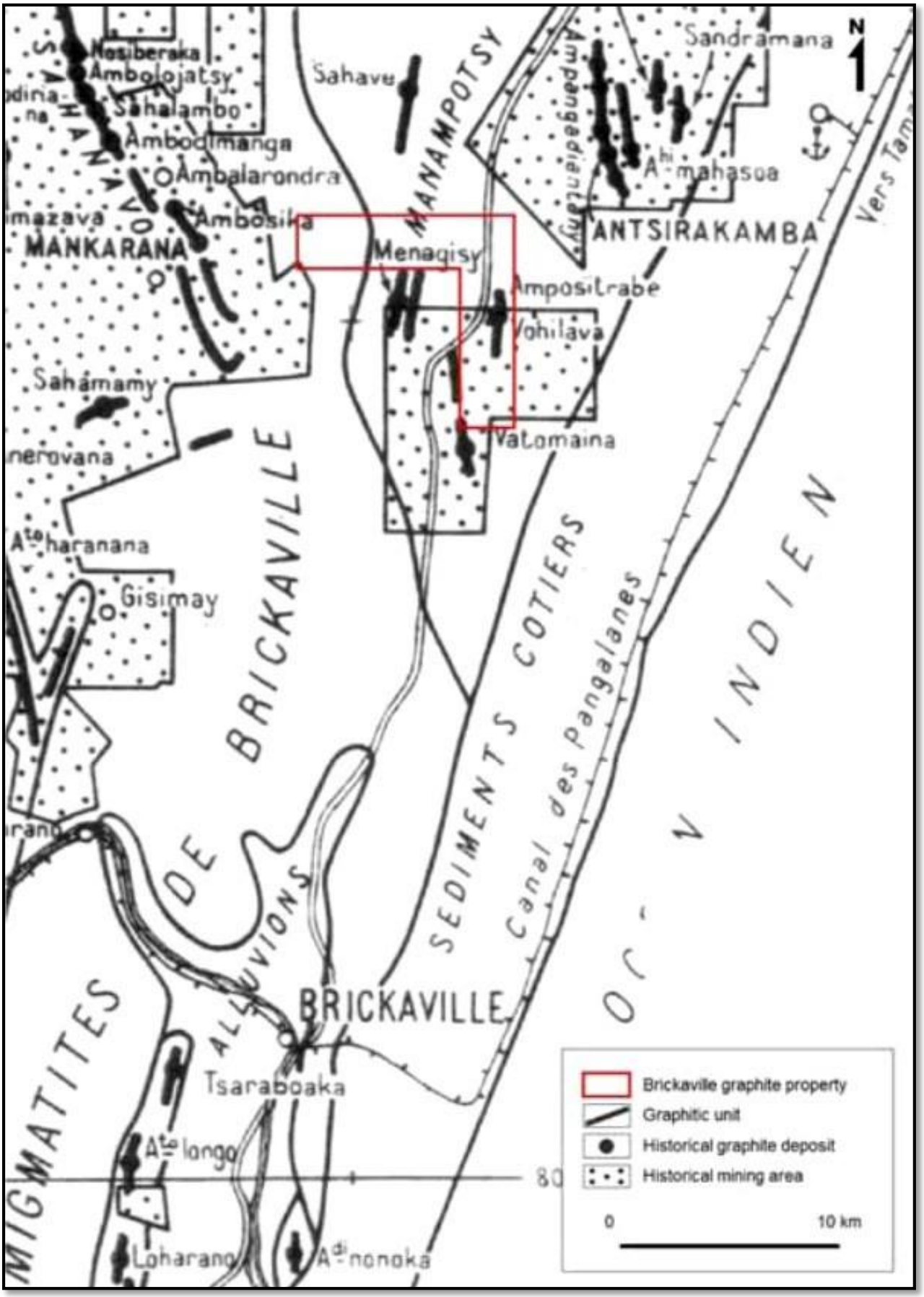


Figure 4: Historical graphite occurrences & production centres in the Vohitsara Project area.

(Vato, 2014 - after Besarie, 1966)

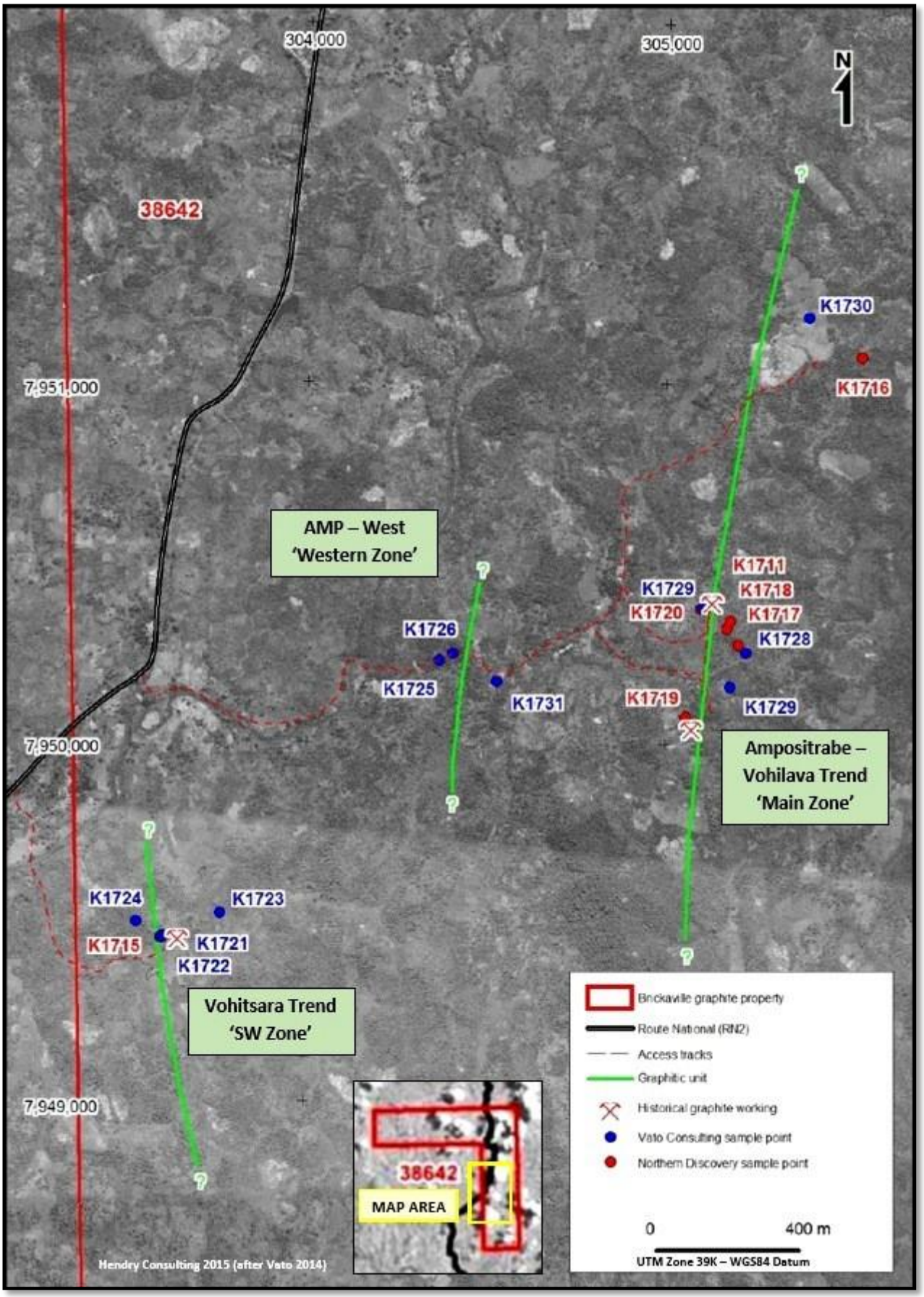


Figure 5: Vato Consulting & Northern Discovery 2014 Exploration programmes. (Vato, 2014 - as modified)

Although there was a stated intent to submit these sample for independent total Carbon, Cgr and sulphur analysis, the author has not sighted these assays.

The Vato / ND programme successfully delineated three (3) distinct mineralised trends within the boundary of PE38642: **(i)** – Main Zone; **(ii)** – Western Zone; and **(iii)** – SW Zone. Of these, the Western Zone is of least interest, being of limited extent and general lower observed tenor Cgr content. These results provided the basis for subsequent exploration by the issuer during 2015 and 2016.

Typical regolith profile in cutback of southern AMP-VOH trend working. (Source: Vato 2014)

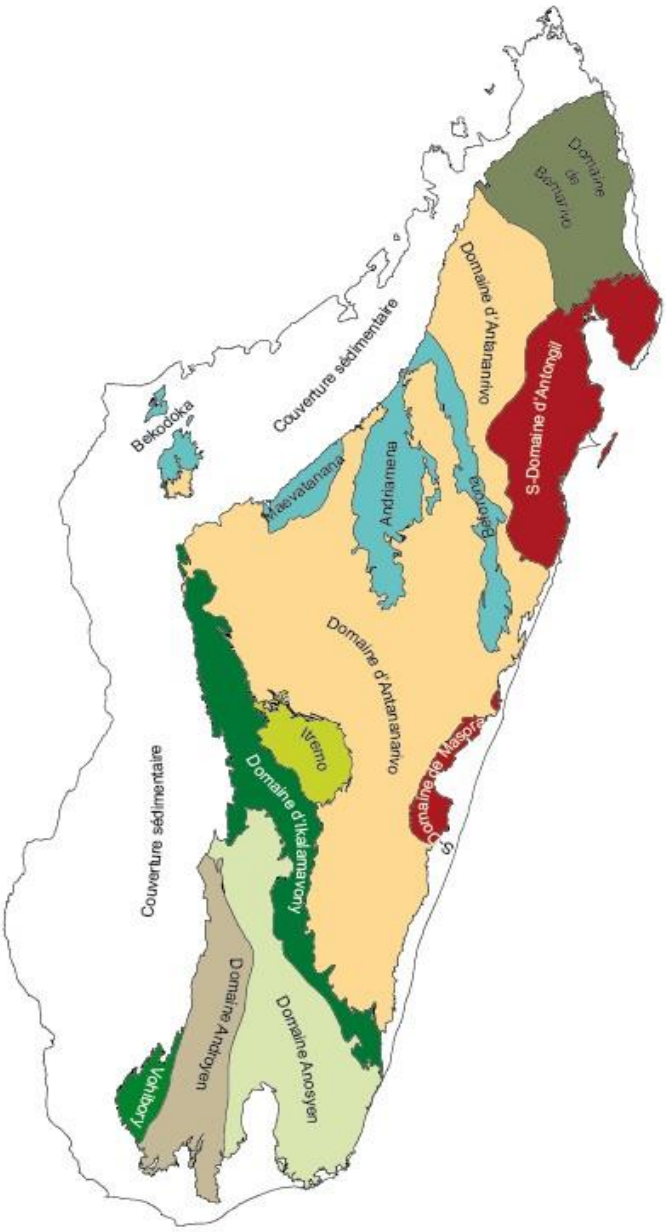
Coarse graphite flake observed at northern AMP-VOH Trend working (Source: Vato, 2014)

7 GEOLOGICAL SETTING & MINERALISATION

7.1 Madagascar Geology

Madagascar comprises a fragment of the African Plate, rifted from the vicinity of Tanzania at the time of the break-up of Gondwana some 200 million years ago. At that time Madagascar remained joined with India; moving east-by-south until the late Cretaceous (i.e. *approximately 70 million years ago*), whereupon the two land masses split apart. Figures 6 and 7 following summarise the results of the combined BRGM – PGRM programmes completed between 2005 and 2009 (released 2012).

The eastern two-thirds of Madagascar is composed of Precambrian basement complex of Archaean to Neoproterozoic age (the '*Malagasy Shield'*). The rocks provide a record of the opening and closing of a major Neoproterozoic ocean and mountain building event during the assembly of Gondwana. This amalgamation formed one the largest orogenic belts known on the planet, the East African Orogen, stretching from the Middle East to southern Africa, a distance of 7,000km.



In Madagascar, a series of accreted Proterozoic terraines were thrust over a fragment of Archaean basement, thought to have once been part of the Dharwar Craton of India. These orogenic belts and associated thrust sheets show variable but generally high (*upper amphibolite to granulite facies*) metamorphic deformation.

Extensive work by the World Bank funded PGRM mapping review, delineated a total of six (6) accretionary terrains (as summarised in the figure to the left:

- *Antongil-Masora*
- *Antananarivo-(Tsaratanana)*
- *Ikalamavony*
- *Androyen-Anosyen*
- *Vohibory*
- *Bemarivo*

The largest of these, the Antananarivo Domain, covers the eastern center of the Island and is also host to the Vohitsara Permit area.

Nonconformably overlying the crystalline rocks of the Malagasy Shield is a sequence of Upper Palaeozoic to middle Mesozoic sediments. These unmetamorphosed sediments comprise the western third of the country and are dominated by the Karoo Supergroup, so named due to its known similarity and presumed correlation to its namesake sequence in South Africa.

Principal structural domains of Madagascar (BRGM 2012)

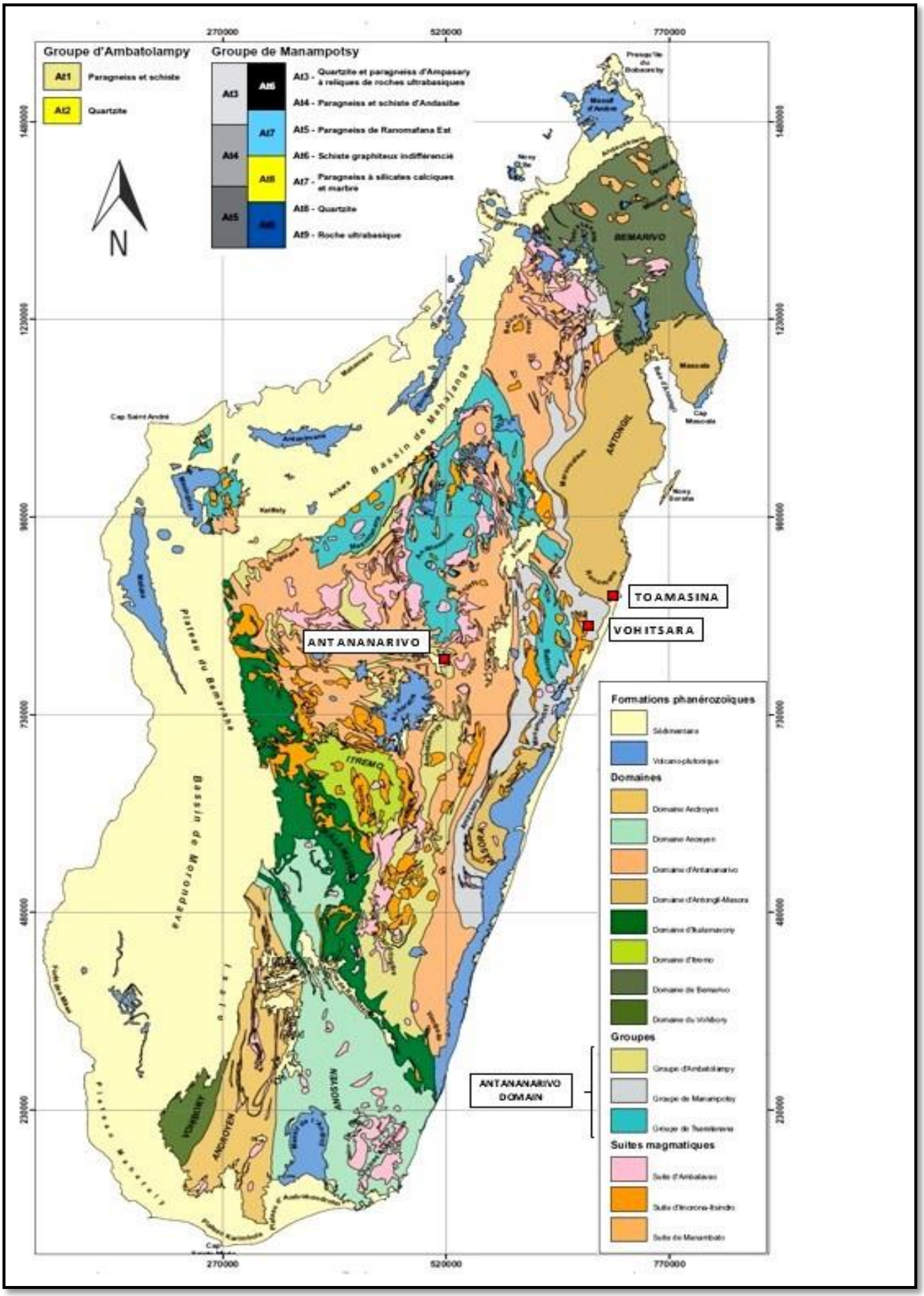

Groupe d'Ambatolampy
At1 Paragneiss et schiste
At2 Quartzite
Groupe de Manampotsy
At3 - Quartzite et paragneiss d'Ampasary à reliques de roches ultrabasiques
At4 - Paragneiss et schiste d'Andasibe
At5 - Paragneiss de Ranomafana Est
At6 - Schiste graphiteux indifférencié
At7 - Paragneiss à silicates calciques et marbre
At8 - Quartzite
At9 - Roche ultrabasique
N
270000
520000
770000
TOAMASINA
VOHITSARA
ANTANANARIVO
ANTANANARIVO DOMAIN
BEMARIVO
ANTONGIL
ITREMO
ANDROYEN
VOHIBORY
Formations phanérozoïques
Sédimentaire
Volcano-plutonique
Domaines
Domaine Androyen
Domaine Antongil-Masora
Domaine de Bemarivo
Groupes
Groupe d'Ambatolampy
Groupe de Manampotsy
Suites magmatiques

Figure 6: Summary tectonic map of Madagascar. (Source: BRGM, 2012)

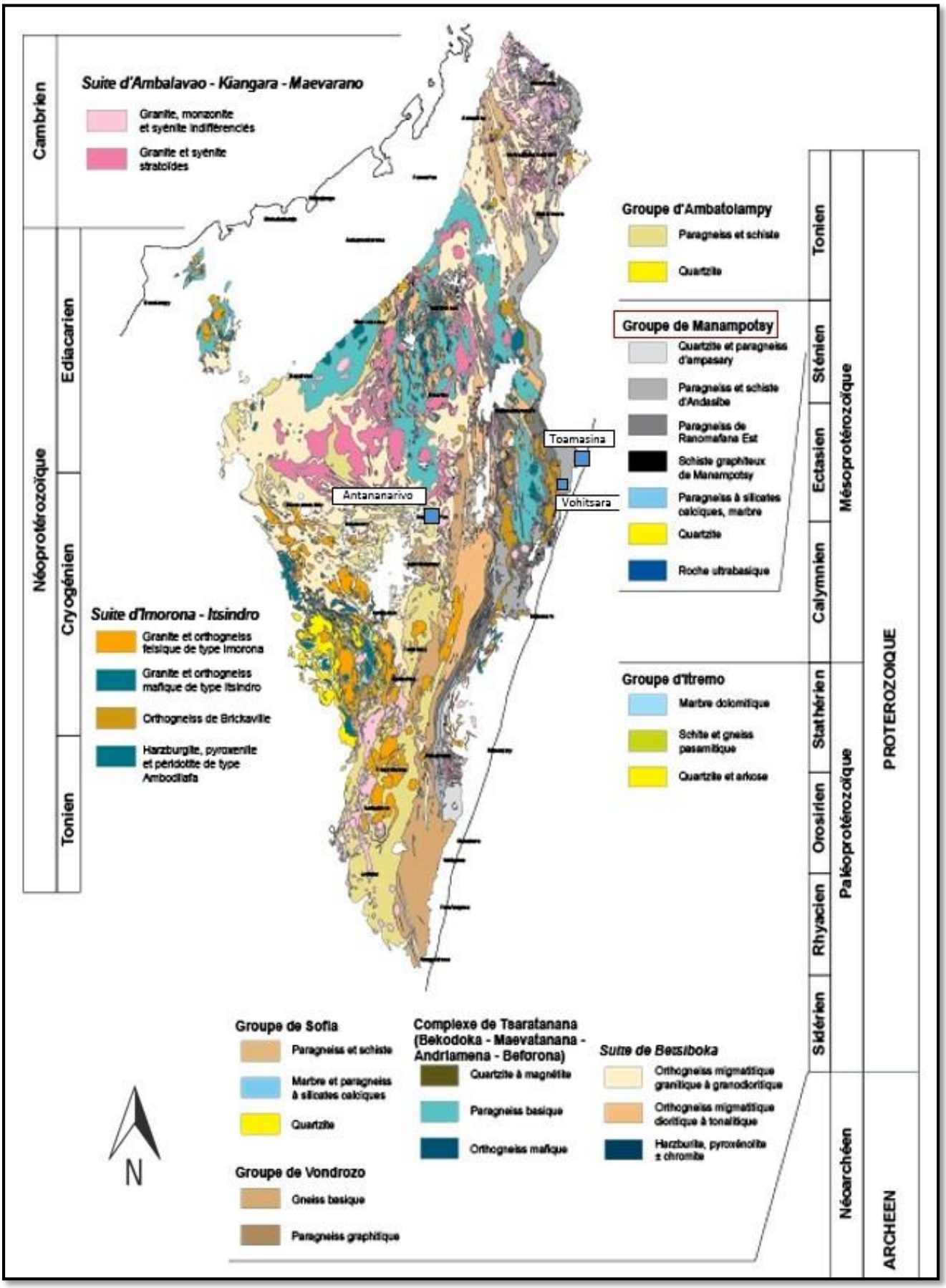


Figure 7: Solid geology detail of the Antananarivo Domain. (Source: BRGM, 2012)

Various components of the Karoo sediments host the bulk of known uranium and coal occurrences in Madagascar. They are also highly prospective for petroleum resources.

Subsequent rifting associated with the separation of India and Madagascar in the late Mesozoic resulted in numerous volcanic events of varying composition. The following 2009 synopsis from GAF/BRGM reports provide an overview of the structure and genesis of the Antananarivo Domain:

The Antananarivo Domain crops out in central Madagascar. This tectonic domain preserves a long lived geologic history of sedimentation, igneous activity and orogenesis. The oldest rocks collectively define the Mangoro Complex, a sequence of Neoarchaean para- and orthogneisses that form the basement onto which the super-crustal rocks of the Ambatolampy and Manampotsy Groups were deposited in the Meso- and Neoproterozoic. The Mangoro Complex consists of the Vondrozo Formation and the Betsiboka Suite. The Vondrozo Formation is dominated by metaluminous hornblende and biotite bearing felsic rocks of andesitic to dacitic composition. The age of these rocks is unconstrained, although are inferred to be at least 2550 Ma old given that they host the Betsiboka Suite. The Betsiboka Suite is compositionally similar to the rocks of the Vondrozo Formation and is defined by metaluminous granodiorites, granites and alkali-granites. These rocks are well dated and were emplaced between 2550 Ma and 2450 Ma, an interval that coincided with the earliest phase of orogenesis observed in the Antananarivo Domain. This event occurred at granulite facies and partially melted rocks from both the Vondrozo Formation and the Betsiboka Suite.

There is no recorded orogenic or plutonic activity until the Middle of the Neoproterozoic. Instead the Early to Middle Proterozoic is punctuated by a number of periods of sediment deposition. The Ambatolampy Group defines the older of the two observed cover sequences. These rocks crop out along the western margin of the Antananarivo Domain and consist of a heterogeneous sequence of sediments that now are defined by biotite (± sillimanite, ± garnet, ±graphite) schist, hornblende biotite gneiss and quartzite. The Ambatolampy Group is interpreted to have been deposited approximately 1000 Ma ago based on the youngest observed detrital zircons. The Manampotsy Group crops out on the eastern side of the Antananarivo Domain and, similar to the Ambatolampy Group, is predominantly defined by biotite (± sillimanite/kyanite, ± garnet, ±graphite) schist, hornblende biotite gneiss and quartzite. Based on a combination of detrital zircon ages and intrusive relationships with the Imorona-Itsindro (820-760 Ma) Suite, these rocks are constrained to have been deposited at approximately 800 Ma.

Both the Ambatolampy and Manampotsy Groups, together with the underlying Mangoro basement were extensively intruded by plutons from the Imorona-Itsindro (820-760 Ma) and Ambalavao (580-520 Ma) Suites. Both igneous events were accompanied by some deformation and metamorphism. The relative importance of these two events was not determined during the study. Nevertheless, one or both of these events metamorphosed the two cover sequences to upper-amphibolite facies conditions (700-750˚C) and transposed the structures within both the basement and the super-crustal cover north-south trend and an east vergence. (GAF/BGR – 2009)

There are a wide variety of mineral deposits in Madagascar, including precious, base and strategic metals, non-metalliferous and gemstones. The vast majority of these however can be classified only as occurrences, as few have been mined or explored sufficiently to delineate them for tonnage and grade.

7.1 Graphite

Madagascar possesses very large quantities of excellent quality flake graphite. The bulk of production historically has been of large flake graphite (>98%C); with the first commercial

mining operation being commissioned in 1907. Between 1907 and 1927 the industry progressively modernised; first with conversion to flotation beneficiation followed by the gradual introduction of mechanized mining at the end of WW2.

The graphite mineralisation occurs predominantly in quartzo-feldspathic schists and gneisses (+/- *sillimanite, garnet and biotite*), that have been variably weathered. The graphite, originally formed along cleavage and shear planes, remains relatively inert during the formation of the (*lateritic*) regolith, resulting in a free-dig graphitic ore material comprised of clays and other oxide minerals.

Graphite mineralisation in Madagascar is concentrated primarily in the central and eastern-coastal areas of the country; within graphitic horizons of the highly prospective Manampotsy Formation between Toamasina, Brickaville and Moramanga (refer Figures 1 & 6). Most of the mineralisation remains under or unexploited; with substantial quantities still available for commercial mining. The bulk of the deposits in the Tamatave – Moramanga belt form topographic highs that can be stripped via free-dig methods. This allows for very economic ore extraction.

Graphite production, historically the second largest "official" mineral product in Madagascar, totalled 10,600 T in 1992, down from 18,500 t in 1990. More recent production figures are difficult to come by, however competition from other countries and price undercutting by Chinese interests; combined with a lack of investment in country infrastructure; have seriously eroded the graphite industry in Madagascar over the past 20 years.

Of the four former producers in 2001 only two are left. The largest is the family owned company, *Etablissements Gallois* (i.e. third-generation colonial French); which has an installed capacity of 10,000 TPA at three (3) operations: *Antsirakambo*, *Marovintsy* and *Anjahamana*; however they are currently producing only negligible tonnages; generally via agreements with artisanal local miners.

Energizer Resources recently announced the discovery of a significant graphite deposit at Molo, adjacent to its Green Giant vanadium deposit in southern Madagascar. The current resources inventory is 80MT grading 5-8% graphitic carbon. They are projecting production in mid-2016.

7.2 Vohitsara Project Geology & Mineralisation

The project tenements overlie a late-Mesoproterozoic – early-Neoproterozoic sequence of migmatised hornblende-garnet orthogneisses and quartzo-feldspathic orthogneisses of the Andasibe and Manampotsy Formations of the *Manampotsy Group* (refer Figures 6 & 7). Within the latter, the Manampotsy Graphitic Schist (locally termed the Andasibe Formation) hosts the graphite mineralisation within the Project.

Geology of the project is summarised on Figure 8 following.

Intercalated lenses of quartzite are ubiquitous in the area. Additionally, a gabbroic dyke of the Analalava suite cuts the sequence in the vicinity of the Western Zone and is associated with minor gold mineralisation in the project area.

The mineralisation strikes generally 010-015 degM and dips on average 40 deg to the east. Graphite lenses frequently occur in multiple bands averaging 20-30cm TT, with intercalated kaolinite-rich barren bands of weathered schist and gneiss.

The graphite remains essentially inert in the weathering and lateritisation process and occurs as flakes up to in excess of 1-2mm, aligned with shear planes in the host rocks. Graphitic zones are reported to be anywhere from 2 to 10s of metres true thickness ('TT'). With one notable exception (refer Figure 8), the graphitic zones around the Vohitsara project area are reported to be essentially free from pyroxenite or porphyry dykes.

Whilst no independent specific gravity measurements have been completed for mineralised material at Vohitsara, test work undertaken in identical formation at other projects have returned a value of 1.85.

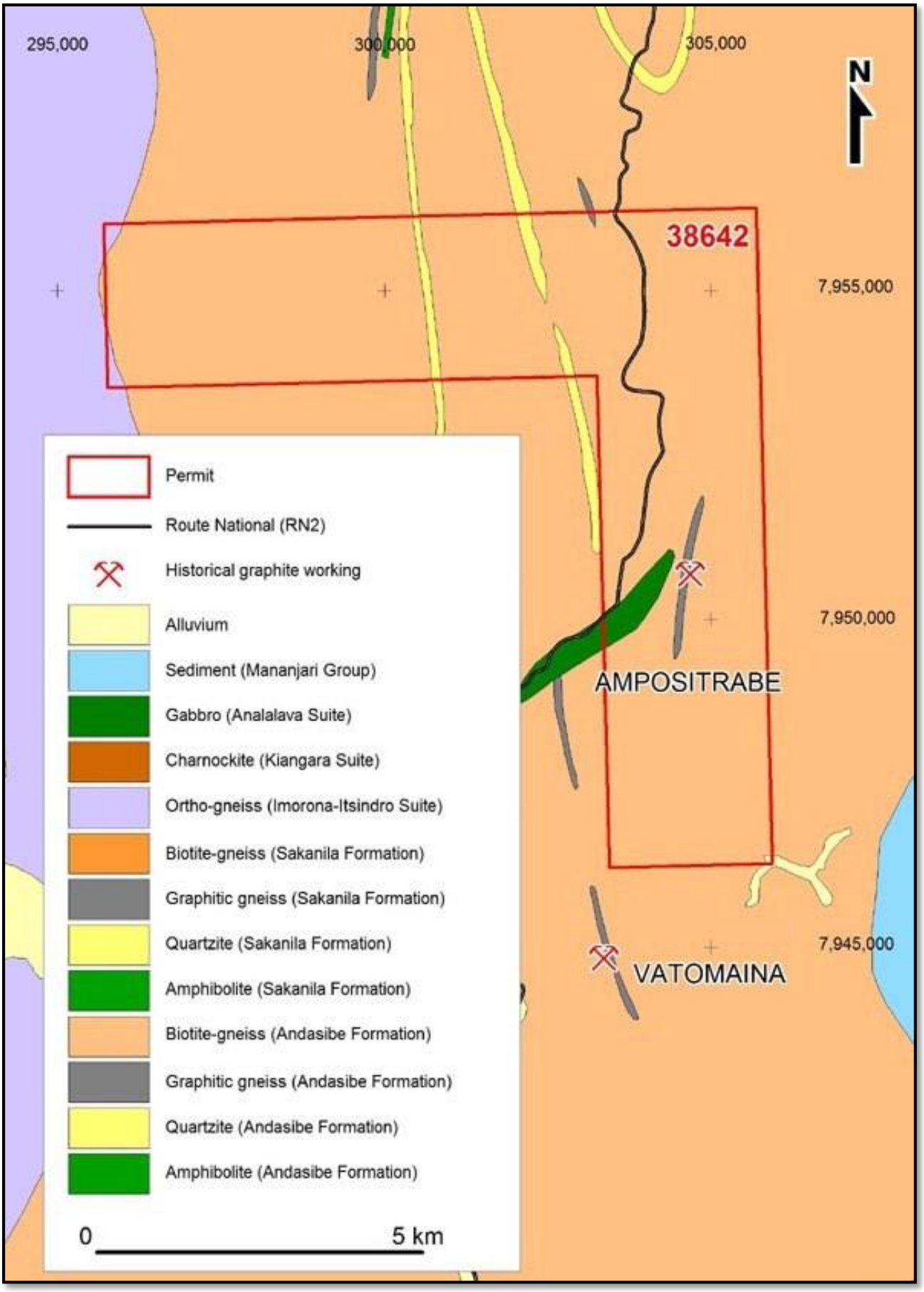
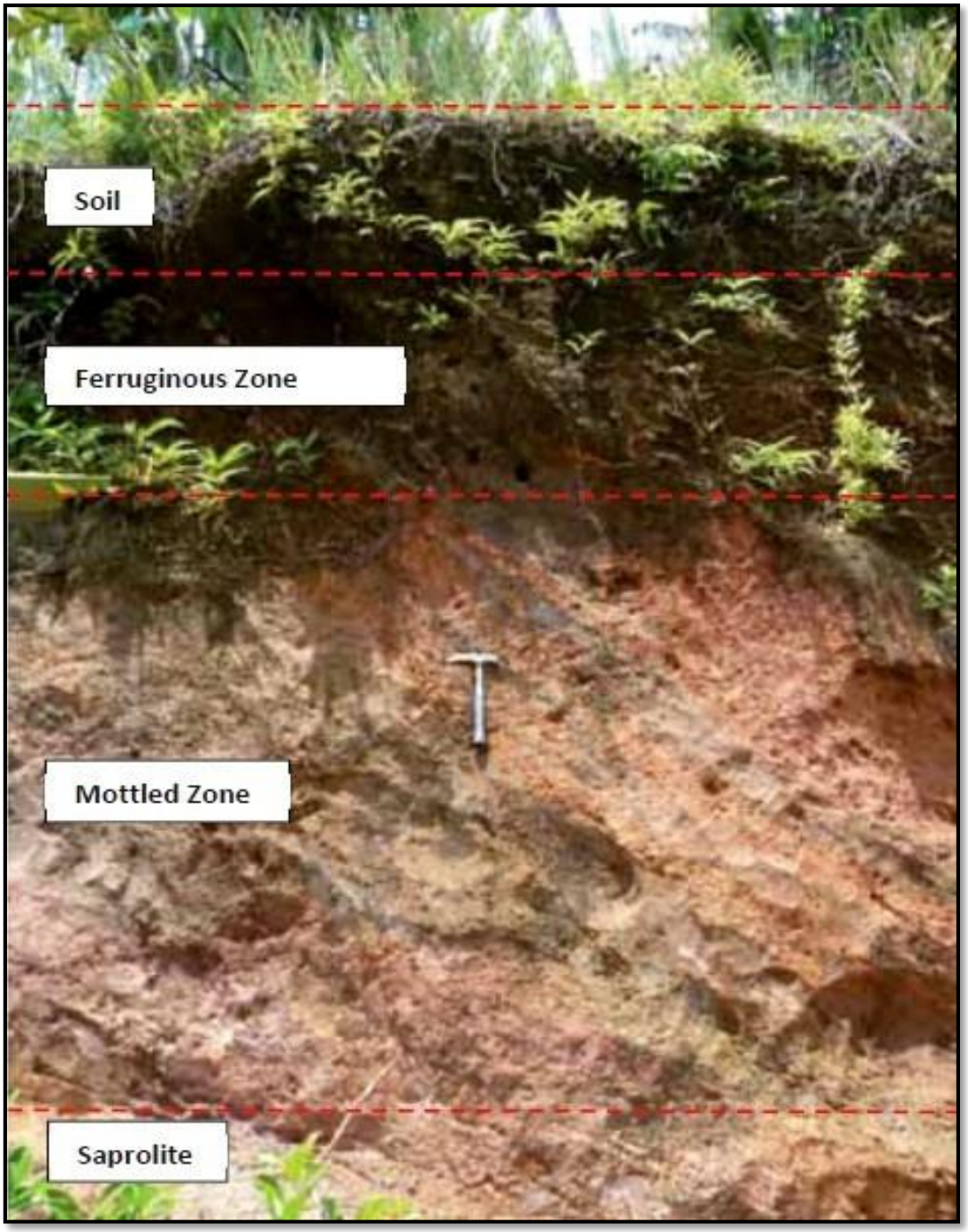

295,000
300,000
305,000
N
38642
7,955,000
7,950,000
7,945,000
AMPOSITRABE
VATOMAINA
Permit
Route National (RN2)
Historical graphite working
Alluvium
Sediment (Mananjari Group)
Gabbro (Analalava Suite)
Charnockite (Kiangara Suite)
Ortho-gneiss (Imorona-Itsindro Suite)
Biotite-gneiss (Sakanila Formation)
Graphitic gneiss (Sakanila Formation)
Quartzite (Sakanila Formation)
Amphibolite (Sakanila Formation)
Biotite-gneiss (Andasibe Formation)
Graphitic gneiss (Andasibe Formation)
Quartzite (Andasibe Formation)
Amphibolite (Andasibe Formation)
0
5 km

Figure 8: Solid geology (simplified) of the Vohitsara project area. (Source: Vato, 2014)

Like most of the other projects in the region, graphite-mineralised units frequently form local topographic highs. The entire sequence has been weathered to an average of 20-30m below natural surface. The relatively deep weathering allows for ease of extraction and the surface can be readily penetrated with hand or mechanised digging equipment.

Regolith refers to material between the natural surface and unweathered bedrock. It can comprise both residual (in-situ) and transported components. At Vohitsara, the regolith is almost entirely residual; with transported alluvial horizons accumulating in local topographic lows that are frequently under cultivation. Outcrop in the area is limited, due to the high degree of weathering of the bedrock.



Partially complete regolith profile exposed in cut-back at workings the northern end of the AMP- VOH (Main Zone) trend (Source: Vato, 2014)

8 DEPOSIT TYPES

Graphite is a soft crystalline form of carbon. It is opaque, charcoal gray in colour and has a silvery metallic lustre. It occurs naturally in metamorphic rocks and can also be found in veins and intrusive rocks like pegmatites. It is a good conductor; which can be useful as an exploration tool.

There are three (3) principal types of graphite (Bernier, et al. [SRK], 2015):

1. Amorphous graphite is the most abundant and lowest quality of graphite. It is so-called due to its small crystal size and lack of a (flake) crystal structure. China, Europe, Mexico and the US are known to host large deposits of amorphous graphite
2. Crystalline (flake) graphite is less common and of a correspondingly higher quality and value than amorphous. It is formed primarily from recrystallization during metamorphosis of host sedimentary sequences. It has a large variety of uses and can be up to four (4) times the price of its amorphous counterpart. Madagascar is particularly well known for its high-quality flake graphite deposits; although Canada, Brazil, China and Europe also host deposits of this type.
3. Vein or lump is the rarest and highest value form of graphite. It occurs in veins along intrusive contacts and is currently only commercially mined in Sri Lanka.

According to Taylor (2006; as cited by SRK, 2015), economic graphite deposits can be classified into five (5) categories reflecting the different types of graphite:

1. Disseminated flake graphite in silica-rich meta-sedimentary rock
2. Disseminated flake graphite in marble
3. Metamorphosed coal seams
4. Vein deposits
5. Contact metasomatic or hydrothermal deposits in marbles or similar calcareous meta-sediments

Deposits of categories 1 and 2 generally comprise disseminated flake graphite, while those of categories 3 and 5 comprise the amorphous variety. Vohitsara falls within the category 1 type of mineralisation.

Airborne and ground electromagnetic surveying is an effective early-stage targeting tool for locating graphite mineralisation. Properly interpreted ground magnetics (e.g. response inflection points) has also proven effective (Vato, *pers comm*, 2014).

Graphite is usually mined via open-cut methods; although vein deposits are almost exclusively extracted via underground mining. With the exception of vein deposits, the ores invariably require some degree of beneficiation. This is generally accomplished via a combination of grinding, screening and flotation.

Flotation agents can assist in separating the graphite flake from associated gangue minerals.

Deposits hosted in free-dig material (i.e. weathered / oxidised regolith; esp. low silica saprolites) have a distinct advantage over their bedrock-hosted counterparts; specifically, the general lack of a

requirement for milling / grinding of the ores. This process is energy intensive and also can damage the actual graphite flakes in the process. Mineralisation at Vohitsara is hosted within kaolinite-rich (low-silica) saprolite that is weathered on average 20-30m below natural surface (BNS).

Graphite mineralisation at Vohitsara comprises disseminated crystalline graphite (Type 2 form) hosted within weathered low-silica meta-sediments (Category 1 deposit).

9 EXPLORATION

During the period March 2015 to January 2016, DNI have completed several site visits; during which trenching, surface sampling and ground geophysics have been completed. Work has focussed primarily on delineating mineralisation within the Main Zone as described at Section 7 above. A precis of these works follows:

9.1 Ground Prospecting & Sampling

An initial site evaluation visit was made to the Vohitsara project in March 2015 to assess its potential for acquisition and development. Samples taken from test pits and historical workings returned head-grade results of 9.85%, 10.0% and 35.5% graphitic carbon ('Cgr'). Assaying was completed by consulting laboratory AGAT Laboratories in Ontario Canada, via washed Loss on Ignition ('LOI') furnace method with Infrared detection ('Furnace IR Finish').

Subsequent testing for crystalline graphite content yielded the following flake size distribution:

Flake Size	Flake Description	Flake Distribution %	Graphitic Carbon Content %
+20 Mesh /+ 841 Microns	Jumbo	13.70%	97.90%
+30 Mesh / +595 Microns	Jumbo	1.90%	n/a
+50 Mesh / +297 Microns	Jumbo	40.00%	96.70%
+70 Mesh / +210 Microns	Large	6.90%	91.30%
+100 Mesh / +149 Microns	Medium	12.90%	88.80%
+140 Mesh / +105 Microns	Small	4.20%	87.30%
-140 Mesh / -105 Microns	Small	20.40%	89.00%
Total		**100.00%**	

These tests demonstrated a Jumbo and Large flake distribution for Vohitsara graphite of greater than 62.5%; associated Cgr content ranging from 91.3% to 97.9%.

Subsequent surface sampling during the July 2015 trenching programme (refer following), returned results ranging from 3.00% Cgr to 7.30% Cgr and averaging 4.60% Cgr. Assaying methodology was identical to that used in the initial sampling programme; with samples collected from the central portion of the Main Zone of the Permit. Results are plotted on Figure 9 below.

9.2 Trenching

During July 2015, DNI completed a trenching programme over the Main Zone at Vohitsara. The objective was to delineate a mineralised zone of sufficient tenor to justify follow-up drilling.

A total of five (5) trenches totalling 75 line meters of trenching were completed. Trenches were hand-dug and averaged 2-3m BNS final depth. A total of 73 samples were collected and submitted to AGAT Laboratory as per surface sample protocols.

Results delineated a mineralised zone approximately 700 metres strike and averaging 250-300m in width. Significant results included:

Tr02 – Hilltop – 86m AMSL:

21m averaging 3.41% Cgr:

Including 2m @ 6.95% Cgr & 3m @ 5.40% Cgr

Tr03 – Side-cut of local topographic high – 25m below peak and 66m AMSL:

21m averaging 13.14% Cgr;

Including 5m @ 18.48% Cgr (*incl. 1m @ 25.3% Cgr*) & 4m @

13.75% Cgr Al full listing of sample results from the trenching

follows:

Sample No.	Sample ID	%Cgr
E5203779	Tr02-01	5.90
E5203780	Tr02-02	4.10
E5203781	Tr02-03	2.45
E5203782	Tr02-04	1.97
E5203783	Tr02-05	1.56
E5203784	Tr02-06	1.29
E5203785	Tr02-07	0.95
E5203786	Tr02-08	2.80
E5203787	Tr02-09	10.60
E5203788	Tr02-10	3.30
E5203789	Tr02-11	1.24
E5203790	Tr02-12	1.53
E5203791	Tr02-13	4.17
E5203792	Tr02-14	5.00
E5203793	Tr02-15	6.50
E5203794	Tr02-16	4.70
E5203795	Tr02-17	4.65
E5203796	Tr02-18	3.44
E5203797	Tr02-19	1.38
E5203798	Tr02-20	0.55
E5203799	Tr02-21	3.45
E5203800	Tr03-01	12.60
E5203801	Tr03-02	10.40
E5203802	Tr03-03	11.00
E5203803	Tr03-04	10.20
E5203804	Tr03-05	17.60
E5203805	Tr03-06	25.30
E5203806	Tr03-07	15.70
E5203807	Tr03-08	15.90
E5203808	Tr03-09	17.90
E5203809	Tr03-10	12.40
E5203810	Tr03-11	6.50
E5203811	Tr03-12	9.00

E5203812	Tr03-13	9.50
E5203813	Tr03-14	12.20
E5203814	Tr03-15	11.80
E5203815	Tr03-16	9.80
E5203816	Tr03-17	15.00
E5203817	Tr03-18	12.10
E5203818	Tr03-19	13.50
E5203819	Tr03-20	14.40

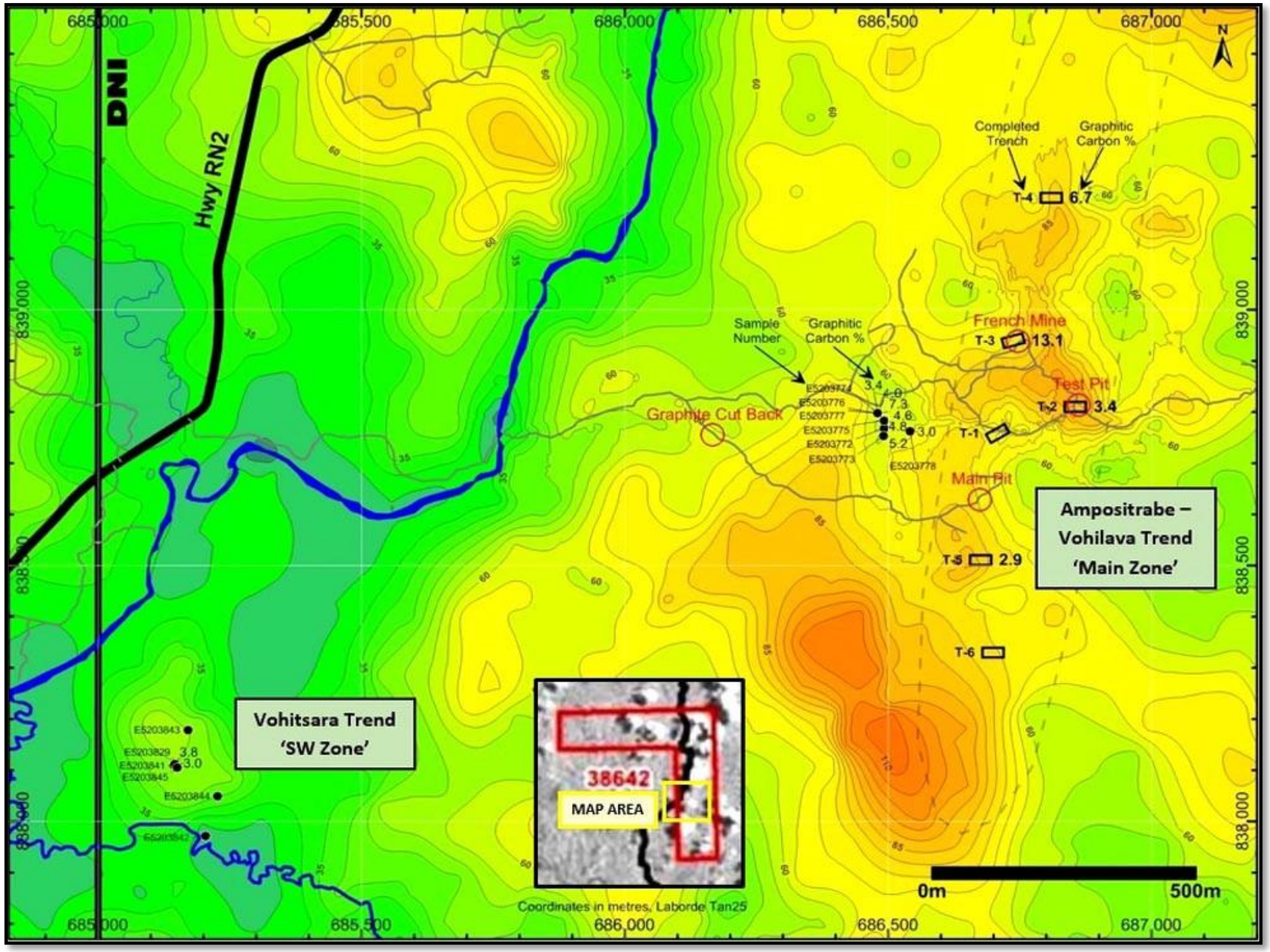


Figure 9: Summary of trench & surface sample locations and assays

9.3 Ground Geophysics

In conjunction with the trenching programme, ground geophysics comprising magnetics and electromagnetics ('Mag/EM') were completed over the Main Zone. The survey was completed using a GDD Instruments BM8 'Beep Mat' sled that can measure Mag/EM to 10 metres BNS with simultaneous GPS location.

Beep Mat (Mag/EM) sled & instrument (Source: GDD, 2015)

The instrument operates via drag harness trailing behind the operator; who wears the data collection / control unit on a frontal pouch. Sampling rate was set to six (6) readings per second.

Approximately 1,800 metres of surveying was completed along six (6) cross lines at 100 m to 250 m intervals along the strike of the Main Zone. A considerably larger amount of surveying was completed in an unstructured manner by dragging the instrument along various access trails as reconnaissance sampling. Figure 10 below is a 3D DTM/EM plot along the Main Zone.

The survey data have not been formally interpreted by a geophysicist. DNI plans to do this exercise in conjunction with the drilling programme planned for mid-2016.

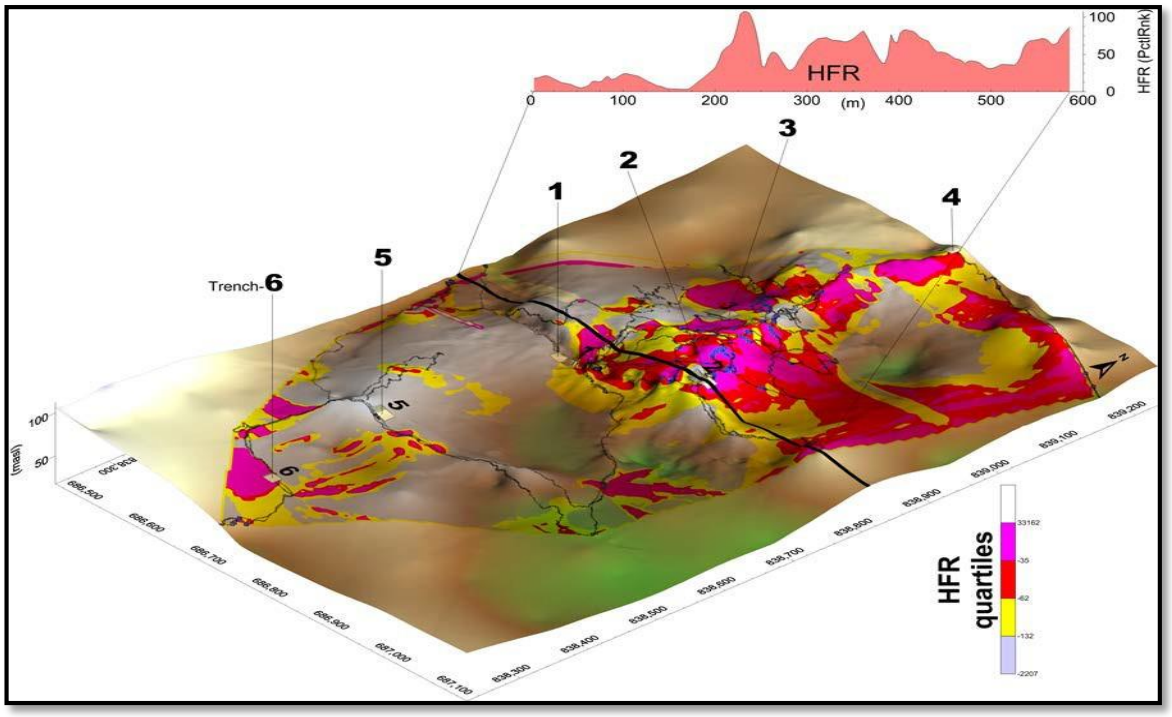


Figure 10: Summary high-frequency-response ('HFR') EM data along the Main Zone. Trench locations are shown for context. Stronger HFR responses are representative of stronger conductors.

10 DRILLING

To the author's knowledge, no historical drilling has been completed within the Vohitsara permit. DNI is planning a 3,200m core drilling programme during 2016 to test previously delineated targets of interest over the Main Zone. The programme is designed in the first instance to test 700 strike metres of the Main Zone across a width of 300 metres, using a 50m x 50m offset collar pattern. Figure 11 below summarises the proposed programme:

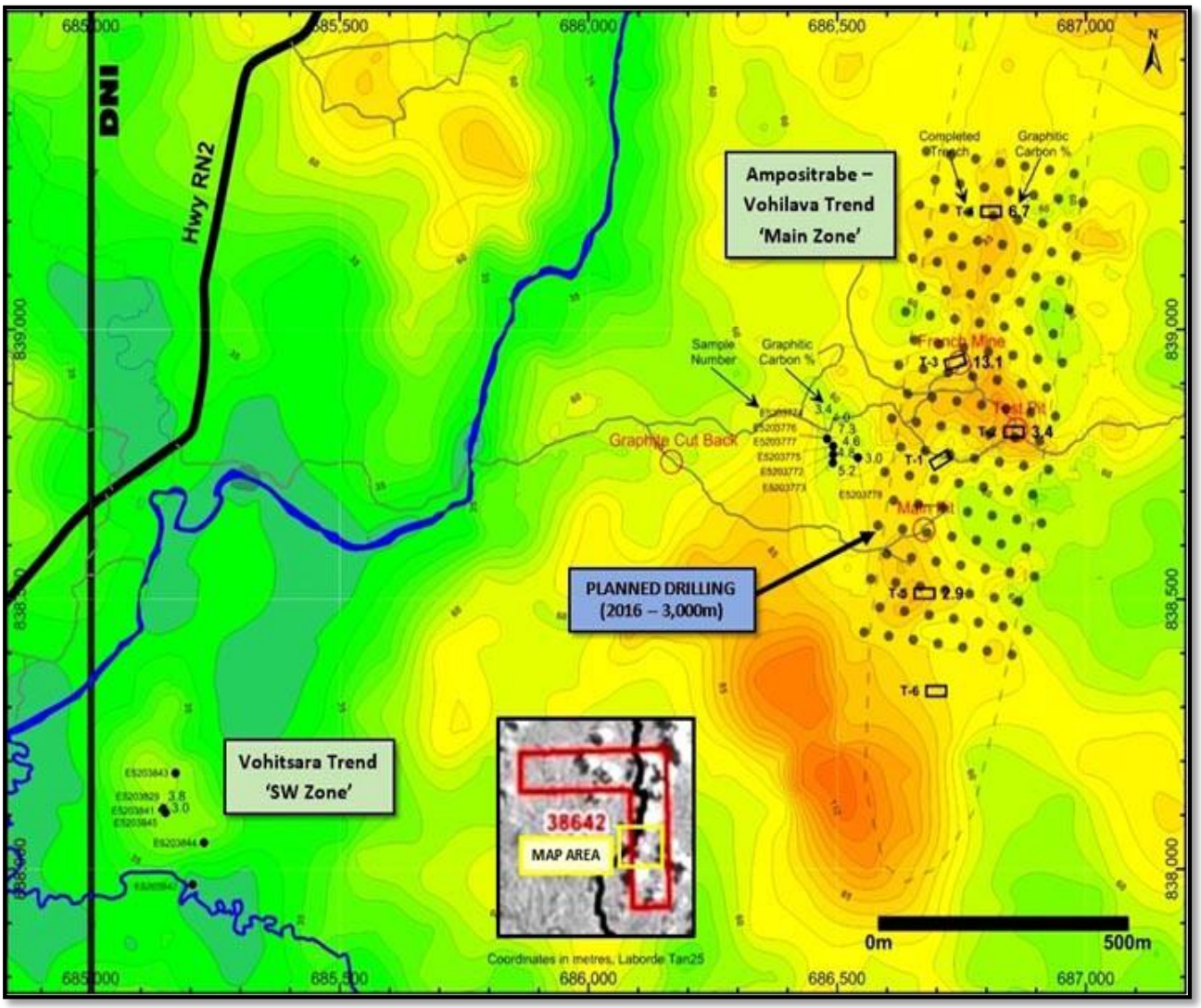


Figure 11: Collar plan of proposed 2016 drilling programme over the Main Zone at Vohitsara. The plan shows at total of 133 holes on 17 lines, covering 900 metres of strike, the primary programme will test the 700 metres of strike between Trench 04 in the north and Trench 06 in the south and will vary depending on results in the field.

10.1 Programme Physicals

Estimated Metreage:	3,200
Collar Pattern:	50m x 50m (25m line offset)
No. Holes:	105

Average Hole Depth: 30m

10.2 Programme Cost Estimate

Drilling:	:	C$	300,000
Trenching:	:	C$	10,000
Assays	:	C$	90,000
Resource Report (NI43-101)	:	C$	70,000
Site Preparation Works	:	C$	20,000
DNI Management Oversight	:	C$	10,000
Technical Oversight	:	C$	50,000
Sub-Total (Drilling)	**:**	C$	**550,000**
PEA Processing Testwork			
Bulk Sampling (200 tonnes)	:	C$	20,000
Size Particle Distribution & Assaying	:	C$	50,000
TOTAL	**:**	**C$**	**620,000**

11 SAMPLE PREPARATION, ANALYSIS & SECURITY

All sampling was collected and dispatched under the supervision of the author in conjunction with other DNI personnel.

Assay samples from the Vohitsara project were dispatched via secure courier (TNT) ex-Antananarivo Madagascar to AGAT Laboratory in Ontario Canada. AGAT are accredited ISO/IEC 17025:2005 by the Standards Council of Canada, but not for the method used to assay graphite.

Samples submitted to AGAT were analysed for graphitic carbon with infrared analysis to a detection limit of 0.01 percent; plus total carbon with infrared analysis and detection limit of 0.01 percent (method code 201-109). For graphitic carbon, the sample is subjected to a multistage furnace treatment to remove all forms of carbon with the exception of graphitic carbon; and for total carbon a procedure that determines the most volatile organic carbon species (Bernier et al, 2015).

Results were delivered electronically by the laboratory direct to DNI via spreadsheet and PDF *Certificate of Analysis* files. Check assaying and standards were utilised internally by AGAT as standard procedure.

12 DATA VERIFICATION

No additional data verification beyond that detailed in Section 11 above has been completed. The project is at an early stage of development. It is intended that a comprehensive *Quality Assurance*

/ *Quality Control* ('QA-QC') regime will be implemented from commencement of drilling at the project.

13 MINERAL PROCESSING & METALLURGICAL TESTING

Limited analysis of flake size distribution of the Vohitsara graphite mineralisation has been completed. The results of this have been detailed at Section 9 above.

14 MINERAL RESOURCE ESTIMATES

There are currently no mineral resource estimates for the Vohitsara project.

15 MINERAL RESERVE ESTIMATES

There are currently no mineral reserve estimates for the Vohitsara project.

16 MINING METHODS

The project is not currently at the mining stage

17 RECOVERY METHODS

The project is not currently at the mining stage

18 PROJECT INFRASTRUCTURE

The project is not currently at the mining stage. Project infrastructure was discussed at Section 5 above.

19 MARKET STUDIES & CONTRACTS

No market studies or mining contracts have been concluded at this point.

20 ENVIRONMENTAL STUDIES, PERMITTING & SOCIAL OR COMMUNITY IMPACT

Environmental permitting status was discussed at Section 4 above. The issuer plans to undertake the relevant impact studies during the course of advancing its exploration of the project.

21 CAPITAL & OPERATING COSTS

The project is not yet at the stage where these can be quantified.

22 ECONOMIC ANALYSIS

The project is not yet at the stage where this can be quantified.

23 ADJACENT PROPERTIES

As discussed at Section 6 above, initial 38321 exploration works have been undertaken at the Vatomaina historical mining area by Indian company Tirupati Carbons ('Tirupati'). Through their local subsidiary, Tirupati Ventures Madagascar Sarl ('TVM'), they have conducted limited surface chip and panel sampling of existing cutbacks along the known mineralised trend. The project comprises a single mining permit ('PE'

– converted from PRE) – 38321 – located contiguous to the south of the Vohitsara project area. The location of Vatomaina with respect to the Vohitsara Permit is shown in Figure 12 below.

During 2015, Tirupati announced on their website (http://tirupatigraphite.com/TirupatiMadagascar.html) an in-situ (**NB:** non-NI43-101 compliant) resource of "*6.195 million tonnes of 5% average grade up to depth of 30m in 0.113km² area*." (**Note that the author has been unable to verify the information relating to this disclosure by Tirupati and that the information is not necessarily indicative of the mineralisation that is within the Vohitsara Permit**).

It should be noted also that this resource figure was arrived at without any drilling having been completed on the project and that it is also unclear how the assay results and density values were obtained, or if adequate QA-QC procedures were employed.

However, the author has personally visited the Vatomaina project in 2013 and has directly observed the principal historical mining area. The mineralisation therein is of virtually identical quality to that observed at the historical workings within the Vohitsara Permit.

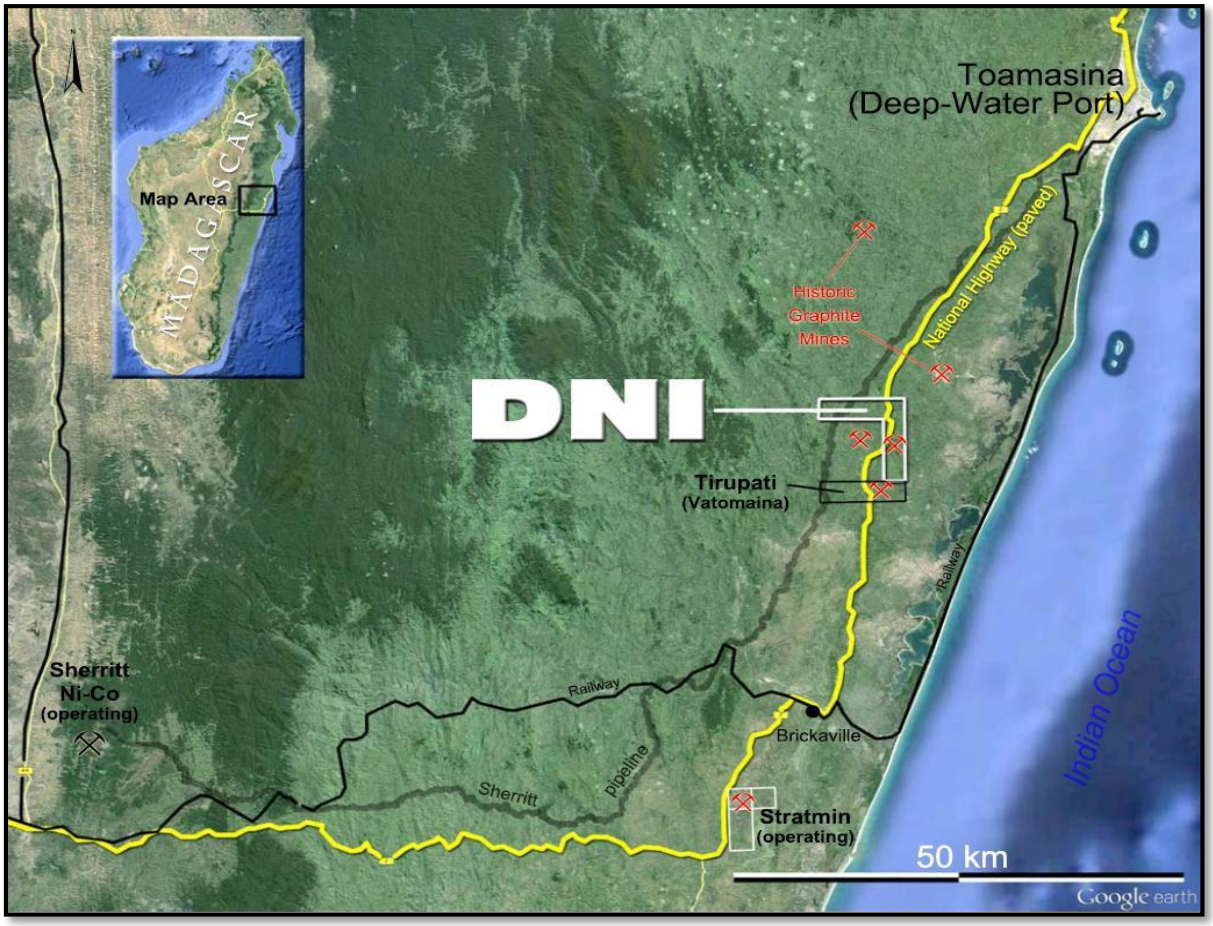


Figure 12: Tirupati Carbons Vatomaina project adjacent to Vohitsara. The 'Historical Graphite Mines' shown to the north of Vohitsara belong to *Etablissements Gallois* as discussed at Section 7.1 above. They are not currently in production.

24 OTHER RELEVANT DATA & INFORMATION

There is no other relevant data available about the Vohitsara graphite project.

25 INTERPRETATION & CONCLUSIONS

- ***Initial exploration results have indicated the presence of a reasonable quantity, quality and tenor of flake graphite mineralisation consistent with the generally high quality of flake graphite found in central eastern Madagascar.***
- **Whilst it cannot be certain that further exploration will result in the delineation of a commercially viable mineral resource, the results have vindicated the decision to acquire the project.**
- **Surface trenching and ground EM have proven effective in empirically delineating graphite mineralisation at the project.**
- **The Vohitsara permits' location close to both the sealed RN2 highway and the port of Toamasina, combined with average elevation in excess of 50m AMSL provide excellent logistic paradigm for future development.**

26 RECOMMENDATIONS

It is the author's overall opinion that the Vohitsara graphite project strongly merits continuing exploration. Accordingly, the following recommendations are proposed for the next stage of development:

- ***Completion of 3,200m core drilling programme and associated process testing over the central portion of the Main Zone (as discussed at Section 10 above). The combined cost of these works is estimated at C$620,000.***
- **Completion of 1,800 – 2,000 line metres of mechanised trenching to a depth of 4-5m BNS as a complement to the drilling and follow-up to the initial trenching programme from July 2015. Cost of this programme is included in the drill programme cost discussed at Section 10 above.**
- **Additional 'Beep Mat' surveying of selected and potential targets and qualified geophysicist interpretation of the entire dataset.**
- **Repair of the historical road access and installation of a bridge over the creek that runs between the RN2 and the mineralised areas within the Permit.**

27 REFERENCES

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CERTIFICATE OF QUALIFIED PERSON

To accompany the report entitled: Technical Report for the Vohitsara Graphite Project (Madagascar), March 01st 2016.

I, Steven B. GOERTZ, MAusIMM / MAIG, residing at Antananarivo, Madagascar, do hereby certify that:

1. I am the Principal Consultant with the firm of Hendry Consulting Sarl (Madagascar) ('Hendry'); with offices at Caldwell Business Suites, 2ème Etage, Immeuble Assist, Ivandry, Antananarivo 101, Madagascar;
2. I am a graduate of the University of British Columbia in 1986 with BSc Geology. I have practiced my profession continuously since 1986. I have worked in exploration and commercial production of base & precious metals, and industrial minerals in Canada, Australia, Oceania and Africa;
3. I am a Corporate Member of the Australasian Institute of Mining and Metallurgy ('MAusIMM' - 1989) and the Australian Institute of Geoscientists ('MAIG' - 1996);
4. I have personally visited the project area between March 2015 and January 2016;
5. I have read the definition of Qualified Person set out in National Instrument 43-101 and certify that by virtue of my education, affiliation to a professional association, and past relevant work experience, I fulfil the requirements to be a Qualified Person for the purposes of National Instrument 43-101 and this technical report has been prepared in compliance with National Instrument 43-101 and Form 43-101F1;
6. In consideration of the current status of the Vohitsara property and for the purposes of this report; as a Qualified Person, I am independent of the issuer as defined in Section 1.5 of National Instrument 43-101.
7. I am the author of this report;
8. I have had no prior involvement with the subject property;
9. I have read National Instrument 43-101 and confirm that this technical report has been prepared in compliance therewith;
10. Hendry Consulting Sarl was retained by DNI Metals Inc., to prepare a technical audit of the Vohitsara graphite project. The preceding report is based on multiple site visits, and direct oversight of the programmes and results thereof;
11. I disclose that I am a shareholder and officer of DNI Metals Inc.;
12. That, as of the date of this certificate, to the best of my knowledge, information and belief, this technical report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading; and

Antananarivo, MADAGASCAR March 01st 2016

Under national Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company enclosed within this interim report have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Digitally signed by Steven Goertz Date: 2
00:47:04 +03'00'

Steven B. GOERTZ Principal Consultant HENDRY CONSULTING

Instructions:

(1) Disclosure regarding mineral exploration development or production activities on material properties is required to comply with National Instrument 43-101, including the use of the appropriate terminology to describe mineral reserves and mineral resources.

(2) Disclosure is required for each property material to the Issuer. Materiality is to be determined in the context of the Issuer's overall business and financial condition, taking into account quantitative and qualitative factors. A property will not generally be considered material to an Issuer if the book value of the property as reflected in the Issuer's most recently filed financial statements or the value of the consideration paid or to be paid (including exploration obligations) is less than 10 per cent of the book value of the total of the Issuer's mineral properties and related plant and equipment.

(3) The information required under these items is required to be based upon a technical report or other information prepared by or under the supervision of a qualified person, as that term is defined in National Instrument 43-101.

(4) In giving the information required under these items, include the nature of ownership interests, such as fee interests, leasehold interests, royalty interests and any other types and variations of ownership interests.

DNI METALS INC.

INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

	As at Sept. 30, 2016	As at March 31, 2016
	$	$
ASSETS		
Current assets		
Cash	7,216	12,832
Taxes	35,743	88,487
Receivables	129,504	
Prepaid expenses	8,451	7,027
Total current assets	180,914	108,346
Equipment (Note 4)	1,919	2,169
Exploration and evaluation properties (Note 5)	8,269,336	8,181,344
Gold royalty asset (Note 6)	158,033	161,436
Other long-term asset (Note 7)	50,000	50,000
Total assets	8,660,202	8,503,295
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	939,158	743,496
Current portion of loan payable (Note 8)	173,421	174,001
Total current liabilities	1,112,579	917,497
Loan payable (Note 8)	-	162,894
Total liabilities	1,112,579	1,080,391
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	26,588,860	26,398,062
Reserve for share-based compensation (Note 9(c))	161,820	470,340
Warrants (Note 9(d))	407,379	293,932
Deficit	(19,610,436)	(19,739,430)
Total shareholders' equity	7,547,623	7,422,904
Total liabilities and shareholders' equity	8,660,202	8,503,295

Commitment and contingencies (Notes 1, 5(b), 8 and 14)

The accompanying notes are an integral part of the consolidated financial statements.

[signed] Daniel J. Weir
Daniel J. Weir, President and Director

[signed] Ray Mitchell
Raymond Mitchell, Director

DNI Metals Inc.
Interim Unaudited Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Three Months ending Sept. 30,		Six Months ending Sept. 30,	
	2016	2015	2016	2015
	$	$	$	$
Revenue	150,075	-	150,075	-
Cost of Sale	(117,808)	-	(117,808)	-
General and administrative expenses (Note 10)	(89,701)	(145,765)	(188,446)	(447,552)
Share-based compensation (Note 9 (b))	0	-	(111,475)	-
Amortization	(125)	(165)	(250)	(331_
	(57,559)	(145,930)	(267,904)	(447,883)
Loss before the undernoted	(57,559)	(145,930)	(267,904)	(447,883)
Other expense (income)				
Interest expense (Notes 8 and 11)	(7,345)	-	(15,257)	-
Foreign exchange (loss)	(4,442)	-	(7,840)	-
	(11,787)	-	(23,097)	-
Net loss and comprehensive loss	(69,346)	(145,930)	(291,001)	(447,883)
Basic and diluted net loss per share	$0.00	($0.01)	($0.01)	($0.02)
Weighted average number of common shares outstanding	38,560,204	29,486,204	37,854,387	24,841,950

The accompanying notes are an integral part of the consolidated financial statements.

DNI Metals Inc.
Interim Unaudited Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Capital stock					
	Number	$	Share based compensation	Warrants	Deficit	Total
			$	$	$	$
Balance, March 31, 2015	18,986,497	25,304,120	539,693	-	(18,836,567)	7,007,246
Shares issued	6,515,507	847,016	-	-	-	847,016
Shares issued for finder's fee	84,200	10,946	-	-	-	10,946
Warrants issued	-	(252,023)	-	252,023	-	-
Madagascar	4,000,000	520,000	-	-	-	520,000
Share issue costs	-	(39,303)	-	(16,901)	-	(56,204)
Options expired	-	-	(48,253)	-	48,253	-
Net loss for the period	-	-	-	-	(447,883)	(447,883)
Balance, Sept. 30, 2015	**29,586,204**	**26,390,756**	**491,440**	**235,122**	**(19,238,197)**	**7,881,121**
Balance, March 31, 2106	32,987,204	26,398,062	470,340	293,932	(19,739,430)	7,422,904
Shares issued	6,699,000	333,050	-	-	-	333,050
Issued as finder's fee	38,000	1,900	-	-	-	1,900
Warrants issued	-	(121,389)	-	121,389	-	-
Share issue costs	-	(22,763)	-	(7,942)	-	(30,705)
Options issued	-	-	111,475	-	-	111,475
Options expired	-	-	(419,995)	-	419,995	-
Net loss for the period	-	-	-	-	(291,001)	(291,001)
Balance, Sept. 30, 2016	**39,724,204**	**26,588,860**	**161,820**	**407,379**	**(19,610,436)**	**7,547,623**

The accompanying notes are an integral part of the consolidated financial statements.

DNI Metals Inc.
Interim Unaudited Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Three months ended Sept 30,		Six months ended Sept. 30	
	2016	2015	2016	2015
	$	$	$	$
Operating Activities				
Net loss	(69,346)	(145,930)	(291,001)	(447,883)
Non-cash items				
Share based compensation	-	-	111,475	-
Long-term debt accretion	6,526	-	12,673	-
Foreign exchange	(1,255)	-	(5,071)	-
Amortization of equipment	125	165	250	331
	(63,950)	(145,765)	(171,674)	(447,552)
Changes in non-cash working capital	86,111	(57,614)	118,107	117,984
Cash flows from operating activities	22,160	(203,379)	(53,567)	(329,568)
Investing Activities				
Exploration and evaluation property expenditures	(33,420)	(46,506)	(87,992)	(960,302)
Gold royalty received	2,140	-	3,403	-
Cash flows from investing activities	(31,280)	(46,506)	(84,589)	(960,302)
Financing Activities				
Issuance of common shares	-	52,000	334,950	847,016
Advances from related parties	-	-	-	10,946
Shares issued to acquire property	-	-	-	520,000
Share subscription receivable	-	225,550	-	(26,000)
Debt repayment	-	-	(171,705)	-
Share issue costs	-	-	(30,705)	(56,204)
Cash flows from financing activities	-	277,550	132,540	1,295,758
Increase in cash	(9,120)	27,665	(5,616)	5,888
Cash, beginning of period	16,336	4,571	12,832	26,348
Cash, end of period	7,216	32,236	7,216	32,236

Supplemental cash flow disclosure (Note 12)

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of operations and going concern

DNI Metals Inc. ("DNI or the "Company") is an exploration and evaluation stage company. The registered head office of the Company is located at 119 Pinewood Trail, Mississauga, Ontario, Canada.

These consolidated financial statements were approved by the Board of Directors of the Company on November 25, 2016.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation of properties, currency exchange fluctuations and restrictions and political uncertainty.

The Company relies on debt and equity financing for working capital and for exploration and evaluation of its properties. Because of continuing operating losses and a cumulative deficit, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

2. Accounting policies and basis of presentation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee, effective for the Company's reporting for the year ended March 31, 2016. They have been prepared on the historical cost basis except for those financial instruments measured at fair value and on an accrual basis except for cash flow information.

2. Accounting policies and basis of presentation (continued)

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The following companies have been consolidated within these financial statements:

Company	Registered	Principal activity
DNI Metals Inc.	Quebec, Canada	Exploration company
Dumont Mining Company	Utah, USA	Exploration company
DNI Metals Madagascar Sarl	Madagascar	Exploration company

The Company formed DNI Metals Madagascar Sarl, a wholly owned subsidiary in Madagascar, in May 2015 in order to carry out business in that country.

Critical judgments and estimation uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

Areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence for a significant or prolonged decline of fair value of financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the periods presented have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 5 for details of capitalized exploration and evaluation costs.

Estimation of decommissioning and restoration costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

2. Accounting policies and basis of presentation (continued)

Critical judgments and estimation uncertainties (continued)

Impairment of exploration and evaluation properties
While assessing whether any indications of impairment exist for exploration and evaluation properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation properties. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation properties.

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based compensation
Management determines costs for share-based compensation using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Present value of loan payable
Refer to Note 8.

Commitments and contingencies
Refer to Note 14.

Cash and cash equivalents
Cash and cash equivalents may include cash on account, demand deposits and temporary investments with original maturities of less than 90 days, which are readily convertible to known amounts of cash and are subject to insignificant changes in value. As at September 30, 2016 such cash equivalents were $nil (September 30, 2015 - $nil).

2. Accounting policies and basis of presentation (continued)

Functional and reporting currency
The functional and reporting currency, as determined by management, of the Company and its subsidiaries is the Canadian dollar.

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Non-monetary assets and liabilities as well as revenue and expense transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Translation gain or loss adjustments are recognized in operations in the year in which they occur.

Exploration and evaluation properties
Exploration and evaluation properties are carried at the aggregate of acquisition cost and exploration and evaluation expenditures thereupon. Management continually assesses the viability of each of the Company's exploration and evaluation properties based on an assessment of the potential of an economic outcome. If a property is determined to no longer be economic, the property is typically abandoned and related costs and deferred expenditures are written off in the Company's consolidated financial statements.

All exploration and evaluation expenses relating to mineral properties in which the Company has an interest are capitalized. Other general exploration expenses are charged to operations as incurred. Costs incurred before the Company has obtained the legal right to explore an area are recognized in the consolidated statement of loss and comprehensive loss. The costs of exploration and evaluation properties that are abandoned or sold are charged to operations in the year of sale or abandonment.

Management continually reviews the Company's exploration and evaluation properties to determine whether events or changes in circumstances have occurred which indicate that the carrying value of any given exploration and evaluation property interest may not be recoverable. The recoverability of expenditures incurred on exploration and evaluation properties is dependent upon many factors including exploration and evaluation results, environmental risks, commodity risks, political risks, and the ability to attain profitable production. An impairment loss will be recognized when the carrying amount of an exploration and evaluation property is deemed to exceed its fair value.

Restoration, rehabilitation and environmental obligations
The Company is required to record a liability for the estimated future costs associated with legal or constructive obligations relating to the reclamation and closure of its exploration and evaluation properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to exploration and evaluation properties and is amortized over the useful life of the property. Management is not aware of any significant restoration, rehabilitation and environmental obligations at September 31, 2016 and 2015.

Loss per share
Basic loss per share is calculated using the weighted average number of shares outstanding. In order to determine diluted loss per share, it is allowed that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. All outstanding options and warrants were considered anti-dilutive and are therefore excluded from the diluted loss per share calculation for the periods presented.

2. Accounting policies and basis of presentation (continued)

Share issue costs
Share issue costs are accounted for as a reduction of the value of the capital stock.

Equipment and gold royalty asset
Equipment and gold royalty asset are recorded at cost. The equipment and gold royalty asset noted below are amortized over their estimated useful lives using the following annual rates and methods:

Computer equipment	30%	Declining balance
Office furniture and equipment	20%	Declining balance
Gold royalty asset		Unit of production method

Income taxes
The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted and substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax liabilities are recognized for taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Share-based compensation
Employees, including directors and officers of the Company receive a portion of their remuneration in the form of share-based compensation transactions, whereby employees render services in consideration for options granted under the Company's stock option plan.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified or if the goods or services received cannot be estimated reliably, the equity instruments are measured at fair value of the share-based compensation. Otherwise, share-based compensation issued to non-employees are measured at the fair value of goods or services received.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted and they are recognized, together with a corresponding increase in shareholders' equity, categorized as reserve for share-based compensation, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The Company's current policy is that all options vest on the date of the grant other than options granted to investor relations consultants, which will vest over a period of time.

2. Accounting policies and basis of presentation (continued)

The Company records the cost of share-based compensation based on the fair value of stock options as determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and as a reserve for share-based compensation. When options expire or are forfeited, the reserve is reduced by the related grant date fair value amount, which is then credited to deficit if the options expire or credited to share-based compensation expense if forfeited.

On the exercising of options, the proceeds received and grant date fair value of the options exercised is credited to share capital.

Warrant Reserve
The warrant reserve records the grant date fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to capital stock. If the warrants expire unexercised, the amount recorded is transferred to deficit.

Flow-through financing
Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under U.S. GAAP, but there is no equivalent IFRS guidance. Therefore, the Company has adopted a policy whereby proceeds from flow through shares are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered.

Resource expenditure deductions for income tax purposes related to exploration and evaluation activities funded by flow through share arrangements are renounced to investors in accordance with income tax legislation. Any premium between the quoted market price and the price paid by investors for flow though shares will be recognised as a liability of the Company at the time the shares are issued. When these expenditures are renounced, a deferred tax liability is set up and the initial premium liability is reversed, with the difference being recognized in the consolidated statement of loss and comprehensive loss.

Financial instruments
Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "fair value through profit or loss", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Fair value through profit or loss financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the statement of financial position or until such losses are determined to be other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive income.

The Company’s financial assets and liabilities include cash, other receivables, accounts payable and accrued liabilities and loan payable.

2. Accounting policies and basis of presentation (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of graphite. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, the Company has delivered products to the customer, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the date upon which the goods are dispatched to the customer, the risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalty arrangements are based on production, sales and/or other measures and are recognized by reference to the underlying arrangement.

New and revised standards

The Company has adopted the following new and revised standards, along with any amendments, effective April 1, 2015. These changes were made in accordance with the applicable transitional provisions.

IFRS 13 – Fair Value Measurement ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32.

The adoption of this standard had no significant impact on the Company's consolidated financial statements.

3. Future accounting pronouncements

The IASB has issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial years beginning on or after April 1, 2016.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

3. Future accounting pronouncements (continued)

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

Management has not yet considered the impact of the adoption of these standards.

4. Equipment

	Computer equipment	Office furniture and equipment	Total
	$	$	$
Cost			
Cost as at March 31, 2016	37,606	21,132	58,738
Accumulated amortization			
Accumulated amortization as at March 31, 2016	36,933	19,636	56,569
Amortization during the three months ended June 30, 2016	50	75	125
Amortization during the three months ended Sept. 30, 2016	50	75	125
Accumulated amortization as at September 30, 2016	37,033	19,786	56,819
Net Book Value			
Net book value as at March 31, 2016	673	1,496	2,169
Net book value as at June 30, 2016	623	1,421	2,044
Net book value as at September 30, 2016	573	1,346	1,919

5. Exploration and evaluation properties

Changes in the carrying value of exploration and evaluation properties are detailed below:

	March 31, 2016	Transactions	September 30 2016
	$	$	$
SBH Shales Alberta			
Acquisition	18,642	-	18,642
Exploration	6,834,906	-	6,834,906
Madagascar			
Acquisition	1,142,853	-	1,142,853
Exploration	184,943	87,992	272,935
	8,181,344	87,992	8,269,336

a) SBH Shales Alberta Property, Athabasca Region, Alberta

The Company currently holds a 100% undivided direct interest in 21 metallic and industrial mineral permits, located in the Athabasca region, approximately 120 kilometres north of Fort McMurray, Alberta, giving DNI the exclusive right to explore for metallic and industrial minerals for a fourteen-year term subject to traditional bi-annual assessment work performance requirements. Assembly and acquisition of the property commenced in late 2007 and it has since been periodically expanded or modified to retain strategic portions. Remote lower priority permits were allowed to lapse in March 2014 to focus future work on the eastern parts of the property wherein the polymetallic black shale Buckton deposit, the Buckton South resource and the Asphalt Zone are located. Additional adjoining permits were acquired in June 2014 to secure localities over new fracsand targets. The SBH Property is held under 21 permits with expiry dates ranging from 2020 to 2022.

b) Vohitsara Property, Madagascar

On March 6, 2015, the Company entered into an agreement with MPE International Inc. (“MPE”), a private company, whereby DNI obtained the right to acquire a property in Madagascar (“Vohitsara property”). The total acquisition cost of the property is US$400,000 plus the issuance of 4,000,000 common shares. An initial payment of US$10,000 ($13,012) was paid at that time, initiating a 90-day due diligence period, at the end of which US$90,000 ($111,963) was payable, which amount was paid when the final agreement was signed on June 12, 2015. The common shares were issued on June 29, 2015 at a price of $0.115 per share, based on the quoted market share price. Following these payments, the agreement to acquire the property was completed and all mining claims were acquired by DNI Metals Madagascar Sarl, a newly formed 100% owned subsidiary of DNI. A further US$150,000 is payable six months after signing of the final agreement, with a final payment of US$150,000 due on the earlier of the Company’s decision to mine the property or June 12, 2018. In the event of the Company not making the final payment of US$150,000 then all rights of ownership of DNI Madagascar Sarl will revert to the seller. See Note 8.

6. Gold royalty asset

Changes in the carrying value of the gold royalty asset are detailed below:

	March 31, 2016	Transactions	Sept. 30, 2016
	$	$	$
Clifton Gold Hill Royalty	161,436	(3,403)	158,033

Clifton Gold Hill Royalty, Tooele County, Utah

This consists of the Company's interest in the net smelter return royalty in the Clifton-Gold Hill and Cane Springs property. In March 2009, DNI divested its interest in the Clifton-Gold Hill Properties and its 50% earned interest in the Cane Springs Property. On July 15, 2009, DNI sold of all of its rights and interests in these properties to Clifton Mining Company for US$255,000 and a 0.5% net smelter return royalty against future production proceeds from certain claims and the Cane Springs Property. In the three months ended Sept. 30, 2016, the Company received $1,665 (June 30, 2015 - $nil) in royalty payments.

7. Other long term asset

On October 20, 2015, the Company paid a non-refundable deposit of $50,000 to a third party with respect to the purchase of a metallurgical testing laboratory in the Greater Toronto Area. The Company has completed due diligence on the asset, and the closing of the transaction is contingent upon completing the definitive purchase agreement and arranging financing for the acquisition.

8. Loan payable

	2016
	$
Present value of loan payable, June 12, 2015	404,784
Repayments	(121,994)
Accretion	50,834
Foreign exchange adjustment	3,271
Loan payable, March 31, 2016	336,895
Loan repayment	(171,705)
Accretion	12,673
Foreign exchange adjustment	(4,442)
	173,421

As indicated in Note 5, the Company, through its wholly-owned subsidiary DNI Metals Madagascar Sarl, financed part of the acquisition cost of the Vohitsara property with US$380,000 of non-interest bearing loan as per a loan agreement dated June 12, 2015.

The original terms of the loan called for repayment of US$80,000 upon execution of the loan agreement and, as per the related Mining Permit Sale Agreement and Loan Agreement, both dated June 12, 2015, subsequent payments were to be made as follows: installment 1 of US$80,000 on June 12, 2015, installment 2 of US$150,000 on December 12, 2015 and a final installment 3 of US$150,000 on the earlier date of decision to mine or June 12, 2018. In the event of the Company not making the final payment of US$150,000, then the shares of DNI Metals Madagascar Sarl would revert to the lender.

8. Loan payable (continued)

Through amendments dated December 11, 2015 and February 18, 2016, the installment payment schedule on the loan, plus interest and penalties totalling US$14,000, were changed to: an instalment payment of US$30,000 by February 11, 2016; an installment payment of US$134,000 by April 18, 2016 and a final instalment payment of US$150,000 by June 12, 2017.

Accretion and late payment penalties totalling $69,269 (US$52,327) were recorded in interest expense on the consolidated statement of loss for the year ended March 31, 2016 (March 31, 2015 - $nil).
The loan is non-interest bearing. Management estimated the present value of the loan payable using the effective interest rate method, using an interest rate of 15%. The rate used in determining the appropriate present value of the loan payable and to appropriately apply the effective interest rate method was subject to significant management estimation.

9. Capital stock

a) Common shares
Authorized capital of the Company is an unlimited number of common shares without par value.

Issued and outstanding common shares

	Number	Value
Balance, March 31, 2015	18,986,497	25,304,120
Private placement (a), (c), (d), (e), (f)	9,916,507	1,001,067
Warrants issued (a), (c), (d), (e), (f)	-	(316,140)
Shares issued for Madagascar property (b)	4,000,000	460,000
Shares issued as a finder's fee	84,200	10,946
Share issue costs	-	(61,931)
Balance, March 31, 2016	32,987,204	26,398,062
Private placement (g), (h), (i), (j)	6,399,000	318,050
Warrants issued (g), (h), (i), (j)	-	(121,389)
Shares issued as a finder's fee	38,000	1,900
Debt settlement	300,000	15,000
Share issue costs	-	(22,763)
Balance, June 30, 2016	39,724,204	26,588,860
Balance September 30, 2016	39,724,204	26,588,860

On December 10, 2014, the Company consolidated its issued and outstanding common shares on a 1 for 10 basis. All references herein to common shares, per share amounts, and options for all periods presented have been retroactively restated to reflect this consolidation unless otherwise stated.

(a) On May 29, 2015, the Company completed the first tranche of a private placement financing which consisted of 2,980,507 units, issued at $0.13 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.20 for a period of 18 months. Gross proceeds from this financing were $387,466, and a finder's fee of $27,552 was paid as part of the transaction. As part of this private placement directors and officers of the Company subscribed for a total of 1,800,000 units for gross proceeds of $234,000.

The common share purchase warrants were valued at $114,906, net of share issue costs. The fair value of the warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.62%
Expected life	18 months
Expected volatility	148%
Expected dividend yield	0%

(b) On June 29, 2015, the Company issued 4,000,000 common shares at a price of $0.115 per share as part of the acquisition price of the Vohitsara property in Madagascar (refer to Note 5 (b)).

(c) On June 30, 2015, the Company completed the second tranche of a private placement financing which consisted of 3,135,000 units, issued at $0.13 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.20 for a period of 18 months. Gross proceeds from this financing were $407,550. Finder's fees of $10,946 and 84,200 units were paid and issued as part of the transaction. Each finder's unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.20 for a period of 18 months.

The common share purchase warrants were valued at $108,616, net of share issue costs. The fair value of the warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.49%
Expected life	18 months
Expected volatility	125%
Expected dividend yield	0%

(d) On July 23, 2015, the Company completed the third tranche of a private placement financing which consisted of 200,000 units, issued at $0.13 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.20 for a period of 18 months. Gross proceeds from this financing were $26,000.

The common share purchase warrants were valued at $8,226, net of share issue costs. The fair value of the warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.45%
Expected life	18 months
Expected volatility	112%
Expected dividend yield	0%

(e) On January 29, 2016, the Company completed the first tranche of a private placement financing which consisted of 2,000,000 units, issued at $0.05 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.10 for a period of 18 months. Gross proceeds from this financing were $100,000. A finder's fee of $8,000 and 160,000 common share purchase warrants entitling the holder to purchase one common share at an exercise price of $0.10 for a period of 18 months

9. Capital stock (continued)

was paid as part of the transaction. As part of this private placement directors and officers of the Company subscribed for a total of 1,410,000 units for gross proceeds of $70,500.

The common share purchase warrants were valued at $34,491, net of share issue costs. The fair value of the warrants and broker warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.41%
Expected life	18 months
Expected volatility	160%
Expected dividend yield	0%

(f) On March 30, 2016, a second tranche of this financing, totaling 1,601,000 units, was completed for total gross proceeds of $80,050. Each unit consists of one share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10 per share for a period of 18 months. Finder's fees of $2,820 and 56,400 common share purchase warrants entitling the holder to purchase one common share at an exercise price of $0.10 for a period of 18 months were paid as part of the transaction. As part of this private placement, a director and officer of the Company subscribed for a total of 360,000 units for gross proceeds of $18,000. In addition, 300,000 units were issued as payment of $15,000 interest on the advance from an officer of the Company (Note 11).

The common share purchase warrants were valued at $27,693, net of share issue costs. The fair value of the warrants and broker warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.53%
Expected life	18 months
Expected volatility	147%
Expected dividend yield	0%

(g) On April 14, 2016, a third tranche of this financing, totaling 4,224,000 units, was completed for total gross proceeds of $211,200. Each unit consists of one share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10 per share for a period of 18 months. Finder's fees of $3,507 and 191,840 common share purchase warrants entitling the holder to purchase one common share at an exercise price of $0.10 for a period of 18 months were paid as part of the transaction. As part of this private placement, a director and officer of the Company subscribed for a total of 360,000 units for gross proceeds of $18,000.

The common share purchase warrants were valued at $74,773, net of share issue costs. The fair value of the warrants and broker warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.53%
Expected life	18 months
Expected volatility	147%
Expected dividend yield	0%

9. Capital stock (continued)

(h) On April 18, 2016, a fourth tranche of this financing, totaling 700,000 units, was completed for total gross proceeds of $35,000. Each unit consists of one share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10 per share for a period of 18 months. No finder fees were paid as part of the transaction.

The common share purchase warrants were valued at $13,006. The fair value of the warrants and broker warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.62%
Expected life	18 months
Expected volatility	147%
Expected dividend yield	0%

(i) On May 18, 2016, a fifth tranche of this financing, totaling 1,475,000 units, was completed for total gross proceeds of $73,750. Each unit consists of one share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10 per share for a period of 18 months. Finder's fees of $3,200 and 38,000 units were paid as part of the transaction.

The common share purchase warrants were valued at $25,376, net of share issue costs. The fair value of the warrants and broker warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.63%
Expected life	18 months
Expected volatility	143%
Expected dividend yield	0%

(j) On June 2, 2016, a debt settlement was concluded, totaling 300,000 units, was completed for $15,000. Each unit consists of one share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10 per share for a period of 18 months.

The common share purchase warrants were valued at $5,513, net of share issue costs. The fair value of the warrants and broker warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.63%
Expected life	18 months
Expected volatility	143%
Expected dividend yield	0%

b) Options

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors and employees of the Company as well as persons providing ongoing services to the Company. Under the plan, options to purchase an aggregate of up to 10% of the issued common shares may be granted. The exercise price of options approximates the market price of the Company's stock on the date of grant.

A summary of the status of the Company's option plan as at September 30, 2016, and the changes during the year is presented below, with the number and exercise prices reflecting the share consolidation of December 10, 2014:

	# of options	Weighted average exercise price
		$
Outstanding, March 31, 2015	992,500	0.71
Expired	(59,500)	(1.63)
Outstanding, March 31, 2015	933,000	0.65
Expired	(197,500)	2.17
Issued	2,250,000	0.06
Outstanding, June 30, 2016	2,985,500	0.10
Expired	(584,000)	0.17
Issued	-	-
Outstanding, September 30, 2016	2,401,500	0.0875

At September 30, 2016, the Company had stock options outstanding as follows:

Date of grant	Stock options	Exercise price	Expiry date
		$	
May 4, 2012	2,500	4.40	May 4, 2017
June 19, 2012	9,000	2.50	Jun 19, 2017
February 14, 2013	15,000	1.50	Feb 14, 2018
February 19, 2015	375,000	0.09	Feb 19, 2020
June 2, 2016	2,000,000	0.06	June 2, 2021
	2,401,500		

The weighted average remaining contractual life of options outstanding was 4.31 years at September 30, 2016 (March 31, 2016 – 2.97 years).

The Company issued 2,250,000 stock options the six month period ended September 30, 2016. The options vested immediately. Those options had an estimated grant date fair value of $111,475 using the Black Scholes option pricing model. This model used an expected dividend yield of 0%, expected volatility of 180%, a risk free interest yield of 0.60% and an expected life of 5 years.

9. Capital stock (continued)

c) Reserve for share-based compensation

The balance at September 30, 2016 of $161,820 (March 31, 2016 – $470,340) represents the estimated grant date fair value of unexercised share purchase options, based on the Black Scholes option pricing model, as follows:

Expiry Date	Estimated grant date fair value
	$
May 4, 2017	0
June 19, 2017	17,820
February 14, 2018	15,000
February 19, 2020	30,000
June 2, 2021	99,000
	161,820

d) Warrant reserve

As part of the financings completed on May 29, 2015, June 30, 2015, July 23, 2015, January 29, 2016 and March 30, 2016, April 14, 2016, April 18, 2016, May 19, 2016 and June 2, 2016 referred to in Note 9 (a), the Company issued common share purchase warrants which are as follows:

Expiry Date	Warrants	Exercise price	Value
		$	$
November 29, 2016	2,980,507	0.20	114,906
December 31, 2016	3,219,200	0.20	108,616
January 23, 2017	200,000	0.20	8,226
July 29, 2017	2,160,000	0.10	34,491
September 30, 2017	1,657,400	0.10	27,693
October 14, 2017	4,415,840	0.10	74,773
October 18. 2017	700,000	0.10	13,006
November 19, 2017	1,490,744	0.10	25,668
Balance, September 30, 2016	16,823,691		407,379

The weighted average exercise price was $0.14 and the weighted average remaining contractual life of warrants outstanding was 0.71 years at September 30, 2016.

10. General and administrative expenses

The major components of general and administrative expenses are as follows:

	Six month ended September 30	
	2016	2015
	$	$
Professional fees and salaries	93,500	150,282
Business development costs	-	108,671
Regulatory costs	12,294	8,548
Legal and audit	31,182	42,312
Investor relations	21,824	39,785
Travel and accommodations	8,630	61,404
Office rent	12,000	27,174
Communications	1,146	3,387
Office supplies	475	1,932
Other expenses	7,395	4,057
	188,446	447,552

11. Related party transactions

The principal transactions concluded with directors and officers of the Company or companies controlled by them are as follows:

	Six month ended September 30	
	2016	2015
	$	$
Professional fees and reorganization costs	90,000	89,500
Administrative expenses	12,000	-
	102,000	89,500

Amounts payable were as follows:

	Sept. 30, 2016	June 30, 2016	March 31, 2016
	$	$	$
Professional fees	178,322	137,822	86,972
Loans from officers and directors	25,000	25,000	75,000
Reimbursable expenses	73,418	63,618	34,849
	276,740	226,440	196,821

The loan of $25,000 from a director is non-interest-bearing and unsecured with no fixed terms of repayment and is included in accounts payable and accrued liabilities on the statement of financial position.

11. Related party transactions (continued)

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the three months were as follows:

	Six months ended September 30	
	2016	2015
	$	$
Short-term benefits	90,000	89,500
Share-based compensation	74,316	-
	164,316	89,500

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the board having regard to the performance of individuals and market trends.

Also see Notes 9 (a) and 17.

12. Commitments and contingencies

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company has a five year fixed price contract to supply graphite to a customer in North America. Terms of the purchase price will be reviewed annually in relation to the current market and adjusted accordingly.

13. Financial instruments

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes to the risks, objectives, policies and procedures from the previous year.

Fair value

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

13. Financial instruments (continued)

The Company has designated its cash and other receivables as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities, which are measured at amortized cost. The carrying amounts for other receivables and accounts payable and accrued liabilities on the statement of financial position approximate fair value because of the limited terms of these instruments. The carrying value of the loan payable on the statement of financial position approximates fair value due to the short period of time since its inception.

In accordance with IFRS, the Company has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At September 30, 2016, June 30, 2016 and March 31, 2016, the Company had no financial instruments that were carried at fair value.

Credit risk
The Company's credit risk is primarily attributable to cash and other receivables. The Company has no significant concentration of credit risk arising from operations. Cash consist of bank deposits that have been invested with reputable financial institutions. Other receivables consist primarily of receivables from related and unrelated parties. Management believes the risk of loss to be remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure there is sufficient liquidity to meet liabilities when due. As at June 30, 2016, the Company had cash resources of $7,216 (March 31, 2015 - $12,832) to settle current liabilities of $1,112,990 (March 31, 2016 - $917,497). These liabilities generally have contractual maturities of 30 days and are subject to normal trade terms. Management continues to seek investment to fully develop its business plans. See Note 8 for details about the loan repayment terms.

Market risk

(a) Interest rate risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as there were no such investments outstanding at September 30, 2016 and 2015. The loans from officers and directors, included in accounts payable and accrued liabilities bore a fixed rate of interest and the loan payable is non-interest bearing. The loans payable were non-interest bearing and only an imputed interest rate was used to calculate fair value.

14. Financial instruments (continued)

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in US dollars and Madagascar Ariary. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Company's loan payable is denominated in US dollars. 1% change in the foreign exchange rate would have an impact on profit or loss by $1,685. The Company does not hold other significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly with respect to the gold royalty asset. Management does not have clarity on future cash flows from this asset and cannot predict how changes in commodity prices will affect this asset. Changes in commodity prices will impact the economics of development of the Company's mineral properties, and the profitability of the Company's graphite sales. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

15. Capital disclosures

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The capital of the Company consists of capital stock, reserve for warrants and reserve for share-based compensation. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the Six months ended September 30, 2016 and 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

DNI METALS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS *for the six months ended September 30, 2016*

The following discussion (the "MD&A") of the financial condition and results of the operations of DNI Metals Inc. ("DNI" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the six months ended September 30, 2016 ("the Period"). This discussion dated November 25, 2016, should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements and related notes for the Period and also the audited Consolidated Financial Statements and related notes for the year ended March 31, 2016. The financial statements for the Period are prepared in accordance with International Financial Reporting Standards ("IFRS") as discussed below, and all figures are in Canadian dollars unless otherwise stated, The Company has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A. Additional information about the Company and its operations can be obtained from the Company's website at www.dnimetals.com and from www.sedar.com.

Statement of Compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Special Note Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements that are based on beliefs of its management as well as assumptions made by and information currently available to management of the Company. When used in this MD&A, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", and the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in those statements. The statements contained in this MD&A speak only as of the date hereof.

Overview of the Business and Overall Performance

DNI's current mineral assets comprise the following: (i) the Alberta polymetallic black shale SBH Property, comprising 21 metallic & industrial mineral permits that comprises a 1,218 square kilometre land position, Athabasca region, northeast Alberta; and, (ii) a graphite property in Madagascar which was acquired in June 2015 and (iii) a royalty interest against future production proceeds from the Cane Springs Property and the Kiewit Project Area, Utah. The Company also retains a carried interest in the Attawapiskat Diamond Property (the "Attawapiskat Property"), consisting of a 16 square kilometre land position in the Attawapiskat region, located in the James Bay Lowlands in Ontario, adjacent to DeBeers' Victor diamond mine.

Prior to the November 2014, the major focus of the Company has been its Alberta SBH Property, with resource studies and test work since 2008 leading to the 2013 Buckton Preliminary Economic Assessment (the "PEA") that was announced in December 2013. Following the PEA the Company has carried out miscellaneous work to evaluate enhancements to the economics indicated in the PEA, in addition to evaluating the fracsand potential over certain parts of the Property. The Company also completed assessment work filings and the related assessment report to apply approximately $4.3 million of expenditures accumulated during the past two years toward Property permits renewals to secure renewals. DNI acquired additional adjoining permits in April 2014 to secure localities over new fracsand targets. The SBH Property is currently held under 21 permits which are in good standing until 2022-2028 anniversaries.

The PEA represented a significant material milestone whose results establish engineering and financial baseline metrics to guide future exploration and development of the Buckton Deposit and of other polymetallic black shale hosted mineralization at the property. The next stage of work for the Buckton Deposit would consist of integrated leaching and related metals recovery testwork to enable formulation of a detailed scope of work to advance it toward pilot demonstration. The Company is holding such testwork in abeyance until the collaboration of a mining group has been secured that can bring the necessary expertise and substantial resources for implementation of the next phase. The Company did, however, commence evaluation of fracsand targets on the Property and completed reconnaissance sampling of two major exposures of this formation in July 2014, confirming the presence of sections containing coarse clean sand of good roundness and sphericity with potential to meet fracsand specifications.

In addition to the information contained in this report, detailed descriptions of all of the Company's work activities on the Alberta property are contained in previous Management Discussion and Analyses contained in quarterly and annual reports, which are available on www.sedar.com.

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Following a management reorganization in November 2014, the Company decided that the next stage in development of the Alberta black shale property was essentially on hold until capital is raised to complete further metallurgical testing to improve the financial model for the project. The Company began pursuing interests in the graphite space, by investigating potential acquisitions, joint ventures, and development properties. In June 2015, DNI acquired a historical graphite producing property in Madagascar known as Vohitsara.

In March 2015, the Company entered into a five year supply agreement whereby DNI will supply natural flake graphite for a five year period at a fixed price. Terms of this agreement will be reviewed annually. The graphite will be supplied by a large producer in Brazil whereby DNI buys the graphite in Brazil and delivers it to customers.

In August 2015, the Company entered into a non-binding Letter of Intent to acquire a company that will vertically integrate DNI's developing graphite business, and help with the development of the Black Shales Property. Following a due diligence process that was completed on October 20, 2015, the Company paid a non-refundable deposit of $50,000 to the target company, following which the Company is working on closing a definitive purchase agreement and arranging financing for the acquisition, which is expected to be completed once suitable financing is arranged.

In order to finance its ongoing operations and acquire new interests in the graphite space, a private placement of units that generated gross proceeds of $831,962 was completed in June and July 2015. An additional $500,000 financing was completed in May 2016. General and administrative expenses are higher than last year, reflecting the pursuit and development of the Company's graphite business. The increase also reflects management compensation costs being expensed rather than capitalized, as was done in previous years. Management continues to pursue new financing opportunities.

The following is a summary of the status of the Company's exploration and evaluation properties and projects:

SBH Property, Alberta
The Company's 100% undivided direct interest in 21 metallic and industrial mineral permits, over 1,218 square kilometres located in the Athabasca region gives DNI the exclusive right to explore for metallic and industrial minerals for a fourteen year term subject to traditional bi-annual assessment work performance requirements. Assembly and acquisition of the Property commenced in late 2007 and it has since been periodically expanded or modified to retain strategic portions. Through ongoing rationalization of the land position, remote lower priority permits were allowed to lapse in March 2014 to focus future work on the eastern parts of the property wherein the polymetallic black shale Buckton Deposit, the Buckton South resource and the Asphalt Zone are located, while additional adjoining permits were acquired in April to secure new fracsand targets. DNI concluded filing of assessment reports in October 2014 and applied approximately $4.3 million of related exploration expenditures accumulated during the past two years to secure permit renewal anniversaries ranging from 2020 to 2022.

The SBH Property overlies three near-surface flat lying black shale formations which are locally enriched in recoverable Base Metals, Uranium, Specialty Metals (eg:Li,Sc,Th) and Rare Earth Elements (REE). All of the foregoing minerals are recoverable by bulk leaching as demonstrated by DNI's extensive testwork following a number of drill programs which have been carried out since 2008. While none of the metals occur in the shales in sufficiently high concentrations to be a "pay" metal by itself, the metals collectively represent sufficient in-situ value on a combined basis to place the shales within reach of economic viability as shown by the PEA as a long term source of metals given that the metals can be collectively extracted/recovered from the shales, and especially when considering the low operating costs afforded to bulk mining and bulk treatment operations of similar unconsolidated material in the region (eg. nearby oil sands mining) and black shale mining operations elsewhere in the world.

The PEA, which was filed on January 17, 2014 and is available at www.sedar.com, reported positive economics for the 4.5 billion tonne Buckton mineable mineral resource extending over 21.9 km2 containing Ni-U-Zn-Cu-Co-REE-Y. The Buckton PEA outlines a conceptual mining and metals recovery scenario relying on the NI 43-101 mineral resource estimate for the Buckton Deposit per the Updated and Expanded Buckton Mineral Resource Study announced on August 27, 2013. The PEA relates to mining and processing operations for the production of Ni-U-Zn-Cu-Co and Rare Earth Elements (REE) including Yttrium. The PEA also demonstrated that the Buckton Deposit has the potential to be a significant supplier of Uranium, Scandium, and REE. The PEA also identified a number of key opportunities that can significantly enhance economics through strategic cost reductions and/or revenue enhancements, some of which can be achieved with minimal additional testwork.

The PEA was successful in achieving its principal objective of evaluating production of metals from the Buckton Deposit, and identifying critical parameters that can significantly impact the economics of the deposit, and other parameters which can improve them. DNI's analysis of PEA results has identified potential upside, including operational enhancements and, and the next steps of work to follow at the Buckton Deposit to advance it through pilot plant scale demonstration

toward a pre-feasibility study. Further testwork is being held in abeyance until such time as the Company is able to secure the collaboration of a mining group which can bring the necessary expertise and resources to implement the foregoing.

The widespread use of horizontal drilling has fueled fast growing recent demand for natural sand proppant (fracsand) used during hydraulic fracturing which is crucial to oil and gas production, with unprecedented demand for fracsand in Alberta and British Columbia. There are few known local sources of sand to supply western Canadian projects, and Canada now represents the fastest growing global market for high grade fracsand. DNI has carried out an initial evaluation of fracsand targets on the Alberta Property, hosted in the Pelican sandstone formation, which holds potential for hosting large volumes of clean sand with potential to meet fracsand specifications. Based on encouraging results from the sampling completed, the fracsand exploration programs can be expanded to sample the Tar River and Asphalt Creek fracsand properties in greater detail. The SBH Property was expanded in April 2014 by acquiring additional permits over strategic locations to better secure fracsand targets near road access.

Detailed descriptions of all of the Company's work activities on the Alberta property are contained in previous Management Discussion and Analyses contained in quarterly and annual reports, available on www.sedar.com.

Management has not yet been successful in securing the necessary funding or the collaboration of a mining group due to continuing difficult markets, and therefore the black shales programs are substantially deferred.

No monies were expended during the Year on the Alberta SBH Property compared with $191,191 in the previous year, as the project is currently on hold.

Vohitsara Property, Madagascar

On June 12, 2015, the Company completed an agreement to acquire the Vohitsara property in Madagascar that has the potential to become a significant graphite producing mine. Preliminary sampling was carried out by the Company and indicated a high quality of jumbo and large flake graphite on the property. A development program was commenced by DNI on July 15, 2015 which has produced positive sampling results. On March 3, 2016, a technical NI 43-101 report was completed on the project and is available at www.sedar.com.

The next phase of development, is to complete a drilling program that with lead to a resource estimate and a preliminary economic assessment being completed. This development work has been planned and budgeted. The work will commence once a financing is completed.

Detailed descriptions of all of the Company's work activities on the Madagascar property are available on www.sedar.com.

Attawapiskat Property, Ontario

The Company continues to retain its interest in the Attawapiskat Property although its accumulated expenditures on the property were written off as at March 31, 2012. No further expenditures are being incurred by DNI due to the lack of definitive metrics on which to base a value on the Company's interest. The Property has been explored for diamonds, at no cost to DNI by Kel-Ex Development Ltd, pursuant to a January 27, 2003 option agreement. In June 2010 a drill program was commenced, however no results have been announced and there has since been no further work on the Property by Kel-Ex.

Clifton Gold Hill Royalty, Utah

DNI established a joint venture in 2002 with Clifton Mining Company Ltd. and affiliate Woodman Mining Company to explore mineral properties throughout the Clifton-GoldHill Mining District under DNI's operatorship. DNI actively explored the Utah Properties from 2002 to 2008. In July 2009 DNI concluded the sale of all of its rights and interests in the Utah Properties to Clifton Mining Company for US$255,000 and a 0.5% net smelter return royalty against future production proceeds from the Cane Springs Property and from 21 of the claims optioned from IMM Dworkin. On October 10, 2014, Clifton announced that that production had begun at Kiewit, and the Company received its first royalty payment in February 2015. Royalty payments are now expected to be received by DNI on a regular basis.

Other Properties:

DNI holds a 50% interest in a handful of fractional claims located approximately 5 km to the east of the Louvicourt Mine in Val-d'Or, Quebec and certain patented claims in the Red Lake Gold District, Ontario. As these claims are not being actively explored by the Company, management decided to write off its accumulated expenditures as of March 31, 2012, while continuing to retain its interest in the claims.

Other Activities:

The Company's activities changed direction in late 2014 as a result of the SBH Alberta project being substantially on hold. Financing activities since that time have enabled the Company to pursue the graphite space and on a very limited basis maintain the Alberta polymetallic black shale SBH Property. In addition, the Company entered into an agreement with Great Lakes Graphite Inc. ("GLK") whereby DNI will supply natural flake graphite to GLK for a five year period.

DNI Metals Inc.
Interim Unaudited Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Results of Operations and Selected Information	**Period ended Sept. 30**	
	2016	2015
	$	$
Net loss for the Period	291,001	447,883
Loss per share	$0.01	$0.02
Total non-current financial liabilities	-	-
Total assets	8,660,202	8,074,998

General and administrative expenses for the Period ended September 30, 2016 were $188,446 compared to $447,883 for the comparative period last year. The decrease reflects the Company's lack of spending in the quarter.

The major components of general and administrative expenses are as follows:

	2016	2015
	$	$
Professional fees and salaries	93,500	150,282
Business development costs	-	108,671
Regulatory costs	12,294	8,548
Legal and audit	31,182	42,312
Investor relations	21,824	39,785
Travel and accommodation	8,630	61,404
Office rent	12,000	27,174
Communications	1,146	3,387
Office supplies	475	1,932
Other expenses	7,395	4,057
	188,446	447,552

Professional fees and salaries were $93,500 in the period, compared to $150,282 last year, reflects a reduction in the management overhead. Previously a substantial amount of Business development costs reflect management's efforts to enter the graphite space and promote that new direction, including property reviews. Management's efforts in this regard are also reflected in increased investor relations and travel costs. The Company also saw reduced travel costs as the lack of working capital curtailed travel spending.

Aggregate expenditures on exploration and evaluation properties during the Period were $87,992 compared with $960,302 for the similar period in 2015. All of the current period expenditures were incurred on the advancement of the Company's graphite business, with the acquisition of the Vohitsara property in Madagascar, whereas the comparative period expenditures were incurred on the SBH Alberta property

Capitalized Exploration and Evaluation Costs

Changes in the carrying value of Exploration and Evaluation Properties are detailed below:

	March 31, 2016	Transactions	September 30, 2016
SBH Shales Alberta			
Acquisition	18,642	-	18,642
Exploration	6,834,906	-	6,834,906
Madagascar			
Acquisition	1,142,853	-	1,142,853
Exploration	184,943	87,992	272,935
	8,181,344	87,992	8,269,336

Capital Resources, Capital Expenditures and Liquidity

At September 30, 2016, the Company had negative working capital of $931,665, compared with negative working capital of $809,151 at March 31, 2016. Additional funding is required by the Company to maintain its ongoing operations and to continue to pursue the development of its properties. Management continues to pursue opportunities to fund the development of the Alberta SBH Property, and expand its graphite opportunities, while recognising the difficult conditions that currently exist in capital markets.

Outstanding Common Share Data

	Shares	Amount
Balance, March 31, 2016	32,987,204	$ 26,398,062
Issued for cash	6,399,000	318,050
Issued for debt settlement	300,000	15,000
Issued for finder's fee	38,000	1,900
Warrants	-	(121,389)
Share issue costs	-	(22,763)
Balance, September 30 and November 25, 2016	39,724,204	26,588,860

On December 10, 2014, the Company consolidated its issued and outstanding common shares on the basis of 1 new common share for 10 old common shares. All references herein to common shares, per share amounts, and options for all periods presented have been retroactively restated to reflect this consolidation unless otherwise stated.

As part of the private placement closed in the period from April 1, 2015 through August 29, 2016, a director and officer of the Company subscribed for a total of 229,200 units for gross proceeds of $11,460.

Options

The Company has a Stock Option Plan under which options can be granted up to 10% of issued common shares. At September 30, 2016 and November 25, 2016, the Company had stock options outstanding as follows:

Date of grant	Stock options	Exercise price	Expiry date
		$	
May 4, 2012	2,500	4.40	May 4, 2017
June 19, 2012	9,000	2.50	Jun 19, 2017
February 14, 2013	15,000	1.50	Feb 14, 2018
February 19, 2015	375,000	0.09	Feb 19, 2020
June 2. 2016	2,00,000	0.06	Jun 2, 2021
	2,401,000		

Warrants

Common share purchase warrants outstanding are as follows:

Expiry Date	Warrants	Exercise price	Value
		$	$
November 29, 2016	2,980,507	0.20	114,906
December 31, 2016	3,219,200	0.20	108,616
January 23, 2017	200,000	0.20	8,226
July 29, 2017	2,160,000	0.10	34,491
September 30, 2017	1,657,400	0.10	27,693
October 14, 2017	4,415,840	0.10	74,773
October 18. 2017	700,000	0.10	13,006
November 19, 2017	1,490,744	0.10	25,668
Balance, August 29, 2016	16,823,691		407,379

Related Party Transactions

Compensation paid to the Company's executives for the Period ended June 01, 2016 and 2015 consisted of the following:

	Period ended September 30	
	2016	2015
Professional fees	90,000	89,500
Administrative expenses	12,000	-
	102,000	89,500

(1) During the Period ended September 30, 2016, the Company incurred a total of $60,000 (September 30, 2015 - $60,000) paid or payable to Jend Consulting, an entity of which Dan Weir is chief executive, for services rendered by Mr. Weir as chief executive officer of the Company.

(2) During the Period ended Septemeber 30, 2016, the Company incurred a total of $nil (June 30, 2015 - $8,500) paid or payable to Colin Grant and Associates, an entity beneficially owned by Colin Grant CA,CPA, for services rendered by Mr. Grant as chief financial officer of the Company.

(3) During the Period ended September 30, 2016, the Company incurred a total of $30,000 (June 30, 2015 - $nil) paid or payable to Brian Michael Howlett & Associates Inc., an entity beneficially owned by Brian Howlett, the Interim CFO of for business advisory services and interest costs.

(4) During the Period ended September 30, 2016, the Company incurred a total of $nil (June 30, 2015 - $10,000) paid or payable to Darscom and to Denis Clement and Associates, entities beneficially owned by Denis Clement, a director of the Company, for business advisory services.

Off-Balance Sheet Arrangements
The Company does not have any off-balance sheet arrangements.

Summary of Quarterly Results

	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015
	$	$	$	$
Revenue	150,075	-	31,876	31,157
Net loss for the period	69,346	221,809	260,266	264,067
Net loss per share	0.00	0.00	0.01	0.01

	Sept 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
Revenue	$	$	$	$
Net loss for the period	-	-	-	-
Net loss per share	145,930	301,953	583,274	183,755
	0.01	0.01	0.03	0.02

Net loss per share reflects the 1 for 10 share consolidation of December 10, 2014 on a retroactive basis.

Risk Factors
The nature of the Company's business involves certain inherent risks, which include the following:

a) Funding Requirements
In order to continue advancing its projects toward full development, the Company will require additional financing. While the Company has been able to rely on its ability to obtain financing in public or privately negotiated equity offerings, there is no assurance that such financing will be available when required, or under terms that are favorable to the Company. The Company may also pursue other options such as the exploration and development of mineral properties through joint-venture participation.

b) Exploration and Mining Risks
The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time augments its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties nor any known body of commercial grade ore. Programs conducted on the Company's mineral properties are an exploratory search for ore.

c) Titles to Property
While the Company has diligently investigated title to the properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

d) Permits and Licenses
The Company’s operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

e) Metal Prices
Even if the Company's exploration activities are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

f) Competition
The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

g) Environmental Regulations
The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

h) Conflicts of Interest
Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

i) Stage of Development
The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or the provision of return on investment, and in future there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

j) Industry Conditions
Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

k) Uninsured Hazards
Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards that cannot be insured against or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

l) Key Employees
Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

m) Canada Customs and Revenue Agency
No assurance can be made that Canada Customs and Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the Income Tax Act (Canada).

New and revised standards

The Company has adopted the following new and revised standards, along with any amendments, effective April 1, 2015. These changes were made in accordance with the applicable transitional provisions, with no significant impact on the Company's consolidated financial statements.

IFRS 13 – Fair Value Measurement ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material

At September 30, 2016, the Company's financial instruments consisted primarily of cash and certain receivables, accounts payable and loan payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximate the carrying values.

Financial Instruments

The principle business of the Company involves the payment of its obligations in cash as they become due. DNI does not maintain a hedge book related to its mineral properties or against the US currency transactions that it incurs.

a) Fair Value

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The Company has designated its cash and other receivables as loans and receivables, which are measured at amortized cost. Cash equivalents are classified as fair value through profit or loss, which are measure at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The carrying amounts for other receivables, and accounts payable and accrued liabilities on the statement of financial position approximate fair value because of the limited terms of these instruments. The fair value of the marketable securities is equivalent to the market value based on the closing price. In accordance with IFRS, the Company has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At September 30, 2016 and 2015, the Company's had no financial instruments that were carried at fair value.

b) Foreign Exchange Risk

Some of the Company's expenses are incurred in U.S. and Malagasy currencies and therefore subject to gains or losses due to fluctuations in this currency.

c) Interest Rate Risk

The Company has no interest-bearing borrowings for which general rate fluctuations apply.

d) Commodity Price Risk

The future profitability of the Company is directly related to the market price of certain mineral resources.

On behalf of the Board of Directors

November 28, 2016
Toronto, Ontario

Daniel J. Weir
President & CEO

DNI METALS INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of DNI Metals Inc.

We have audited the accompanying consolidated financial statements of DNI Metals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DNI Metals Inc. and its subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that DNI Metals Inc. had continuing losses during the year ended March 31, 2016 and a cumulative deficit as at March 31, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about DNI Metals Inc.'s ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
July 25, 2016

A member of UHY International, a network of independent accounting and consulting firms

UHY

DNI Metals Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at March 31, 2016	As at March 31, 2015
	$	$
ASSETS		
Current assets		
Cash	12,832	26,348
Taxes and other receivables	88,487	59,995
Prepaid expenses	7,027	5,604
Total current assets	108,346	91,947
Equipment (Note 4)	2,169	2,834
Exploration and evaluation properties (Note 5)	8,181,344	6,853,548
Gold royalty asset (Note 6)	161,436	175,302
Other long-term asset (Note 7)	50,000	-
Total assets	8,503,295	7,123,631
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	743.496	116.385
Current portion of loan payable (Note 8)	174,001	-
Total current liabilities	917,497	116,385
Loan payable (Note 8)	162,894	-
Total liabilities	1,080,391	116,385
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	26,398,062	25,304,120
Reserve for share-based compensation (Note 9(c))	470,340	539,693
Warrants (Note 9(d))	293,932	-
Deficit	(19,739,430)	(18,836,567)
Total shareholders' equity	7,422,904	7,007,246
Total liabilities and shareholders' equity	8,503.295	7,123,631

Commitment and contingencies (Notes 1, 5(b), 8 and 14)
Subsequent events (Note 17)

The accompanying notes are an integral part of the consolidated financial statements.

[signed] Daniel J. Weir
Daniel J. Weir, President and Director

[signed] Ray Mitchell
Raymond Mitchell, Director

DNI Metals Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended March 31,	
	2016	2015
	$	$
Graphite sales	66,856	-
Cost of sales	56,892	-
Gross margin	9,964	-
General and administrative expenses (Note 10)	905,063	883,210
Share-based compensation (Note 9 (b))	-	58,000
Amortization	665	880
	905,728	942,090
Loss before the undernoted	895,764	942,090
Other expense (income)		
Interest expense (Notes 8 and 11)	84,824	-
Foreign exchange (gain)	(8,372)	-
	76,452	-
Net loss and comprehensive loss	972,216	942,090
Basic and diluted net loss per share	$0.04	$0.10
Weighted average number of common shares outstanding	27,402,608	9,415,428

The accompanying notes are an integral part of the consolidated financial statements.

DNI Metals Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Capital stock	Number	Share based compensation	Warrants	Deficit	Total
	$		$	$	$	$
Balance, March 31, 2014	7,485,702	24,771,990	994,951	-	(18,407,735)	7,359,206
Share consolidation rounding adjustment	795	-	-	-	-	-
Shares issued	11,500,000	575,000	-	-	-	575,000
Share issue costs	-	(42,870)	-	-	-	(42,870)
Options expired or cancelled	-	-	(513,258)	-	513,258	-
Options issued	-	-	58,000	-	-	58,000
Net loss for the year	-	-	-	-	(942,090)	(942,090)
Balance, March 31, 2015	**18,986,497**	**25,304,120**	**539,693**	**-**	**(18,836,567)**	**7,007,246**
Private placements	9,916,507	1,001,067	-	-	-	1,001,067
Issued as finder's fee	84,200	10,946	-	3,966	-	14,912
Warrants issued	-	(316,140)	-	316,140	-	-
Issued for property	4,000,000	460,000	-	-	-	460,000
Share issue costs	-	(61,931)	-	(26,174)	-	(88,105)
Options expired	-	-	(69,553)	-	69,553	-
Net loss for the year	-	-	-	-	(972,216)	(972,216)
Balance, March 31, 2016	**32,987,204**	**26,398,062**	**470,340**	**293,932**	**(19,739,430)**	**7,422,904**

The accompanying notes are an integral part of the consolidated financial statements.

DNI Metals Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended March 31,	
2016		2015
$		$
Operating Activities		
Net loss	(972,216)	(942,090)
Non-cash items		
Share based compensation	-	58,000
Long-term debt accretion	50,834	-
Amortization of equipment	665	880
(920,717)		(883,210)
Changes in non-cash working capital	464,758	38,053
Cash flows from operating activities	(455,959)	(845,157)
Investing Activities		
Exploration and evaluation property expenditures	(192,708)	(191,191)
Gold royalty received	13,866	5,237
Other long-term asset expenditure	(50,000)	-
Cash flows from investing activities	(228,842)	(185,954)
Financing Activities		
Repayment of debt	(121,994)	-
Advances from related parties	75,000	-
Issuance of common shares	792,466	565,000
Share issue costs	(74,187)	(18,000)
Cash flows from financing activities	671,285	547,000
Decrease in cash	(13,516)	(484,111)
Cash, beginning of year	26,348	510,459
Cash, end of year	12,832	26,348

Supplemental cash flow disclosure (Note 12)

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of operations and going concern

DNI Metals Inc. ("DNI or the "Company") is an exploration and evaluation stage company. The registered head office of the Company is located at 119 Pinewood Trail, Mississauga, Ontario, Canada.

These consolidated financial statements were approved by the Board of Directors of the Company on July 25, 2016.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation of properties, currency exchange fluctuations and restrictions and political uncertainty.

The Company relies on debt and equity financing for working capital and for exploration and evaluation of its properties. Because of continuing operating losses and a cumulative deficit, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

2. Accounting policies and basis of presentation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee, effective for the Company's reporting for the year ended March 31, 2016. They have been prepared on the historical cost basis except for those financial instruments measured at fair value and on an accrual basis except for cash flow information.

2. Accounting policies and basis of presentation (continued)

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly- owned subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The following companies have been consolidated within these financial statements:

Company	Registered	Principal activity
DNI Metals Inc.	Quebec, Canada	Exploration company
Dumont Mining Company	Utah, USA	Exploration company
DNI Metals Madagascar Sarl	Madagascar	Exploration company

The Company formed DNI Metals Madagascar Sarl, a wholly owned subsidiary in Madagascar, in May 2015 in order to carry out business in that country.

Critical judgments and estimation uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

Areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence for a significant or prolonged decline of fair value of financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the periods presented have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 5 for details of capitalized exploration and evaluation costs.

Estimation of decommissioning and restoration costs and the timing of expenditure
Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

2. Accounting policies and basis of presentation (continued)

Critical judgments and estimation uncertainties

(continued) **Impairment of exploration and evaluation properties**

While assessing whether any indications of impairment exist for exploration and evaluation properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation properties. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation properties.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based compensation

Management determines costs for share-based compensation using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and

corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Present value of loan payable

Refer to Note 8.

Commitments and contingencies

Refer to Note 14.

Cash and cash equivalents

Cash and cash equivalents may include cash on account, demand deposits and temporary investments with original maturities of less than 90 days, which are readily convertible to known amounts of cash and are subject to insignificant changes in value. As at March 31, 2016 such cash equivalents were $nil (March 31, 2015 - $nil).

2. Accounting policies and basis of presentation (continued)

Functional and reporting currency

The functional and reporting currency, as determined by management, of the Company and its subsidiaries is the Canadian dollar.

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Non-monetary assets and liabilities as well as revenue and expense transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Translation gain or loss adjustments are recognized in operations in the year in which they occur.

Exploration and evaluation properties

Exploration and evaluation properties are carried at the aggregate of acquisition cost and exploration and evaluation expenditures thereupon. Management continually assesses the viability of each of the Company's exploration and evaluation properties based on an assessment of the potential of an economic outcome. If a property is determined to no longer be economic, the property is typically abandoned and related costs and deferred expenditures are written off in the Company's consolidated financial statements.

All exploration and evaluation expenses relating to mineral properties in which the Company has an interest are capitalized. Other general exploration expenses are charged to operations as incurred. Costs incurred before the Company has obtained the legal right to explore an area are recognized in the consolidated statement of loss and comprehensive loss. The costs of exploration and evaluation properties that are abandoned or sold are charged to operations in the year of sale or abandonment.

Management continually reviews the Company's exploration and evaluation properties to determine whether events or changes in circumstances have occurred which indicate that the carrying value of any given exploration and evaluation property interest may not be recoverable. The recoverability of expenditures incurred on exploration and evaluation properties is dependent upon many factors including exploration and evaluation results, environmental risks, commodity risks, political risks, and the ability to attain profitable production. An impairment loss will be recognized when the carrying amount of an exploration and evaluation property is deemed to exceed its fair value.

Restoration, rehabilitation and environmental obligations

The Company is required to record a liability for the estimated future costs associated with legal or constructive obligations relating to the reclamation and closure of its exploration and evaluation properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent

amount is recorded as an increase to exploration and evaluation properties and is amortized over the useful life of the property. Management is not aware of any significant restoration, rehabilitation and environmental obligations at March 31, 2016 and 2015.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. In order to determine diluted loss per share, it is allowed that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. All outstanding options and warrants were considered anti- dilutive and are therefore excluded from the diluted loss per share calculation for the periods presented.

2. Accounting policies and basis of presentation (continued)

Share issue costs

Share issue costs are accounted for as a reduction of the value of the capital stock.

Equipment and gold royalty asset

Equipment and gold royalty asset are recorded at cost. The equipment and gold royalty asset noted below are amortized over their estimated useful lives using the following annual rates and methods:

Computer equipment	30%	Declining balance
Office furniture and equipment	20%	Declining balance
Gold royalty asset		Unit of production method

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the enacted and substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax liabilities are recognized for taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Share-based compensation

Employees, including directors and officers of the Company receive a portion of their remuneration in the form of share-based compensation transactions, whereby employees render services in consideration for options granted under the Company's stock option plan.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified or if the goods

or services received cannot be estimated reliably, the equity instruments are measured at fair value of the share- based compensation. Otherwise, share-based compensation issued to non-employees are measured at the fair value of goods or services received.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted and they are recognized, together with a corresponding increase in shareholders' equity, categorized as reserve for share-based compensation, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The Company's current policy is that all options vest on the date of the grant other than options granted to investor relations consultants, which will vest over a period of time.

2. Accounting policies and basis of presentation (continued)

The Company records the cost of share-based compensation based on the fair value of stock options as determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and as a reserve for share-based compensation. When options expire or are forfeited, the reserve is reduced by the related grant date fair value amount, which is then credited to deficit if the options expire or credited to share-based compensation expense if forfeited.

On the exercising of options, the proceeds received and grant date fair value of the options exercised is credited to share capital.

Warrant Reserve

The warrant reserve records the grant date fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to capital stock. If the warrants expire unexercised, the amount recorded is transferred to deficit.

Flow-through financing

Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under U.S. GAAP, but there is no equivalent IFRS guidance. Therefore, the Company has adopted a policy whereby proceeds from flow through shares are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered.

Resource expenditure deductions for income tax purposes related to exploration and evaluation activities funded by flow through share arrangements are renounced to investors in accordance with income tax legislation. Any premium between the quoted market price and the price paid by investors for flow though shares will be recognised as a liability of the Company at the time the shares are issued. When these expenditures are renounced, a deferred tax liability is set up and the initial premium liability is reversed, with the difference being recognized in the consolidated statement of loss and comprehensive loss.

2. Accounting policies and basis of presentation (continued)

Financial instruments

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "fair value through profit or loss", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Fair value through profit or loss financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the statement of financial position or until such losses are determined to be other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting is applied, in which case changes in fair value are recognized in other comprehensive income.

The Company's financial assets and liabilities include cash, other receivables, accounts payable and accrued liabilities and loan payable.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of graphite. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, the Company has delivered products to the customer, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the date upon which the goods are dispatched to the customer, the risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalty arrangements are based on production, sales and/or other measures and are recognized by reference to the underlying arrangement.

New and revised standards

The Company has adopted the following new and revised standards, along with any amendments, effective April 1, 2015. These changes were made in accordance with the applicable transitional provisions.

IFRS 13 – Fair Value Measurement ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32.

The adoption of this standard had no significant impact on the Company's consolidated financial statements.

3. Future accounting pronouncements

The IASB has issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial years beginning on or after April 1, 2016.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

Management has not yet considered the impact of the adoption of these standards.

4. Equipment

	Computer equipment	Office furniture and equipment	Total
	$	$	$
Cost			
Cost as at March 31, 2014, 2015 and 2016	37,606	21,132	58,738
Accumulated amortization			
Accumulated amortization as at March 31, 2014	36,232	18,792	55,024
Amortization during 2015	412	468	880
Accumulated amortization as at March 31, 2015	36,644	19,260	55,904
Amortization during 2016	289	376	665
Accumulated amortization as at March 31, 2016	36,933	19,636	56,569
Net Book Value			
Net book value as at March 31, 2015	962	1,872	2,834
Net book value as at March 31, 2016	673	1,496	2,169

5. Exploration and evaluation properties

Changes in the carrying value of exploration and evaluation properties are detailed below:

	March 31, 2014	Transactions	March 31, 2015	Transactions	March 31, 2016
	$	$	$	$	$
SBH Shales Alberta					
Acquisition	18,642	-	18,642	-	18,642
Exploration	6,643,715	191,191	6,834,906	-	6,834,906
Madagascar					
Acquisition	-	-	-	1,142,853	1,142,853
Exploration	-	-	-	184,943	184,943
	6,662,357	191,191	6,853,548	1,327,796	8,181,344

a) SBH Shales Alberta Property, Athabasca Region, Alberta

The Company currently holds a 100% undivided direct interest in 21 metallic and industrial mineral permits, located in the Athabasca region, approximately 120 kilometres north of Fort McMurray, Alberta, giving DNI the exclusive right to explore for metallic and industrial minerals for a fourteen-year term subject to traditional bi-annual assessment work performance requirements. Assembly and acquisition of the property commenced in late 2007 and it has since been periodically expanded or modified to retain strategic portions. Remote lower priority permits were allowed to lapse in March 2014 to focus future work on the eastern parts of the property wherein the polymetallic black shale Buckton deposit, the Buckton South resource and the Asphalt Zone are located. Additional adjoining permits were acquired in June 2014 to secure localities over new fracsand targets. The SBH Property is held under 21 permits with expiry dates ranging from 2020 to 2022.

b) Vohitsara Property, Madagascar

On March 6, 2015, the Company entered into an agreement with MPE International Inc. ("MPE"), a private company, whereby DNI obtained the right to acquire a property in Madagascar ("Vohitsara property"). The total acquisition cost of the property is US$400,000 plus the issuance of 4,000,000 common shares. An initial payment of US$10,000 ($13,012) was paid at that time, initiating a 90-day due diligence period, at the end of which US$90,000 ($111,963) was payable, which amount was paid when the final agreement was signed on June 12, 2015. The common shares were issued on June 29, 2015 at a price of $0.115 per share, based on the quoted market share price. Following these payments, the agreement to acquire the property was completed and all mining claims were acquired by DNI Metals Madagascar Sarl, a newly formed 100% owned subsidiary of DNI. A further US$150,000 is payable six months after signing of the final agreement, with a final payment of US$150,000 due on the earlier of the Company's decision to mine the property or June 12, 2018. In the event of the Company not making the final payment of US$150,000 then all rights of ownership of DNI Madagascar Sarl will revert to the seller. See Note 8.

6. Gold royalty asset

Changes in the carrying value of the gold royalty asset are detailed below:

March 31, 2014		Transactions	March 31, 2015	Transactions	March 31, 2016
$		$	$	$	$
Clifton Gold Hill Royalty	180,539	(5,237)	175,302	(13,866)	161,436

Clifton Gold Hill Royalty, Tooele County, Utah

This consists of the Company's interest in the net smelter return royalty in the Clifton-Gold Hill and Cane Springs property. In March 2009, DNI divested its interest in the Clifton-Gold Hill Properties and its 50% earned interest in the Cane Springs Property. On July 15, 2009, DNI sold of all of its rights and interests in these properties to Clifton Mining Company for US$255,000 and a 0.5% net smelter return royalty against future production proceeds from certain claims and the Cane Springs Property. In 2016, the Company received $13,866 (2015 - $5,237) in royalty payments.

7. Other long term asset

On October 20, 2015, the Company paid a non-refundable deposit of $50,000 to a third party with respect to the purchase of a metallurgical testing laboratory in the Greater Toronto Area. The Company has completed due diligence on the asset, and the closing of the transaction is contingent upon completing the definitive purchase agreement and arranging financing for the acquisition.

8. Loan payable

	2016
	$
Present value of loan payable, June 12, 2015	404,784
Repayments	(121,994)
Accretion	50,834
Foreign exchange adjustment	3,271
Loan payable, March 31, 2016	336,895
Current portion of loan payable - US$134,000	174,001
Long-term portion of loan payable - US$125,428	162,894
Total loan payable	336,895

As indicated in Note 5, the Company, through its wholly-owned subsidiary DNI Metals Madagascar Sarl, financed part of the acquisition cost of the Vohitsara property with US$380,000 of non-interest bearing loan as per a loan agreement dated June 12, 2015.

The original terms of the loan called for repayment of US$80,000 upon execution of the loan agreement and, as per the related Mining Permit Sale Agreement and Loan Agreement, both

dated June 12, 2015, subsequent payments were to be made as follows: installment 1 of US$80,000 on June 12, 2015, installment 2 of US$150,000 on December 12, 2015 and a final installment 3 of US$150,000 on the earlier date of decision to mine or June 12, 2018. In the event of the Company not making the final payment of US$150,000, then the shares of DNI Metals Madagascar Sarl would revert to the lender.

8. Loan payable (continued)

Through amendments dated December 11, 2015 and February 18, 2016, the installment payment schedule on the loan, plus interest and penalties totalling US$14,000, were changed to: an instalment payment of US$30,000 by February 11, 2016; an installment payment of US$134,000 by April 18, 2016 and a final instalment payment of US$150,000 by June 12, 2017.

Accretion and late payment penalties totalling $69,269 (US$52,327) were recorded in interest expense on the consolidated statement of loss for the year ended March 31, 2016 (March 31, 2015 - $nil).

The loan is non-interest bearing. Management estimated the present value of the loan payable using the effective interest rate method, using an interest rate of 15%. The rate used in determining the appropriate present value of the loan payable and to appropriately apply the effective interest rate method was subject to significant management estimation.

9. Capital stock

a) Common shares

Authorized capital of the Company is an unlimited number of common shares without par value.

Issued and outstanding common shares

	Number	Value
Balance, March 31, 2014	7,485,702	24,771,990
Private placement, January and February 2015 (a)	11,500,000	575,000
Share issue costs	-	(42,870)
Share consolidation rounding adjustment	795	-
Balance, March 31, 2015	18,986,497	25,304,120
Private placement (b), (d), (e), (f), (g)	9,916,507	1,001,067
Warrants issued (b), (d), (e), (f), (g)	-	(316,140)
Shares issued for Madagascar property (c)	4,000,000	460,000
Shares issued as a finder's fee	84,200	10,946
Share issue costs	-	(61,931)
Balance, March 31, 2016	32,987,204	26,398,062

On December 10, 2014, the Company consolidated its issued and outstanding common shares on a 1 for

10 basis. All references herein to common shares, per share amounts, and options for all periods presented have been retroactively restated to reflect this consolidation unless otherwise stated.

(a) On January 5, 2015, the Company completed the first tranche of a private placement financing of

2,600,000 common shares issued at a price of $0.05 per share for gross proceeds of $130,000. A second tranche of 2,600,000 common shares was completed on January 27, 2015 for total gross proceeds of $130,000. A third tranche of 4,250,000 common shares was completed on February 6, 2015 for total gross proceeds of $212,500. A final tranche of 2,050,000 common shares was completed on February 13, 2015 for total gross proceeds of $102,500. The total number of shares issued under this private placement totaled 11,500,000 for total gross proceeds of

$575,000. As part of the private placement directors and officers of the Company subscribed for a total of 2,100,000 shares for gross proceeds of $105,000.

9. Capital stock (continued)

(b) On May 29, 2015, the Company completed the first tranche of a private placement financing which consisted of 2,980,507 units, issued at $0.13 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.20 for a period of 18 months. Gross proceeds from this financing were

$387,466, and a finder's fee of $27,552 was paid as part of the transaction. As part of this private placement directors and officers of the Company subscribed for a total of 1,800,000 units for gross proceeds of $234,000.

The common share purchase warrants were valued at $114,906, net of share issue costs. The fair value of the warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.62%
Expected life	18 months
Expected volatility	148%
Expected dividend yield	0%

(c) On June 29, 2015, the Company issued 4,000,000 common shares at a price of $0.115 per share as part of the acquisition price of the Vohitsara property in Madagascar (refer to Note 5(b)).

(d) On June 30, 2015, the Company completed the second tranche of a private placement financing which consisted of 3,135,000 units, issued at $0.13 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.20 for a period of 18 months. Gross proceeds from this financing were

$407,550. Finder's fees of $10,946 and 84,200 units were paid and issued as part of the transaction. Each finder's unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.20 for a period of 18 months.

The common share purchase warrants were valued at $108,616, net of share issue costs. The fair value of the warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.49%
Expected life	18 months
Expected volatility	125%
Expected dividend yield	0%

(e) On July 23, 2015, the Company completed the third tranche of a private placement financing which consisted of 200,000 units, issued at $0.13 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.20 for a period of 18 months. Gross proceeds from this financing were

$26,000

9. Capital stock (continued)

The common share purchase warrants were valued at $8,226, net of share issue costs. The fair value of the warrants was estimated on the date of closing using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.45%
Expected life	18 months
Expected volatility	112%
Expected dividend yield	0%

(f) On January 29, 2016, the Company completed the first tranche of a private placement financing which consisted of 2,000,000 units, issued at $0.05 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.10 for a period of 18 months. Gross proceeds from this financing were

$100,000. A finder's fee of $8,000 and 160,000 common share purchase warrants entitling the holder to purchase one common share at an exercise price of $0.10 for a period of 18 months was paid as part of the transaction. As part of this private placement directors and officers of the Company subscribed for a total of 1,410,000 units for gross proceeds of $70,500.

The common share purchase warrants were valued at $34,491, net of share issue costs. The fair value of the warrants and broker warrants was estimated on the date of closing using the Black- Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.41%
Expected life	18 months
Expected volatility	160%
Expected dividend yield	0%

(g) On March 30, 2016, a second tranche of this financing, totaling 1,601,000 units, was completed for total gross proceeds of $80,050. Each unit consists of one share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10 per share for a period of 18 months. Finder's fees of

$2,820 and 56,400 common share purchase warrants entitling the holder to purchase one common share at an exercise price of $0.10 for a period of 18 months were paid as part of the transaction. As part of this private placement, a director and officer of the Company subscribed for a total of 360,000 units for gross proceeds of $18,000. In addition, 300,000 units were issued as payment of $15,000 interest on the advance from an officer of the Company (Note 11).

The common share purchase warrants were valued at $27,693, net of share issue costs. The fair value of the warrants and broker warrants was estimated on the date of closing using the Black- Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.53%
Expected life	18 months
Expected volatility	147%
Expected dividend yield	0%

9. Capital stock (continued)

b) Options

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors and employees of the Company as well as persons providing ongoing services to the Company. Under the plan, options to purchase an aggregate of up to 10% of the issued common shares may be granted. The exercise price of options approximates the market price of the Company's stock on the date of grant.

A summary of the status of the Company's option plan as at March 31, 2016, and the changes during the year is presented below, with the number and exercise prices reflecting the share consolidation of December 10, 2014:

	" of options	Weighted average exercise price
		$
Outstanding, March 31, 2014	540,500	2.40
Granted	725,000	0.09
Expired or cancelled	(273,000)	(2.58)
Outstanding, March 31, 2015	992,500	0.71
Expired	(59,500)	(1.63)
Outstanding, March 31, 2016	933,000	0.65

At March 31, 2016, the Company had stock options outstanding as follows:

Date of grant	Stock options	Exercise price	Expiry date
		$	
June 29, 2011 – February 19, 2015	76,250	0.09 – 3.00	May 29, 2016
June 29, 2011	121,250	3.00	Jun 29, 2016
May 4, 2012	2,500	4.40	May 4, 2017
June 19, 2012	18,000	2.50	Jun 19, 2017
February 14, 2013	40,000	1.50	Feb 14, 2018
February 19, 2015	675,000	0.09	Feb 19, 2020
	933,000		

The weighted average remaining contractual life of options outstanding was 2.97 years at March 31, 2016 (March 31, 2015 – 3.98 years).

The Company did not issue any options in the 2016 financial year. In 2015, the Company issued 725,000 options exercisable for 5 years at a price of $0.09. The options vested immediately. Those options had an estimated grant date fair value of $58,000 using the Black Scholes option

pricing model. This model used a an expected dividend yield of 0%, expected volatility of 141%, a risk free interest yield of 0.75% and an expected life of 5 years.

Capital stock (continued)

c) Reserve for share-based compensation

The balance at March 31, 2016 of $470,340 (2015 – $539,693) represents the estimated grant date fair value of unexercised share purchase options, based on the Black Scholes option pricing model, as follows:

Expiry Date	Estimated grant date fair value
	$
May 29, 2016	50,000
June 29, 2016	281,300
May 4, 2017	9,400
June 19, 2017	35,640
February 14, 2018	40,000
February 19, 2020	54,000
	470,340

d) Warrant reserve

As part of the financings completed on May 29, 2015, June 30, 2015, July 23, 2015, January 29, 2016 and March 30, 2016 referred to in Note 9 (a), the Company issued common share purchase warrants which are as follows:

Expiry Date	Warrants	Exercise price	Value
		$	$
November 29, 2016	2,980,507	0.20	114,906
December 31, 2016	3,219,200	0.20	108,616
January 23, 2017	200,000	0.20	8,226
July 29, 2017	2,160,000	0.10	34,491
September 30, 2017	1,657,400	0.10	27,693
Balance, March 31, 2016	10,217,107		293,932

The weighted average exercise price was $0.16, and the weighted average remaining contractual life of warrants outstanding was 0.97 years at March 31, 2016. There was no warrant activity during the year ended March 31, 2015, and no warrants outstanding at March 31, 2015 and 2014.

9. General and administrative expenses

The major components of general and administrative expenses are as follows:

	2016	2015
	$	$
Professional fees and salaries	295,933	165,001
Reorganization costs	-	169,530
Business development costs	113,039	279,619
Regulatory costs	32,166	67,190
Legal and audit	203,545	35,662
Investor relations	107,523	62,832
Travel and accommodations	59,876	24,734
Office rent	42,970	46,360
Communications	9,004	6,102
Office supplies	18,230	11,127
Other expenses	22,777	15,053
	905,063	883,210

10. Related party transactions

The principal transactions concluded with directors and officers of the Company or companies controlled by them are as follows:

		Year ended March 31
	2016	2015
	$	$
Deferred exploration and evaluation expenses	-	58,260
Professional fees and reorganization costs	190,475	274,740
Interest costs	15,000	-
	205,475	333,000

Amounts payable at March 31 was as follows:

	2016	2015
	$	$
Professional fees	86,972	11,500
Loans from officers and directors	75,000	-
Reimbursable expenses	34,849	-
	196,821	11,500

Included in the loans of $75,000 is a loan of $50,000 from one officer of the Company, which was interest-bearing and secured with DNI's 0.5% royalty interest in Clifton Gold Hill property. It was fully repaid subsequent to March 31, 2016. The remaining loan of $25,000 from a director

is non-interest- bearing and unsecured with no fixed terms of repayment and is included in accounts payable and accrued liabilities on the statement of financial position.

11. Related party transactions (continued)

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the years were as follows:

	Year ended March 31	
	2016	2015
	$	$
Short-term benefits	190,475	333,000
Share based compensation	-	56,000
	190,475	389,000

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the board having regard to the performance of individuals and market trends.

Also see Notes 9 (a) and 17.

12. Supplemental cash flow disclosures

	Year ended March 31	
	2016	2015
	$	$
Supplemental information		
Share proceeds receivable included in taxes and other receivable	22,050	-
Change in accrued share issue costs	(995)	24,870
Change in accrued exploration and evaluation property expenditures	130,483	-
Units issued for services	186,550	-
Loan payable for exploration and evaluation property acquisition	404,784	-
Shares issued for property	460,000	-
Broker warrants issued	3,966	-
Changes in non-cash working capital balances		
Taxes and other receivables	(6,442)	(26,621)
Prepaid expenses	(1,423)	-
Accounts payable and accrued liabilities	472,623	64,674

	464,758	38,053

13. Income taxes

The Company's effective income tax rate differs from the combined federal and provincial income tax rate in Canada. The difference results from the following:

	Year ended March 31	
	2016	2015
	$	$
Loss before income taxes	(972,216)	(942,090)
Income taxes at the combined federal and provincial tax rate of 26.5% (2015 – 26.5%)	(258,000)	(250,000)
Share-based compensation	-	15,000
Non-deductible expenses for tax purposes	2,000	4,000
Other	-	8,000
Tax benefits not recognized	256,000	223,000
Income tax recovery	-	-

Deferred income tax assets have not been recognized in respect of the following temporary differences:

		Year ended March 31
	2016	2015
	$	$
Equipment	98,000	98,000
Non-capital loss carry-forwards – Canada	3,659,000	2,697,000
Capital loss carry-forwards	-	36,000
Exploration and evaluation properties	1,159,000	2,477,000
Share issue costs	110,000	111,000
	5,026,000	5,419,000

As at March 31, 2016, the Company had available for deduction against future taxable income, non-capital losses in Canada of approximately $3,659,000, which expire as follows:

	$
2026	629,000
2027	452,000
2028	314,000
2029	319,000
2030	28,000
2031	80,000
2032	89,000
2034	62,000
2035	727,000

2036	959,000
	3,659,000

13. Income taxes (continued)

The Company also has approximately $nil of capital losses in Canada as at March 31, 2016 (March 31, 2015 - $36,000) which under certain circumstances may be used to reduce the taxable income of future years. The Company also has approximately $9,502,000 of Canadian development and exploration expenditures as at March 31, 2016 (March 31, 2015 - $9,506,000) which under certain circumstances may be used to reduce the taxable income of future years. The Company also has unclaimed share issue costs of $110,000 as at March 31, 2016 (March 31, 2015 - $111,000) which may be available to reduce the taxable income of future years.

The Company also has tax losses in the United States of approximately US$313,000 (Can$406,000), which expire as follows:

	US$
2022	206,000
2023	60,000
2024	47,000
	313,000

The Company also has tax losses in Madagascar of approximately $40,000, which expire in 2020.

14. Commitments and contingencies

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company has a five year fixed price contract to supply graphite to a customer in North America. Terms of the purchase price will be reviewed annually in relation to the current market and adjusted accordingly.

15. Financial instruments

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes to the risks, objectives, policies and procedures from the previous year.

Fair value

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

15. Financial instruments (continued)

The Company has designated its cash and other receivables as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities, which are measured at amortized cost. The carrying amounts for other receivables and accounts payable and accrued liabilities on the statement of financial position approximate fair value because of the limited terms of these instruments. The carrying value of the loan payable on the statement of financial position approximates fair value due to the short period of time since its inception.

In accordance with IFRS, the Company has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At March 31, 2016 and 2015, the Company had no financial instruments that were carried at fair value.

Credit risk

The Company's credit risk is primarily attributable to cash and other receivables. The Company has no significant concentration of credit risk arising from operations. Cash consist of bank deposits that have been invested with reputable financial institutions. Other receivables consist primarily of receivables from related and unrelated parties. Management believes the risk of loss to be remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure there is sufficient liquidity to meet liabilities when due. As at March 31, 2016, the Company had cash resources of $12,832 (March 31, 2015 - $26,348) to settle current liabilities of $917,497 (March 31, 2015 - $116,385). These liabilities generally have contractual maturities of 30 days and are subject to normal trade terms. Management continues to seek investment to fully develop its business plans. See Note 8 for details about the loan repayment terms.

Market risk

(a) Interest rate risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as there were no such investments outstanding at March 31, 2016 and 2015. The loans from officers and directors, included in accounts payable and accrued liabilities bore a fixed rate of interest and the loan payable is non-interest bearing. The loans payable were non-interest bearing and only an imputed interest rate was used to calculate fair value.

15. Financial instruments (continued)

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in US dollars and Madagascar Ariary. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Company's loan payable is denominated in US dollars. 1% change in the foreign exchange rate would have an impact on profit or loss by $3,200. The Company does not hold other significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly with respect to the gold royalty asset. Management does not have clarity on future cash flows from this asset and cannot predict how changes in commodity prices will affect this asset. Changes in commodity prices will impact the economics of development of the Company's mineral properties, and the profitability of the Company's graphite sales. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

16. Capital disclosures

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The capital of the Company consists of capital stock, reserve for warrants and reserve for share-based compensation. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital

management objectives, policies and processes have remained unchanged during the years ended March 31, 2016 and 2015. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

17. Subsequent events

In the period to May 19, 2016, the Company completed the three final tranches of a non-brokered private placement which consisted of 6,399,000 units for gross proceeds of $319,950. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at a price of $0.10 per share. The Company paid a total of finder's fees and commissions of $20,392, issued 38,000 units and 207,584 broker's warrants exercisable into one common share at a price of $0.10 per share. All warrants expire 18 months from the date of issue.

17. Subsequent events (continued)

As part of the tranches of private placement completed subsequent to March 31, 2016, directors, officers and former director of the Company subscribed for a total of 1,629,200 units for gross proceeds of

$81,460.

On June 2, 2016, the Company granted 2,250,000 stock options to officers, directors and consultants of the Company. The options vested immediately and are exercisable at $0.06 per share on or before June 2, 2021.

On June 2, 2016, the Company issued 300,000 units to settle account payable of $15,000. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at a price of $0.10 per share for a period of 18 months.

Subsequent to March 31, 2016, 410,250 options expired unexercised.

On June 20, 2016, the Company announced the mutual termination of merger discussions with CR Capital Corp after the completion of the due diligence.

DNI METALS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

The following discussion (the "MD&A") of the financial condition and results of the operations of DNI Metals Inc. ("DNI" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended March 31, 2016 ("the Year"). This discussion dated July 25, 2016 should be read in conjunction with the Company's Consolidated Financial Statements and related notes for the Year. All amounts are in Canadian dollars unless otherwise noted. The consolidated financial statements for the Year are prepared in accordance with International Financial Reporting Standards ("IFRS") as discussed below, and all figures are in Canadian dollars unless otherwise stated. DNI Metal's common shares trade on the Canadian Stock Exchange ("CSE") under the symbol "DNI". The Company has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A. Additional information about the Company and its operations can be obtained from the Company's website www.dnimetals.com and from www.sedar.com.

International Financial Reporting Standards

The consolidated financial statements reported herein for the year ended March 31, 2016, are prepared, as required, in accordance with IFRS as published by the International Accounting Standards Board.

Special Note Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements that are based on beliefs of its management as well as assumptions made by and information currently available to management of the Company. When used in this MD&A, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", and the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in those statements. The statements contained in this MD&A speak only as of the date hereof.

Overview of the Business and Overall Performance

DNI's current mineral assets comprise the following: (i) the Alberta polymetallic black shale SBH Property, comprising 21 metallic & industrial mineral permits that comprises a 1,218 square kilometre land position, Athabasca region, northeast Alberta; and, (ii) a graphite property in Madagascar which was acquired in June 2015 and (iii) a royalty interest against future production proceeds from the Cane Springs Property and the Kiewit Project Area, Utah. The Company also retains a carried interest in the Attawapiskat Diamond Property (the "Attawapiskat Property"), consisting of a 16 square kilometre land position in the Attawapiskat region, located in the James Bay Lowlands in Ontario, adjacent to DeBeers' Victor diamond mine.

Prior to the November 2014, the major focus of the Company has been its Alberta SBH Property, with resource studies and test work since 2008 leading to the 2013 Buckton Preliminary Economic Assessment (the "PEA") that was announced in December 2013. Following the PEA the Company has carried out miscellaneous work to evaluate enhancements to the economics indicated in the PEA, in addition to evaluating the fracsand potential over certain parts of the Property. The Company also completed assessment work filings and the related assessment report to apply approximately $4.3 million of expenditures accumulated during the past two

years toward Property permits renewals to secure renewals. DNI acquired additional adjoining permits in April 2014 to secure localities over new fracsand targets. The SBH Property is currently held under 21 permits which are in good standing until 2022-2028 anniversaries.

The PEA represented a significant material milestone whose results establish engineering and financial baseline metrics to guide future exploration and development of the Buckton Deposit and of other polymetallic black shale hosted mineralization at the property. The next stage of work for the Buckton Deposit would consist of integrated leaching and related metals recovery testwork to enable formulation of a detailed scope of work to advance it toward pilot demonstration. The Company is holding such testwork in abeyance until the collaboration of a mining group has been secured that can bring the necessary expertise and substantial resources for implementation of the next phase. The Company did, however, commence evaluation of fracsand targets on the Property and completed reconnaissance sampling of two major exposures of this formation in July 2014, confirming the presence of sections containing coarse clean sand of good roundness and sphericity with potential to meet fracsand specifications.

In addition to the information contained in this report, detailed descriptions of all of the Company's work activities on the Alberta property are contained in previous Management Discussion and Analyses contained in quarterly and annual reports, which are available on www.sedar.com.

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Following a management reorganization in November 2014, the Company decided that the next stage in development of the Alberta black shale property was essentially on hold until capital is raised to complete further metallurgical testing to improve the financial model for the project. The Company began pursuing interests in the graphite space, by investigating potential acquisitions, joint ventures, and development properties. In June 2015, DNI acquired a historical graphite producing property in Madagascar known as Vohitsara.

In March 2015, the Company entered into a five year supply agreement whereby DNI will supply natural flake graphite for a five year period at a fixed price. Terms of this agreement will be reviewed annually. The graphite will be supplied by a large producer in Brazil whereby DNI buys the graphite in Brazil and delivers it to customers.

In August 2015, the Company entered into a non-binding Letter of Intent to acquire a company that will vertically integrate DNI's developing graphite business, and help with the development of the Black Shales Property. Following a due diligence process that was completed on October 20, 2015, the Company paid a non-refundable deposit of

$50,000 to the target company, following which the Company is working on closing a definitive purchase agreement and arranging financing for the acquisition, which is expected to be completed once suitable financing is arranged.

In order to finance its ongoing operations and acquire new interests in the graphite space, a private placement of units that generated gross proceeds of $831,962 was completed in June and July 2015. An additional $500,000 financing was completed in May 2016. General and administrative expenses are higher than last year, reflecting the pursuit and development of the Company's graphite business. The increase also reflects management compensation costs being expensed rather than capitalized, as was done in previous years. Management continues to pursue new financing opportunities.

The following is a summary of the status of the Company's exploration and evaluation properties and projects:

SBH Property, Alberta

The Company's 100% undivided direct interest in 21 metallic and industrial mineral permits, over 1,218 square kilometres located in the Athabasca region gives DNI the exclusive right to explore for metallic and industrial minerals for a fourteen year term subject to traditional bi-annual assessment work performance requirements. Assembly and acquisition of the Property commenced in late 2007 and it has since been periodically expanded or modified to retain strategic portions. Through ongoing rationalization of the land position, remote lower priority permits were allowed to lapse in March 2014 to focus future work on the eastern parts of the property wherein the polymetallic black shale Buckton Deposit, the Buckton South resource and the Asphalt Zone are located, while additional adjoining permits were acquired in April to secure new fracsand targets. DNI concluded filing of assessment reports in October 2014 and applied approximately $4.3 million of related exploration expenditures accumulated during the past two years to secure permit renewal anniversaries ranging from 2020 to 2022.

The SBH Property overlies three near-surface flat lying black shale formations which are locally enriched in recoverable Base Metals, Uranium, Specialty Metals (eg:Li,Sc,Th) and Rare Earth Elements (REE). All of the foregoing minerals are recoverable by bulk leaching as demonstrated by DNI's extensive testwork following a number of drill programs which have been carried out since 2008. While none of the metals occur in the shales in sufficiently high concentrations to be a "pay" metal by itself, the metals collectively represent sufficient in-situ value on a combined basis to place the shales within reach of economic viability as shown by the PEA as a long term source of metals given that the metals can be collectively extracted/recovered from the shales, and especially when considering the low operating costs afforded to bulk mining and bulk treatment operations of similar unconsolidated material in the region (eg. nearby oil sands mining) and black shale mining operations elsewhere in the world.

The PEA, which was filed on January 17, 2014 and is available at www.sedar.com, reported positive economics for the 4.5 billion tonne Buckton mineable mineral resource extending over 21.9 km2 containing Ni-U-Zn-Cu-Co-REE-Y. The Buckton PEA outlines a conceptual mining and metals recovery scenario relying on the NI 43-101 mineral resource estimate for the Buckton Deposit per the Updated and Expanded Buckton Mineral Resource Study announced on August 27, 2013. The PEA relates to mining and processing operations for the production of Ni-U-Zn-Cu-Co and Rare Earth Elements (REE) including Yttrium. The PEA also demonstrated that the Buckton Deposit has the potential to be a significant supplier of Uranium, Scandium, and REE. The PEA also identified a number of key opportunities that can significantly enhance economics through strategic cost reductions and/or revenue enhancements, some of which can be achieved with minimal additional testwork.

The PEA was successful in achieving its principal objective of evaluating production of metals from the Buckton Deposit, and identifying critical parameters that can significantly impact the economics of the deposit, and other parameters which can improve them. DNI's analysis of PEA results has identified potential upside, including operational enhancements and, and the next steps of work to follow at the Buckton Deposit to advance it through pilot plant scale demonstration toward a pre-feasibility study. Further testwork is being held in abeyance until such time as the Company is able to secure the collaboration of a mining group which can bring the necessary expertise and resources to implement the foregoing.

The widespread use of horizontal drilling has fueled fast growing recent demand for natural sand proppant (fracsand) used during hydraulic fracturing which is crucial to oil and gas production, with unprecedented demand for fracsand in Alberta and British Columbia. There are few known local sources of sand to supply western Canadian projects, and Canada now represents the fastest growing global market for high grade fracsand. DNI has carried out an initial evaluation of fracsand targets on the Alberta Property, hosted in the Pelican sandstone formation, which holds potential for hosting large volumes of clean sand with potential to meet fracsand specifications. Based on encouraging results from the sampling completed, the fracsand exploration programs can be expanded to sample the Tar River and Asphalt Creek fracsand properties in greater detail. The SBH Property was expanded in April 2014 by acquiring additional permits over strategic locations to better secure fracsand targets near road access.

Detailed descriptions of all of the Company's work activities on the Alberta property are contained in previous Management Discussion and Analyses contained in quarterly and annual reports, available on www.sedar.com.

Management has not yet been successful in securing the necessary funding or the collaboration of a mining group due to continuing difficult markets, and therefore the black shales programs are substantially deferred.

No monies were expended during the Year on the Alberta SBH Property compared with $191,191 in the previous year, as the project is currently on hold.

Vohitsara Property, Madagascar

On June 12, 2015, the Company completed an agreement to acquire the Vohitsara property in Madagascar that has the potential to become a significant graphite producing mine. Preliminary sampling was carried out by the Company and indicated a high quality of jumbo and large flake graphite on the property. A development program was commenced by DNI on July 15, 2015 which has produced positive sampling results. On March 3, 2016, a technical NI 43-101 report was completed on the project and is available at www.sedar.com.

The next phase of development, is to complete a drilling program that with lead to a resource estimate and a preliminary economic assessment being completed. This development work has been planned and budgeted. The work will commence once a financing is completed.

Detailed descriptions of all of the Company's work activities on the Madagascar property are available on www.sedar.com.

Attawapiskat Property, Ontario

The Company continues to retain its interest in the Attawapiskat Property although its accumulated expenditures on the property were written off as at March 31, 2012. No further expenditures are being incurred by DNI due to the lack of definitive metrics on which to base a value on the Company's interest. The Property has been explored for diamonds, at no cost to DNI by Kel-Ex Development Ltd, pursuant to a January 27, 2003 option agreement. In June 2010 a drill program was commenced, however no results have been announced and there has since been no further work on the Property by Kel-Ex.

Clifton Gold Hill Royalty, Utah

DNI established a joint venture in 2002 with Clifton Mining Company Ltd. and affiliate Woodman Mining Company to explore mineral properties throughout the Clifton-GoldHill Mining District under DNI's operatorship. DNI actively explored the Utah Properties from 2002 to 2008. In July 2009 DNI concluded the sale of all of its rights and interests in the Utah Properties to Clifton Mining Company for US$255,000 and a 0.5% net smelter return royalty against future production proceeds from the Cane Springs Property and from 21 of the claims optioned from IMM Dworkin. On October 10, 2014, Clifton announced that that production had begun at Kiewit, and the Company received its first royalty payment in February 2015. Royalty payments are now expected to be received by DNI on a regular basis.

Other Properties:

DNI holds a 50% interest in a handful of fractional claims located approximately 5 km to the east of the Louvicourt Mine in Val-d'Or, Quebec and certain patented claims in the Red Lake Gold District, Ontario. As these claims are not being actively explored by the Company, management decided to write off its accumulated expenditures as of March 31, 2012, while continuing to retain its interest in the claims.

Other Activities:

The Company's activities changed direction in late 2014 as a result of the SBH Alberta project being substantially on hold. Financing activities since that time have enabled the Company to pursue the graphite space and on a very limited basis maintain the Alberta polymetallic black shale SBH Property. In addition, the Company entered into an agreement with Great Lakes Graphite Inc. ("GLK") whereby DNI will supply natural flake graphite to GLK for a five year period.

Results of Operations and Selected Annual Information Year ended March 31

	2016	2015	2014
	$	$	$
Total revenue	66,856	-	-
Net loss for the Year	972,216	942,090	423,654
Loss per share	0.04	0.10	0.06
Total non-current financial liabilities	162,894	-	-
Total assets	8,503,295	7,123,631	7,387,047

General and administrative expenses for the Year ended March 31, 2016 were $905,063, compared to $883,210 for the comparative period last year. The increase reflects the Company's new focus on building a graphite business.

The major components of general and administrative expenses are as follows:

	2016	2015
	$	$
Professional fees and salaries	295,933	165,001
Reorganization costs	-	169,530
Business development costs	113,039	279,619
Regulatory costs	32,166	67,190
Legal and audit	203,545	35,662
Investor relations	107,523	62,832
Travel and accommodation	59,876	24,734
Office rent	42,970	46,360
Communications	9,004	6,102
Office supplies	18,230	11,127
Other expenses	22,777	15,053
	905,063	883,210

Professional fees and salaries were $295,933 in the Year, compared to $165,001 last year, which includes the non- capitalization of all management compensation subsequent to the reorganization. Previously a substantial amount of management compensation was capitalized to specific projects. Business development costs reflect management's efforts to enter the graphite space and promote that new direction, including property reviews. Management's efforts in this regard are also reflected in increased investor relations and travel costs. The Company also saw increased legal costs related to the proposed acquisition of the metallurgical laboratory and the purchase of the Madagascar property.

Aggregate expenditures on exploration and evaluation properties during the Year were $1,327,796 compared with

$191,191 for 2015. All of the current period expenditures were incurred on the advancement of the Company's graphite business, with the acquisition of the Vohitsara property in Madagascar, whereas the comparative period expenditures were incurred on the SBH Alberta property. Of the amounts expended in the current period, $1,004,605 were non-cash, being the value of shares issued ($460,000), loan payable ($000,000) in and units issued for services ($000,000) as part of the acquisition. Cash resources at March 31, 2016, were $12,832, compared to $26,348 on March 31, 2015. Total assets on March 31, 2016 were $8,503,295, compared with $7,123,631 on March 31, 2015.

Capitalized Exploration and Evaluation Costs

Changes in the carrying value of Exploration and Evaluation Properties are detailed below:

	March 31, 2014	Transactions	March 31, 2015	Transactions	March 31, 2016
SBH Shales Alberta					
Acquisition	18,642	-	18,642	-	18,642
Exploration	6,643,715	191,191	6,834,906	-	6,834,906
Madagascar					
Acquisition	-	-	-	1,142,853	1,142,853
Exploration	-	-	-	184,943	184,943
	6,662,357	191,191	6,853,548	1,327,796	8,181,344

Capital Resources, Capital Expenditures and Liquidity

At March 31, 2016, the Company had negative working capital of $809,151, compared with negative working capital of $24,438 at March 31, 2015. Subsequent to March 31, 2016 the Company closed the final tranches of funding which generated gross proceeds of $319,950. Additional funding is required by the Company to maintain its ongoing operations and to continue to pursue the development of its properties. Management continues to pursue opportunities to fund the development of the Alberta SBH Property, and expand its graphite opportunities, while recognising the difficult conditions that currently exist in capital markets.

Outstanding Common Share Data

	Shares	Amount
		$ 25,304,120
Balance March 31, 2015	18,986,497	
Issued for cash and debt settlement	9,916,507	1,001,067
Issued as finder's fee	84,200	10,946
Warrants issued	-	(316,140)
Issued for property	4,000,000	460,000
Share issue costs	-	(61,931)
Balance, March 31, 2016	32,987,204	$ 26,398,062
Issued for cash	5,937,000	296,850
Issued for debt settlement	800,000	40,000
Share issue costs	-	(32,605)
Balance, July 25, 2016	39,724,204	26,702,307

On December 10, 2014, the Company consolidated its issued and outstanding common shares on the basis of 1 new common share for 10 old common shares. All references herein to common

shares, per share amounts, and options for all periods presented have been retroactively restated to reflect this consolidation unless otherwise stated.

As part of the private placement closed in the period from April 1, 2015 through July 25, 2016, a director and officer of the Company subscribed for a total of 229,200 units for gross proceeds of $11,460.

Options

The Company has a Stock Option Plan under which options can be granted up to 10% of issued common shares. At July 25, 2016, the Company had stock options outstanding as follows:

Date of grant	Stock options	Exercise price	Expiry date
		$	
June 29, 2011 – February 19, 2015	76,250	0.09 – 3.00	May 29, 2016
June 29, 2011	121,250	3.00	Jun 29, 2016
May 4, 2012	2,500	4.40	May 4, 2017
June 19, 2012	23,000	2.50	Jun 19, 2017
February 14, 2013	50,000	1.50	Feb 14, 2018
February 19, 2015	675,000	0.09	Feb 19, 2020
June 2. 2016	2,250,000	0.06	Jun 2, 2021
	3,183,000		

Warrants

Common share purchase warrants outstanding are as follows:

Expiry Date	Warrants	Exercise price	Value
		$	
November 29, 2016	2,980,507	0.20	114,906
December 31, 2016	3,219,200	0.20	108,616
January 23, 2017	200,000	0.20	8,226
July 29, 2017	2,160,000	0.10	34,491
September 30, 2017	1,657,400	0.10	27,693
October 14, 2017	4,415,840	0.10	74,773
October 19, 2017	700,000	0.10	13,006
November 19, 2017	1,528,744	0.10	25,376
Balance, July 25, 2016	16,861,691		407,087

Related Party Transactions

Compensation paid to the Company's executives for the year ended March 31, 2016 and 2015 consisted of the following:

	Year ended March 31	
	2016	2015
Professional fees	190,475	274,710
Capitalized consulting fees	-	58,260
Interest costs	15,000	-
	205,475	333,000

(1) During the year ended March 31, 2016, the Company incurred a total of $120,000 (March 31, 2015 - $105,000) paid or payable to Jend Consulting, an entity of which Dan Weir is chief executive, for services rendered by Mr. Weir as chief executive officer of the Company.

(2) During the year ended March 31, 2016, the Company incurred a total of $27,975 (March 31, 2015 - $46,500) paid or payable to Colin Grant and Associates, an entity beneficially owned by Colin Grant CA,CPA, for services rendered by

Mr. Grant as chief financial officer of the Company.

(3) During the year ended March 31, 2016, the Company incurred a total of $22,500 (March 31, 2015 - $nil) paid or payable to Brian Michael Howlett & Associates Inc., an entity beneficially owned by Brian Howlett, the Interim CFO of for business advisory services and interest costs.

(4) During the year ended March 31, 2016, the Company incurred a total of $35,000 (March 31, 2015 - $65,000) paid or payable to Darscom and to Denis Clement and Associates, entities beneficially owned by Denis Clement, a director of the Company, for business advisory services.

(5) In the year ended March 31, 2015, related party transactions included professional fees of $58,240 and capitalized consulting geology costs of $58,260, which amounts were paid to a company beneficially owned by a former director and officer.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Summary of Quarterly Results

	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015
	$	$	$	$
Revenue	31,876	31,157	3,823	-
Net loss for the period	260,266	264,067	145,930	301,953
Net loss per share	0.01	0.01	0.01	0.01

	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014
	$	$	$	$
Revenue	-	-	-	-
Net loss for the period	583,274	183,755	90,535	84,526
Net loss per share	0.03	0.02	0.01	0.01

Net loss per share reflects the 1 for 10 share consolidation of December 10, 2014 on a retroactive basis.

Risk Factors

The nature of the Company's business involves certain inherent risks, which include the following:

a) Funding Requirements

In order to continue advancing its projects toward full development, the Company will require additional financing. While the Company has been able to rely on its ability to obtain financing in public or privately negotiated equity offerings, there is no assurance that such financing will be available when required, or under terms that are favorable to the Company. The Company may also pursue other options such as the exploration and development of mineral properties through joint-venture participation.

b) Exploration and Mining Risks

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time augments its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and

fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties nor any known body of commercial grade ore. Programs conducted on the Company's mineral properties are an exploratory search for ore.

c) Titles to Property

While the Company has diligently investigated title to the properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

d) Permits and Licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

e) Metal Prices

Even if the Company's exploration activities are successful, factors beyond the control of the Company may affect

marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

f) Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

g) Environmental Regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

h) Conflicts of Interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

i) Stage of Development

The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or the provision of return on investment, and in future there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

j) Industry Conditions

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price

controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

k) Uninsured Hazards

Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards that cannot be insured against or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

l) Key Employees

Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

m) Canada Customs and Revenue Agency

No assurance can be made that Canada Customs and Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the Income Tax Act (Canada).

Proposed Transactions

On August 25, 2015, the Company entered into a non-binding Letter of Intent to acquire a company that will vertically

integrate DNI's developing graphite business. Following a due diligence process that was completed on October 20, 2015, the Company paid a non-refundable deposit of $50,000 to the target company, following which the Company is working on completing a definitive purchase agreement and arranging financing for the acquisition. Management expects this transaction to be completed in fiscal 2017.

Making up approximately 87% of the acquisition value are hard assets comprising of a 37,000 square foot, two story high facility located in the Greater Toronto Area. All the equipment needed to operate pilot plants and laboratories, that are used to complete metallurgical, clean technology, and environmental testing will be owned by DNI upon completion of the transaction. A building mortgage and vendor take back will account for 75% of the acquisition cost. Over 20% of the building is rented out at competitive rates, creating additional income.

Developing a large-flake graphite project requires a significant amount of money being spent at laboratories. Drilling assays, and pilot plant / metallurgical work must be done. By having its own lab will allow DNI to fast track the development of its fully permitted graphite project and potentially save DNI and its shareholders thousands of dollars. Every producing graphite mine must certify its products for carbon content, ash content, moisture content, particle size, and impurities. By having its own laboratory, experts and training facility will allow DNI to provide its customers with a secure, reliable, and consistent supply of graphite.

On January 28, 2016, DNI Metals signed a non-binding letter of intents ("LOIs") to acquire two companies. After a due diligence review, the discussions with both companies around completing the transactions were terminated.

New and revised standards

The Company has adopted the following new and revised standards, along with any amendments, effective April 1, 2015. These changes were made in accordance with the applicable transitional provisions, with no significant impact on the Company's consolidated financial statements.

IFRS 13 – Fair Value Measurement ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material

At March 31, 2016, the Company's financial instruments consisted primarily of cash and certain receivables, accounts payable and loan payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximate the carrying values.

Financial Instruments

The principle business of the Company involves the payment of its obligations in cash as they become due. DNI does not maintain a hedge book related to its mineral properties or against the US currency transactions that it incurs.

a) Fair Value

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The Company has designated its cash and other receivables as loans and receivables, which are measured at amortized cost. Cash equivalents are classified as fair vale through profit or loss, which are measure at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The carrying amounts for other receivables, and accounts payable and accrued liabilities on the statement of financial position approximate fair value because of the limited terms of these instruments. The fair value of the marketable securities is equivalent to the market value based on the closing price. In accordance with IFRS, the Company has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At March 31, 2016 and 2015, the Company's had no financial instruments that were carried at fair value.

b) Foreign Exchange Risk

Some of the Company's expenses are incurred in U.S. and Malagasy currencies and therefore subject to gains or losses due to fluctuations in this currency.

c) Interest Rate Risk

The Company has no interest-bearing borrowings for which general rate fluctuations apply.

d) Commodity Price Risk

The future profitability of the Company is directly related to the market price of certain mineral resources.

On behalf of the Board of Directors

July 25, 2016 Daniel J. Weir
Toronto, Ontario *President & CEO*