DNI METALS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDING
DECEMBER 31, 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 nine months ending December 31, 2017 ("the Period"). This discussion dated March 1, 2018 should be read in conjunction with the Company's Consolidated Financial Statements and related notes for the Period. The consolidated financial statements for the Period are prepared in accordance with International Financial Reporting Standards ("IFRS") as discussed below. All amounts are in Canadian dollars unless otherwise noted. 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 nine months ended December 31, 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 document contains forward-looking statements and information under applicable securities laws. Such statements and information involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of DNI to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Forward-looking information is often identified by words such as, but not limited to, "anticipate", "expect", "estimate", "intend", "project", "plan" "might", "could", "would", "should" and "believe".

Forward-looking information in this MD&A includes, without limitation, the following: (i) the geological characteristics of the projects; (ii) the potential to discover additional mineralization and to extend the area of mineralization; (iii) the potential to raise additional financing; and (iv) the potential to expand and upgrade the resource estimate of the projects. Forward-looking information is subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to volatility and sensitivity to market metal prices, impact of change in foreign exchange rates, interest rates, imprecision in resource estimates, imprecision in opinions on geology, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks.

The expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, and there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements except as required by applicable securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

Overview of the Business and Overall Performance

DNI's current mineral assets comprise the following: (i) a graphite property in Madagascar which was acquired in June 2015, ("Vohitsara") (ii) a royalty interest against future production proceeds from the Cane Springs Property and the Kiewit Project Area, Utah, and (iii) a second graphite property in Madagascar which was acquired in July 2017 ("Marofody"). (iv) the Alberta polymetallic black shale SBH Property, comprising metallic & industrial mineral permits that comprises a large land position in the Athabasca region, northeast Alberta has been put on hold; 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.

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.

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. During the three months ended June 30, 2017, DNI closed 3 tranches of a financing for gross proceeds of $1,447,210. Management continues to pursue new financing opportunities. During the three months ended September 30, 2017, DNI closed the first tranche of a financing and the second and final tranche closed October 6th, 2017 for gross proceeds of $2,800,000.

The following is a summary of the status of the Company's exploration and evaluation properties and projects:

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.

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 or option agreement ("option agreement") was signed on March 24, 2017.

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

- Pay DNI AU$200,000 within 10 days of a capital raise of at least AUD $500,000 or by March 31, 2017 whichever is earlier;
- Unless Cougar has withdrawn from the Agreement by April 12, 2017, pay DNI US$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
- AUS$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 into the project. 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;
- 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 depth of 50m and 1,000m 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, the Earn-In Period may be extended by prior consent in writing of DNI, with consent not being unreasonably held;
- At June 30, 2017, Cougar made all payments, but they did not complete the drilling, trenching, and the NI 43-101 compliant resource report;
- As of August 21, 2017, DNI and Cougar negotiated an extension to October 31, 2017 to complete the NI 43-101 resource report and December 31, 2017 to complete the PEA;
- AUS$11,000 plus expenses per month from March 31, 2017 was extended to October 31, 2017 or until field work was completed. The payment is for DNI's Madagascar team to assist Cougar's Earn-In into the project. 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 July 2017, DNI's board ascertained, that Cougar's R/C drilling rig, would not provide proper samples to determine the flake size distribution of the graphite. DNI obtained and paid from it own account for 1,040 meters of diamond core drilling to determine the flake size distribution; At October 31, 2017, Cougar did not

complete its required 3,000 meters of drilling and did not present DNI with a NI 43-101 compliant resource report.

- DNI granted Cougar an additional extension to November 20, 2017, again Cougar did not complete its required 3,000 meters of drilling, and did not present DNI with a NI 43-101 compliant resource report.
- As reported in DNI's press release of December 8, 2017, DNI terminated the Option Agreement with Cougar as a result of Cougar's failure to pay certain payments under Option Agreement.
- DNI received a request for arbitration from Cougar pursuant to the Option Agreement.
- DNI responded to the arbitration request and an arbitrator has been appointed to review all the information, and a schedule set. If the Arbitration continues to its full extent, the final evidentiary hearing is expected to take place during the week of September 24, 2018. The arbitrator's final award is expected to be rendered after that hearing.

Marofody Property Madagascar

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

1. US$100,000, upon signing the LOI on July 24, 2017
2. US$550,000 was paid on September 25, 2017
3. US$1,000,000 was paid on October 23, 2017

DNI has completed the purchase of the Marofody property, and formed a new subsiduary to hold the mining claims, named DNIM Holdings No. 1 SARL. The mining claims PE 8904 are being transfered from the seller name to DNI's subsidiary name.

Detailed descriptions of the Company's work activities on the Madagascar property are available on www.sedar.com.

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.

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 by Kel-Ex, 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.

Results of Operations and Selected Period Information	**For the period ending Dec 31**	
	2017	2016
	$	$
Total revenue	251,310	247,295
Net loss for the Period	1,437,156	4,430,292
Loss per share	0.02	0.12
Total non-current financial liabilities	-	-
Total assets	4,083,656	4,440,435

General and administrative expenses for the nine month period ended December 31, 2017 were $1,018,627, compared to $259,944 for the comparative period last year

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

	For the period ending Dec. 31	
	2017	2016
	$	$
Professional fees and salaries	270,770	132,287
Consulting fees	67,892	-
Regulatory costs	12,704	14,094
Legal, audit and accounting	298,855	32,524
Investor relations	172,289	22,612
Travel and accommodations	66,987	23,361
Office rent	18,958	18,000
Communications	7,543	1,495
Office supplies	5,056	1,035

Other expenses	97,573	14,536
	1,018,627	259,944

Professional fees and salaries were $270,770 for the period, compared to $132,287 last year. Management's efforts to enter the graphite space and promote this new strategy are reflected in increased investor relations and travel costs. The Company also saw increased legal, audit and accounting costs related to the purchase of the Second Madagascar property.

Aggregate expenditures on exploration and evaluation properties during the period were $2,372,979 compared with $125,342 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.

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

	March 31, 2017	Transactions	Dec 31, 2017
	$	$	$
Madagascar,			
Vohitsara			
Acquisition	1,142,853	-	1,142,853
Exploration	255,030	249,771	504,801
Marafody			
Acquisition	-	2,123,208	2,123,208
Exploration	-	-	-
	1,397,883	2,372,979	3,770,862

Capital Resources, Capital Expenditures and Liquidity

At December 31, 2017, the Company had negative working capital of $373,890, compared with negative working capital of $1,103,652 at March 31, 2017. Additional capital raising is required by the Company to maintain its ongoing operations and to continue to pursue the development of its Madagascar properties. Management continues to pursue opportunities to fund the development of its graphite properties, 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
Warrant Exercise (xv)	100,000	10,000
New Warrants issued (xv)	-	(7,407)
Warrant Broker Exercise (xvi)	28,200	2,820
Warrant Exercise (xvii)	100,000	10,000

New Warrants issued (xv)	-	(7,385)
Warrant Broker Exercise (xviii)	77,000	7,700
Private placement (xix)	20,493,125	1,639,450
Warrants issued (xix)	-	(758,355)
Shares issued as a finder's fee (xix)	21,000	1,680
Share issue costs (xix)	-	(123,533)
Balance September 30, 2017	**83,487,480**	28,450,270
Private placement(xx)	14,411,890	1,152,951
Warrants issued(xx)	-	(510,616)
Shares issued as a finder's fee(xx)	73,985	5,919
Share issue costs(xx)	-	(73,158)
Shares issued as Debt for Equity(xxi)	500,000	40,000
Balance December 31, 2017	**98,773,355**	29,065,366

During the period the Company also completed the second tranche of a non-brokered private placement, and on October 6, 2017, completed the financing which consisted of 35,000,000 units at $0.08 per unit for gross proceeds of $2,800,000. 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 $0.16 per share for a period of 18 months. If the volume weighted average trading price of the Company's Common Shares on the Canadian Securities Exchange is $0.24 or higher for at least 30 consecutive trading days, the Company may accelerate the expiry date of the Warrants upon 30 days' notice to the holders. Finder's fees of $123,533 and 94,985 units and 507,920 finder's warrants and 810,970 broker warrants were paid as part of the transaction. Insiders subscribed for 3.3% of the securities Private Placement.

Options

The Company has a Stock Option Plan under which options can be granted up to 10% of issued common shares. At March 01, 2018, the Company had stock options outstanding as follows:

Date of grant	Stock options	Exercise price	Expiry date
		$	
February 19, 2015	350,000	0.09	Feb 19, 2020
June 2, 2016	2,000,000	0.06	June 2, 2021
August 29, 2017	3,500,000	0.15	Aug 29, 2022
	5,850,000		

Warrants

At March 1, 2018, common share purchase warrants were outstanding are as follows:

Expiry Date	Warrants	Exercise price	Value
		$	$
November 4, 2018	8,545,098	0.10	270,803
November 30, 2018	2,079,841	0.10	54,605
December 8, 2018	1,539,460	0.10	41,865
August 28, 2018	50,000	0.15	7,407
September 8, 2018	50,000	0.15	7,385
March 29, 2019	21,022,045	0.16	691,237
March 29, 2019	810,970	0.08	29,143
April 6, 2019	14,699,375	0.16	495,804
April 6, 2019	412,250	0.08	14,814
Balance December 31, 2017	49,209,039		1,613,061

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 December 31, 2017 and 2016 consisted of the following:

	Period ended December 31	
	2017	2016
	$	$
Professional fees	270,770	123,000
Administrative expenses	14,000	18,000
	284,770	141,000

During the nine months ending December 31, 2017, the Company incurred $270,770 (December 31, 2016 - $123,000) 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

	Dec 31, 2017	Sept 30, 2017	Jun 30, 2017	Mar 31, 2017
	$	$	$	$
Revenue	-	-	251,310	(69,215)
Net loss for the period	494,632	904,938	37,585	3,016,054
Net loss per share	0.01	0.02	0.00	0.07

	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016
	$	$	$	$
Revenue	-	150,075	-	31,876
Net loss for the period	4,139,291	69,346	221,809	260,266
Net loss per share	0.11	0.00	0.00	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 Company has not identified any mineral reserves on the Madagascar Graphite Project. Only those mineral deposits that the Company can economically and legally extract or produce, based on a comprehensive evaluation of cost, grade, recovery and other factors, are considered mineral reserves. A resource estimate does not constitute an economic assessment and no assurance can be given that any particular level of recovery of gold or other minerals from mineralized material will in fact be realized or that an identified mineralized deposit will ever qualify as a commercially mineable (or viable) reserve. No assurance can be given that any level of recovery of any mineral resources will be realized or that any identified mineral deposit will ever qualify as a commercially mineable ore body that can be legally and economically exploited.

General resource exploration risk

The resource exploration industry is an inherently risky business with significant capital expenditures and volatile metals markets. The marketability of any minerals discovered may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as market fluctuations, mineral markets and processing equipment, and changes to government regulations, including those relating to royalties, allowable production, importing and exporting of minerals and environmental protection.

Reliability of mineral resource estimates

Mineral resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Mineral resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing and other relevant issues. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data, the nature of the mineralized body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work or actual production experience. Fluctuations in metal prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties, may require revision of mineral resource estimates. Mineral resources should not be interpreted as assurances of mine life or of the profitability of future operations. Any material reductions in estimates of mineral resources could have a material adverse effect on the Company's results of operations and financial condition.

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 operations of the Company require licenses and permits from various governmental authorities. The Company will use its best efforts to obtain all necessary licenses and permits to carry on the activities which it intends to conduct, and it intends to comply in all material respects with the terms of such licenses and permits. However, there can be no guarantee that the Company will be able to obtain and maintain, at all times, all necessary licenses and permits required to undertake its proposed exploration and development, or to place its property into commercial production and to operate mining facilities thereon.

e) Metal Prices

The development of the Company's properties is dependent on the future prices of minerals and metals. As well, should any of the Company's properties eventually enter commercial production, the Company's profitability will be significantly affected by changes in the market prices of minerals and metals. Precious metals prices are subject to volatile price movements, which can be material and occur over short periods of time and which are affected by numerous factors, all of which are beyond the Company's control. Such factors include, but are not limited to, interest and exchange rates, inflation or deflation, fluctuations in the value of the U.S. dollar and foreign currencies, global and regional supply and demand, speculative trading, the costs of and levels of precious metals production, and political and economic conditions. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems, the strength of and confidence in the U.S. dollar (the currency in which the prices of precious metals are generally quoted), and political developments. The effect of these factors on the prices of precious metals, and therefore the economic viability of any of the Company's exploration projects, cannot be accurately determined. The prices of commodities have historically fluctuated widely, and future price declines could cause the development of (and any future commercial production from) the Company's property to be impracticable or uneconomical.

f) Competition

The Company competes with other mining companies in the recruitment and retention of qualified managerial and technical employees, for supplies and equipment, as well as for capital. As a result of this competition in the mining industry, some of which is with large established mining companies with substantial capabilities and with greater financial and technical resources than ours, we may be unable to effectively develop and operate the Madagascar Graphite Project or obtain financing on terms we consider acceptable.

g) Environmental Regulations

All phases of the Company's operations are subject to extensive environmental regulations. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of these regulations may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which the Company holds its interests or on properties that will be acquired which are unknown to the Company at present and which have been caused by previous or existing owners or operators of those properties.

h) Conflicts of Interest

Certain officers and/or directors are also officers, or directors, 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 officers and directors of the Company, by law, are required to disclose any interest that they may have in any project or opportunity of the Company and to act honestly and in good faith with a view to the best interests of the Company. If a conflict of interest arises either within management or at a meeting of the board of directors, any officer or director in a conflict will disclose his interest and abstain from acting on or voting on such matter.

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

Mineral property operations generally involve a high degree of risk. Exploration, development and production operations on mineral properties involve numerous risks, including but not limited to unexpected or unusual geological operating conditions, seismic activity, rock bursts, cave-ins, fires, floods, landslides, earthquakes and other environmental occurrences, risks relating to the shipment of precious metal concentrates or ore bars, and political and social instability, any of which could result in damage to, or destruction of, the mine and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although the Company believes that appropriate precautions to mitigate these risks are being taken, operations are subject to hazards such as equipment failure or failure of structures, which may result in environmental pollution and consequent liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate the Company's future profitability and result in increasing costs and a decline in the value of its common shares. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or be excluded from coverage. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, thereby adversely affecting the Company's business and financial condition.

l) Key Employees
Management of the Company rests on one officer and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

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).

n) Governmental Regulation
Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Exploration on the Company's properties is affected by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price control, tax increases, maintenance of claims, and tenure. There is no assurance that future changes in such regulations would not result in additional expenses and capital expenditures, decreasing availability of capital, increased competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws.

New and revised standards

The Company has adopted the following new and revised standards, along with any amendments, effective April 1, 2017. 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 December 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 approximates 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. dollars and Malagasy Ariary 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

March 1, 2018
Toronto, Ontario

Daniel J. Weir
President & CEO