DNI METALS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
INTERIM UNAUDITED FOR THE THREE MONTHS ENDING
JUNE 30, 2017 AND 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 period ending June 30, 2017 ("the Year"). This discussion dated August 29, 2017 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 period ending June 30, 2017, are prepared, as required, in accordance with IFRS as published by the International Accounting Standards Board ("IASB").

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 metallic & industrial mineral permits that comprises a large land position in the 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 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 test work to enable formulation of a detailed scope of work to advance it toward pilot demonstration. The Company is holding such test work 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.

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 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. Management continues to pursue new financing opportunities. During the three months ended June 30, 2017, DNI closed 3 tranches of a financing for gross proceeds of $1,447,210.31.

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 kilometers 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 test work 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 test work.

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. During 2017, the company decided to focus on its property in Madagascar and therefore recorded a full impairment on the SBH Shales Alberta Property.

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.

On November 9, 2016 and revised on December 13, 2016, DNI signed an LOI with Cougar Metals NL ("Cougar"), whereby Cougar could earn a working interest to participate in an earn in option ("Working Right and Earn In") to develop the Vohitsara property. A definitive agreement was signed on March 24, 2017.

In order to maintain the Working Right and Earn In in good standing, Cougar shall:

- Pay DNI AUD $200,000.00 within 10 days of a capital raising of at least AUD $500,000 or March 31, 2017 whichever is earlier; and
- Unless Cougar has withdrawn from the Agreement by April 12, 2017, pay DNI USD $150,000 by June 7, 2017 as full and final settlement for the acquisition of the Property by DNIM and the removal of the Robert Barnes Lien from the Property; and
- AUD $11,000 plus expenses per month from March 31, 2017 to June 30, 2017. representing payment for the main focus of the DNI Madagascar team to assist Cougar's Earn In. Any additional workers hired by the DNI Madagascar team as needed for development on the NI 43-101 compliant mineral resource report and/or PEA, shall be billed by DNI to Cougar separately.

In order to maintain the Working Right and Earn In in good standing Cougar shall, in addition to payments referred to above:

- Design, fund, manage and present to DNI a NI 43-101 compliant mineral resource report covering a pre-selected area of the project measuring approximately 300m x 900m by June 30, 2017. This area is shown in schedule B of this Agreement.
- Complete a NI 43-101 compliant PEA using the parameters of 10,000 TPA graphite production from the Property, by October 31, 2017.
- The mineral resource report and the PEA shall include a minimum of 3,000m of drilling to a maximum of 50m and 1000m of surface trenching.
- The Program shall be conducted in such a way as to not unreasonably hinder future development of the Property and shall be based on sound mining practice and other applicable industry standards and practices and in material compliance with the terms of all applicable permits and laws.
- If there are any delays in Cougar's ability to complete the Program, beyond the reasonable control of Cougar then the date by which the Programs must be completed and the Earn In Period may be extended on prior consent in writing of DNI, with consent not being unreasonably held.

- As of June 30, 2017, Cougar has made all payments, but they have not completed the drilling, trenching, and the NI-43-101 compliant resource report.

- As of August 21, 2017, DNI and Cougar were able to negotiate and an extension to October 31, 2017 to complete the NI-43-101 resource report and December 31, 2017 to complete the PEA.

On July 26, 2017, the Company entered into a non-binding agreement ("LOI") to buy a property in Madagascar called the Marafody property. The purchase price for Marofody is U$1,650,000 cash, payable as follows:

1. USD $100,000, upon signing the LOI
2. USD $550,000 shall be paid in 60 days,
3. USD $1,000,000 shall be paid in 90 days.

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-Gold Hill 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	**Period Ending June 30**	
	2017	2016
	$	$
Total revenue	251,310	-
Net loss for the Period	(37,585)	(221,809)
Loss per share	0.00	0.00
Total non-current financial liabilities	0	-
Total assets	2,472,971	8,519,097

General and administrative expenses for the period ending June 30, 2017 were $173,385, compared to $98,475 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:

	Three Months ended June 30	
	2017	2016
	$	$
Professional fees and salaries	45,000	51,800
Business development costs	-	-
Regulatory costs	4,917	4,838
Legal, audit and accounting	(22,813)	17,382
Investor relations	109,335	8,835
Travel and accommodations	4,998	4,969
Office rent	6,000	6,000
Communications	-	791
Office supplies	15,845	275
Other expenses	10,103	3,585
	173,385	98,475

Professional fees and salaries were $45,000 for the period, compared to $51,800 last year. 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 purchase of the Madagascar property.

Aggregate expenditures on exploration and evaluation properties during the period were $(185,377) compared with $54,572 for the similar period in 2016. All of the current period expenditures were incurred on the advancement of the Company's graphite business, in Madagascar.

Capitalized Exploration and Evaluation Costs

Changes in the carrying value of Exploration and Evaluation Properties are detailed below:

	March 31, 2017	Transactions	June 30, 2017
	$	$	$
SBH Shales			
Alberta			
Acquisition	-	-	-
Exploration			
	-	-	-
Madagascar			
Acquisition	1,142,853	-	1,142,853
Exploration	255,030	(185,377)	69,653
	1,397,883	(185,377)	1,212,506

Capital Resources, Capital Expenditures and Liquidity

At June 30, 2017, the Company had working capital of $414,639, compared with negative working capital of $831,318 at June 30, 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 its graphite opportunities, while recognising the difficult conditions that currently exist in capital markets.

Outstanding Common Share Data

Issued and outstanding common shares

	Number	Value
Balance, March 31, 2016	32,987,204	26,398,062
Private placement (vii), (viii), (ix)	6,399,000	318,983
Warrants issued (vii), (viii), (ix)	-	(113,154)
Shares issued as a finder's fee	38,000	1,900
Debt settlement (x)	300,000	15,000
Share issue costs	-	(30,031)
Debt settlement (xi)	834,571	43,815
Balance March 31, 2017	**40,558,775**	26,634,575
Private placement (xii), (xiii), (xiv)	22,264,773	1,447,210
Warrants issued (xii), (xiii), (xiv)	-	(329,298)
Shares issued as a finder's fee	144,607	9,399
Share issue costs	-	(86,585)
Balance June 30, 2017	**62,968,155**	27,675,301

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.

During the three months ended June 30, 2017, the Company completed the three final tranches of a non-brokered private placement which consisted of 22,409,380 units for gross proceeds of $1,447,210.31. Each unit consisted of one common share and a half 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 $75,874.96, issued 144,607 units and 1,032,012 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.
As part of the tranches of private placement completed directors, and officers subscribed for a total of 3,979,000 units for gross proceeds of $258,635.

Options

The Company has a Stock Option Plan under which options can be granted up to 10% of issued common shares. At August 29, 2017, the Company had stock options outstanding as follows:

Date of grant	Stock options	Exercise price	Expiry date
		$	
February 14, 2013	10,000	1.50	Feb 14, 2018
February 19, 2015	450,000	0.09	Feb 19, 2020
June 2. 2016	2,250,000	0.06	Jun 2, 2021
	2,710,000		

Warrants

Common share purchase warrants outstanding are as follows:

Expiry Date	Warrants	Exercise price	Value
		$	
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	1,528,744	0.10	25,668
November 4, 2018	8,545,098	0.10	243,420
November 30, 2018	2,079,841	0.10	45,878
December 8, 2018	1,539,460	0.10	40,000
Balance, August 29, 2017	22,626,383		504,929

Related Party Transactions

Related parties include the Board of Directors and officers and enterprises that are controlled by these individuals.

Compensation paid to the Company's executives for the period ending June 30, 2017 and 2016 consisted of the following:

	Three Months ended June 30	
	2017	2016
	$	$
Professional fees	45,000	42,000
Administrative expenses	6,000	6,000
	51,000	48,000

During the period ending June 30, 2017, the Company incurred $45,000 (June 30, 2016 - $52,500) for management and financial services provided by the Chief Executive Officer and certain current and former directors.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Summary of Quarterly Results

	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sept 30, 2016
	$	$	$	$
Revenue	251,310	(69,215)	-	150,075
Net loss for the period	37,585	3,016,054	4,139,291	69,346
Net loss per share	0.00	0.07	0.11	0.00

	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015
	$	$	$	$
Revenue	-	31,876	31,157	3,823
Net loss for the period	221,809	260,266	264,067	145,930
Net loss per share	0.00	0.01	0.01	0.01

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 has

cancelled the transaction, due to lack of funding.

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, 2017, 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, 2017 and 2016, 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

August 29, 2017
Toronto, Ontario

Daniel J. Weir
President & CEO