DNI METALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDING JUNE 30, 2018 AND 2017

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.

DNI Metals Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at June 30, 2018	Audited at March 31, 2018
	$	$
ASSETS		
Current assets		
Cash	4,997	97,557
Taxes and other receivables	80,707	60,037
Prepaid expenses	600	968
Total current assets	86,304	158,562
Equipment (Note 4)	1,215	1,288
Exploration and evaluation properties (Note 5)	4,214,040	4,086,242
Gold royalty asset (Note 6)	139,948	139,948
Total assets	4,441,507	4,386,040
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	1,541,745	941,182
Short-term promissory notes payable (Note 15)	237,050	202,050
Total current liabilities	1,778,795	1,143,232
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	29,424,687	29,409,687
Reserve for share-based payments (Note 8(c))	449,624	462,010
Warrants (Note 8(d))	1,425,130	1,425,130
Deficit	(28,636,729)	(28,054,019)
Total shareholders' equity	2,662,712	3,242,808
Total liabilities and shareholders' equity	4,441,507	4,386,040

Commitment and contingencies (Notes 1, 5(b), 7 and 12)
Subsequent events (Note 16)

The accompanying notes are an integral part of the consolidated financial statements.

[*signed*] Daniel J. Weir
Daniel J. Weir, President and Director

[*signed*] Paul Hart
Paul Hart, Director

DNI Metals Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Three months ended June 30, 2018	2017
	$	$
Revenue	-	251,310
Cost of Sales	-	(205,145)
General & administrative expenses (Notes 9)	(594,157)	(173,385)
Amortization	(73)	(95)
Loss before the undernoted	(594,230)	(127,315)
Other expenses (income)		
Marketable security received for revenue	-	(149,000)
Exploration expenditures	-	36,037
Interest expense	1	4,504
Foreign exchange loss	865	18,729
Total other expenses (income)	866	(89,730)
Net loss and comprehensive loss	(595,096)	37,585
Basic and diluted net loss per share	$0.01	$0.00
Weighted average number of common shares outstanding	92,684,268	42,912,481

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 of shares outstanding		Share based compensation	Warrants	Deficit	Total
		$	$	$	$	$
Balance, March 31, 2017	**32,987,204**	**26,398,062**	**470,340**	**293,932**	**(19,739,430)**	**7,422,904**
Shares issued	57,409,380	2,548,043	-	-	-	2,548,043
Warrants issued	-	-	-	1,431,156	-	1,431,156
Warrants exercised	472,863	51,744	-	(11,125)	-	40,619
Warrants expired	-	-	-	(170,532)	170,532	-
Share issue for debt settlement	2,191,562	175,325	-	-	-	175,325
Options issued	-	-	347,307	-	-	347,307
Options expired	-	-	(60,592)	-	60,592	-
Net loss for the year	-	-	-	-	(1,737,342)	(1,737,342)
Balance, March 31, 2018	**100,632,580**	**29,409,687**	**462,010**	**1,425,130**	**(28,054,019)**	**3,242,808**
Warrants expired	-	-	-	-	-	-
Share issue for options exercised	250,000	15,000	(12,386)	-	12,386	15,000
Net loss for the quarter	-	-	-	-	(595,096)	(595,096)
Balance, June 30, 2018	**100,882,580**	**29,424,687**	**449,624**	**1,425,130**	**(28,636,729)**	**2,662,712**

The accompanying notes are an integral part of the consolidated financial statements.

DNI Metals Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Three months ended June 30, 2018	2017
	$	$
Operating Activities		
Net loss	(595,096)	(37,585)
Non-cash items		
Long-term debt accretion	-	3,500
Amortization of equipment	73	95
	(595,023)	(33,990)
Changes in non-cash working capital	(580,261)	(642,701)
Cash flows from operating activities	(14,762)	(676,691)
Investing Activities		
Exploration and evaluation property	(127,798)	185,377
Gold royalty received	-	380
Cash flows from investing activities	(127,798)	185,757
Financing Activities		
Issuance of shares on option exercise	15,000	1,447,210
Debt repayment	-	(189,128)
Issuance of promissory notes	35,000	-
Share issue costs	-	(77,186)
Cash flows from financing activities	50,000	1,180,896
Increase in cash	(92,560)	689,962
Cash, beginning of the quarter	97,557	(74,777)
Cash, end of the quarter	4,997	615,185

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, Mississauga, Ontario, Canada.

These consolidated financial statements were approved by the Board of Directors of the Company on August 28, 2018.

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 material uncertainties which 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, 2018 and period ending June 30, 2018. 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
DNIM Holdings No. 1 SARL	Madagascar	Exploration company
DNIM Holdings No. 2 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 of its first property, Vohitsara.

The Company formed DNIM Holdings No. 1 SARL a wholly owned subsidiary and DNIM Holdings No. 2 SARL, an 80 percent owned subsidiary in Madagascar, in July 2017 in order to carry out business of DNI's second property, Marofody.

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 decisions 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, which may include, but is 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.

2. Accounting policies and basis of presentation (continued)

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.

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 pre-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 is 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 Notes 1, 5b and 7.

Commitments and contingencies
Refer to Note 12.

2. Accounting policies and basis of presentation (continued)

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 June 30, 2018 such cash was $4,997 (March 31, 2018 $97,557).

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. The costs of exploration and evaluation properties that are abandoned or sold are charged to loss 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 June 30, 2018.

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
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-employee are measure at 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 currency 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
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.

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.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. Other financial liabilities are recognized initially at fair value net of any directly attributable transactions costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

2. Accounting policies and basis of presentation (continued)

The Company's financial assets and liabilities include cash, other receivables, accounts payable and accrued liabilities, short-term promissory notes payable 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, based on production, sales and/or other measures, 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).

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.

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

The adoption of these standards and amendments had no significant impact on the Company's consolidated financial statements.

3. Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after March 31, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following has not yet been adopted and is being evaluated to determine the impact on the Company.

(i) 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 the fair value

Recent Accounting Pronouncements (continued)

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. The Company is in the process of assessing the impact of this pronouncement.

(ii) On January 13, 2016 the IASB issued IFRS 16, "Leases". The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, "Revenue from contracts with customers" at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right to fuse asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The extent of the impact of adoption of this standard has not yet been determined. 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, 2018.

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, 2017, and 2018	37,606	21,132	58,738
Accumulated amortization			
Accumulated amortization as at March 31, 2017	37,135	19,935	57,070
Amortization during 2018	140	240	380
Accumulated amortization as at March 31, 2018	37,275	20,175	57,450
Amortization during the three months ended June 30,2018	25	48	73
Accumulated amortization as at June 30, 2018	37,300	20,223	57,523
Net Book Value			
Net book value as at March 31, 2018	331	957	1,288
Net book value as at June 30, 2018	306	909	1,215

5. Exploration and Evaluation properties

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

	March 31, 2017	Impairment Charge	Transactions	March 31, 2018	Transactions	June 30, 2018
	$	$	$	$	$	$
Madagascar:						
Vohitsara						
Acquisition	1,142,853	-	-	1,142,853	-	1,142,853
Exploration	255,030	-	554,567	809,597	93,269	902,866
Marofody						
Acquisition	-	-	2,114,294	2,114,294	-	2,114,294
Exploration	-	-	19,498	19,498	34,529	54,027
	1,397,883	-	2,688,359	4,086,242	127,798	4,214,040

a) SBH Shales Alberta Property, Athabasca Region, Alberta

The Company previously held a 100% undivided direct interest in 21 metallic and industrial mineral permits, located in Alberta.

During 2017, the Company decided to focus on its property in Madagascar and therefore recorded a full impairment of $6,853,906 on the SBH Shales Alberta Property.

b) Vohitsara Graphite 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 the period US$90,000 ($111,963) was payable, which amount was paid when the final agreement was signed on June 12, 2015. 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 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. On June 9, 2017, DNI made the final payment of US$150,000 and fulfilled all commitments under this agreement. See Note 8.

On November 9, 2016 and revised on December 13, 2016, DNI signed and LOI with Cougar Metals NL ("Cougar"), whereby Cougar would earn a working interest to participate in an earn in option ("Working Right and Earn In") to develop the Vohitsara graphite 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; (paid) within 10 days of a capital raising of at least AUD$500,000 or March 31, 2017 whichever is earlier; and
- Pay DNI USD$150,000 by June 7, 2017; (paid) as full and final settlement for the acquisition of the Property by DNI and the removal of the Robert Barnes Lien from the Property; and
- Pay DNI 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 July and October 2017, DNI granted additional extensions out to November 20, 2017, which required the inclusion of the AUD$11,000 plus expenses per month.

5. Exploration and Evaluation properties (continued)

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

- Cougar was to complete a NI 43-101 compliant PEA meeting certain established guidelines within certain timeframes. The Company determined Cougar had not met the requirements of the arrangement and in December 2017, the Company announced it had terminated the Working Right and Earn In. The matter is currently with an arbitrator pursuant to the terms of the Working Right and Earn In. DNI has responded to the arbitration request. 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 will take place during the week of September 24, 2018. The arbitrator's final award is expected to be rendered after that hearing. Should the award of the arbitrator be in the favour of Cougar Metals NL, it could have a material adverse effect on the Company.

c) Marofody Graphite Property, Madagascar

On July 26, 2017, the Company entered into a non-binding agreement ("LOI") to buy a property in Madagascar called the Marofody property. The purchase price for Marofody was $2,114,294 (US$1,650,000) cash, payable as follows:

1. $128,139 (US$100,000) was paid upon signing the LOI on July 24, 2017
2. $704,765 (US$550,000) was paid on September 25, 2017
3. $1,281,390 (US$1,000,000) was paid on October 23, 2017

DNI has completed the purchase of the Marofody property and formed a new subsidiary to hold the mining claims, named DNIM Holdings No. 1 SARL. The mining claims PE 8904 have been transferred from the sellers name to DNI's subsidiary.

6. Gold royalty asset

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

	March 31, 2017	Transactions	March 31, 2018	Transactions	June 30, 2018
	$	$	$	$	$
Clifton Gold Hill Royalty	141,801	(1,853)	139,948	-	139,948

Clifton Gold Hill Royalty, Tooele County, Utah

This consists of the Company's interest in a 0.5% net smelter return royalty in the claims related to the Clifton-Gold Hill and Cane Springs property. In the three months ended June 30, 2018, the Company received $nil (June 30, 2017 - $380) in royalty payments.

7. Loan payable

	2018
	$
Present value of loan payable, March 31, 2016	336,895
Repayments	(180,096)
Accretion	28,829
Loan payable, March 31, 2017	185,628
Loan repayment	(190,359)
Accretion	4,731
Total loan payable as of March 31, 2018	-
Total loan payable as of June 30, 2018	-

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.

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

The remaining amount of the loan of $190,359 (US$150,000) was repaid in full on June 9, 2017, which included accretion and late penalties totalling $4,731 (US$3,500).

8. 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, 2017	40,558,775	26,634,575
Private placement (i), (ii), (iii), (viii), (ix)	57,409,380	2,548,043
Warrants exercised (i), (v), (vi), (vii), (xi)	472,863	51,744
Debt settlement (x), (xii), (xiii), (xiv)	2,191,562	175,325
Balance March 31, 2018	100,632,580	29,409,687
Options exercised (xv)	250,000	15,000
Balance June 30, 2018	100,882,580	29,424,687

8. Capital stock (continued)

(i) On May 4, 2017, the first tranche of a financing, totalling 15,566,184 units, was completed for total gross proceeds of $1,011,802. Each unit consisted of one share and one half of a 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 $56,355 and 762,006 finder's warrants were paid as part of the transaction.

The common share purchase warrants were valued at $240,371 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	0.7%
Expected life	18 months
Expected volatility	191%
Expected dividend yield	0%

(ii) On May 30, 2017, a second tranche of this financing, totalling 3,673,990 units, was completed for total gross proceeds of $238,809. Each unit consisted of one share and one half of a 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 $17,150 and 242,846 finder's warrants were paid as part of the transaction.

The common share purchase warrants were valued at $55,250, 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	0.7%
Expected life	18 months
Expected volatility	190%
Expected dividend yield	0%

(iii) On June 9, 2017, a third tranche of this financing, totalling 3,169,206 units, was completed for total gross proceeds of $205,998. Each unit consisted of one share and one half of a 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 $13,079 and 27,160 finder's warrants were paid as part of the transaction.

The common share purchase warrants were valued at $47,916, 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	0.88%
Expected life	18 months
Expected volatility	190%
Expected dividend yield	0%

(iv) On August 28, 2017, 100,000 warrants were exercised at a price of $0.10 per common share and 100,000 common shares were issued for gross proceeds of $10,000 and 50,000 new warrants were issued as incentive to exercise early. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.15 per share for a period of 12 months. Each warrant will be callable at the company's discretion, upon the stock trading above $0.25 for more than 30 consecutive days.

8. Capital stock (continued)

The common share purchase warrants were valued at $3,334. 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	1.55%
Expected life	12 months
Expected volatility	178%
Expected dividend yield	0%

(v) On September 5, 2017, 28,200 broker warrants were exercised at a price of $.10 per common share issued for gross proceeds of $2,820.

(vi) On September 8, 2017, 100,000 warrants were exercised at a price of $0.10 per common share issued and 100,000 common shares were issued, and 50,000 new warrants were issued as incentive to exercise early. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.15 per share for a period of 12 months. Each warrant will be callable at the company's discretion, upon the stock trading above $0.25 for more than 30 days.

The common share purchase warrants were valued at $3,333, 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	1.55%
Expected life	12 months
Expected volatility	178%
Expected dividend yield	0%

(vii) On September 8, 2017, 77,000 broker warrants were exercised at a price of $0.10 per common share issued for gross proceeds of $7,700.

(viii) On September 29, 2017, a first-tranche of a financing, totalling 20,493,125 units, was completed for total gross proceeds of $1,639,450. Each unit consisted 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 $123,934 and 507,920 finder's warrants and 810,970 broker options were paid as part of the transaction.

The common share purchase warrants were valued at $572,663, 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	0.69%
Expected life	18 months
Expected volatility	194%
Expected dividend yield	0%

The common share broker options were valued at $28,367, net of share issue costs. Each common share purchase warrant entitles the holder to acquire one common share and also a warrant at an

8. Capital stock (continued)

exercise price of $0.08 per share for a period of 18 months. 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	0.71%
Expected life	18 months
Expected volatility	191%
Expected dividend yield	0%

(ix) On October 6, 2017, a second tranche of this financing, totaling 14,506,875 units, was completed for total gross proceeds of $1,160,550. Each unit consisted 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. Finder's fees of $73,874 and 213,500 finder's warrants and 412,250 broker options were paid as part of the transaction.

The common share purchase warrants were valued at $406,719 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	0.69%
Expected life	18 months
Expected volatility	191%
Expected dividend yield	0%

The common share broker options were valued at $14,421, net of share issue costs. Each common share purchase warrant entitles the holder to acquire one common share and a warrant at an exercise price of $0.08 per share for a period of 18 months. 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	0.71%
Expected life	18 months
Expected volatility	191%
Expected dividend yield	0%

(x) On December 29, 2017, a debt settlement was concluded such that 500,000 common shares were issued in settlement of $40,000.

(xi) On January 29, and February 1, 2018, 167,663 warrants were exercised for proceeds of $16,766.

(xii) On March 14, 2018, 300,000 shares were issued as payment for interest and fees accrued of $24,000 for securing loans in the amount of $202,500. (See Note 17)

(xiii) On March 14, 2018, a debt settlement was concluded such that 641,562 common shares were issued in settlement of $51,325.

(xiv) On March 29, 2018, a debt settlement was concluded such that 750,000 common shares were issued in settlement of $60,000.

(xv) On May 14, 2018, and June 13, 2018, 250,000 options were exercised for proceeds of $15,000.

8. 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 June 30, 2018, and the changes during the quarter is presented below:

	# of options	Weighted average exercise price
		$
Outstanding, March 31, 2018	5,600,000	0.12
Exercised	(250,000)	0.06
Issued	-	-
Outstanding, June 30, 2018	5,350,000	0.12

At June 30, 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	1,500,000	0.06	June 2, 2021
August 29, 2017	3,500,000	0.15	Aug 29, 2022
	5,350,000		

The weighted average remaining contractual life of options outstanding was 3.47 years at June 30, 2018 (June 30, 2017 – 3.97 years).

The Company issued 3,500,000 stock options on August 29, 2017. The options vested fully immediately. Those options had an estimated grant date fair value of $347,307 using the Black Scholes option pricing model. This model used an expected dividend yield of 0%, expected volatility of 125%, a risk-free interest yield of 1.51% and an expected life of 5 years.

c) Reserve for share-based compensation

The balance at June 30, 2018 of $462,010 (June 30, 2017 – $157,475) 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
	$
February 19, 2020	28,000
June 2, 2021	86,703
August 29, 2022	334,921
	449,624

8. Capital stock (continued)

d) Warrant reserve

At June 30, 2018, the Company had warrants outstanding as follows:

Expiry Date	Warrants	Exercise price	Value
		$	$
November 4, 2018	8,545,098	0.10	263,143
November 30, 2018	2,079,841	0.10	64,048
December 8, 2018	1,539,460	0.10	47,407
August 28, 2018	50,000	0.15	3,334
September 8, 2018	50,000	0.15	3,333
March 29, 2019	21,022,045	0.16	589,172
March 29, 2019	810,970	0.08	28,367
April 5, 2019	14,699,375	0.16	411,905
April 5, 2019	412,250	0.08	14,421
Balance, June 30, 2018	49,209,039		1,425,130

The weighted average exercise price was $0.14 (2017 – $0.10) and the weighted average remaining contractual life of warrants outstanding was 0.68 years at June 30, 2018 (2017 – 0.86 years)

9. General and administrative expenses

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

	Three months ended June 30,	
	2018	2017
	$	$
Professional fees and salaries	68,626	45,000
Regulatory costs	9,431	4,917
Legal, audit and accounting	406,529	(22,813)
Investor relations	53,942	109,335
Travel and accommodations	32,650	4,998
Office rent	3,500	6,000
Communications	1,871	-
Office supplies	2,002	15,845
Other expenses	15,606	10,103
	594,157	173,385

10. Related party transactions

The principal transactions concluded with directors and officers of the Company or companies controlled by them are as follows:

	Three months ended June 30,	
	2018	2017
	$	$
Professional fees	62,001	45,000
Administrative expenses	6,625	6,000
	68,626	51,000

10. Related party transactions (continued)

Amounts payable at June 30, 2018 and 2017 was as follows:

	2018	2017
	$	$
Professional fees	164,651	26,777
Reimbursable expenses	36,808	2,409
	201,459	29,186

Accounts payable amounts are unsecured, non-interest bearing, and have no fixed terms of repayment.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the three months ended June 30, 2018 and 2017 were as follows:

	2018	2017
	$	$
Short-term benefits	68,626	45,000
	68,626	45,000

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.

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.

In January of 2018 the Company entered into an agreement with a North American supplier to develop code and test pilot the Company's data in the mining industry, in consideration for 100,000 shares to be issued upon completion.

The Company has a thirty month market price agreement to supply up to 60,000 tonnes of flake graphite to a customer in Korea, commencing in the fourth quarter of 2018, which the Company does not expect to have the ability to comply. The agreement is subject to the Korean company finalizing offtake agreements with Korean end users.

In May of 2018 the Company entered into a one year contract agreement with a company to provide management services of the CFO, which carries an early termination clause of $12,000.

12. Commitments and contingencies (continued)

The Company is subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. The outcome of these litigations cannot be reasonably determined, as a result, no amounts have been accrued as at June 30, 2018.

See also Note 5.

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.

The Company has designated its cash and other receivables as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, short-term promissory notes payable 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.

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 June 30, 2018 and March 31, 2018, 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, 2018, the Company had cash resources of $4,997 (March 31, 2018 - $97,557) to settle current liabilities of $1,778,797 (March 31, 2018 - $1,143,232). 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. The short-term promissory notes have fixed interest rates.

13. Financial instruments (continued)

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 June 30, 2018 and 2017. The loans payable were non-interest bearing and only an imputed interest rate was used to calculate fair value.

(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 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 and the sale of graphite. Management does not have clarity on future cash flows from the gold royalty 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.

14. 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 significantly unchanged during the three months ended June 30, 2018 and 2017. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

15. Short-term promissory notes payable

During 2018, the Company received short-term loans of $50,000 and $142,500 respectively from two private lenders, in exchange for promissory notes. The Company promised to repay the loans with interest of $2,500 and $7,500 respectively, for a total payment of $202,500.

During the quarter, the Company received advances from two directors totaling $35,000 in exchange for promissory notes.

16. Subsequent events

During the months of July and August 2018, 19,116,404 warrants were exercised as part of a repricing offer announced in the press release of June 28, 2018. The exercise price of certain warrants was temporarily reduced to $0.08 per warrant in order to induce early exercise of the warrants. In addition upon exercise, the warrant holders would receive one common share of the Company plus one new warrant exercisable into one common share of the Company at a price of $0.20 for a period of 60 months from the exercise date. Each new full warrant entitles the bearer to purchase one common share of the company, at an exercise price of C$0.20 per share for a period of 60 months from the exercise date. If the closing market price of the common shares of the Company on the Canadian Securities is equal to or greater than $0.30 per common share for a period of 30 consecutive trading days, or upon the public announcement of the board's decision to build a processing plant capable of producing 10,000 metric tonnes per year of graphite, then the Company may deliver a notice (the "Acceleration Notice") to the warrant holder notifying such warrant holder that the warrants must be exercised within thirty (30) calendar days from the date of the Acceleration Notice, otherwise the warrants will expire at 4:00 p.m. (Toronto time) on the thirtieth (30th) calendar day after the date of Acceleration Notice. Total gross proceeds from these exercises was $1,529,312.

Subsequent to June 30, 2018, 386,919 common shares were issued at a deemed price of $0.085 per share to settle accounts payable totaling $32,888.

Subsequent to June 30, 2018, 312,500 common shares were issued at a deemed price of $0.08 per share to settle accounts payable totaling $25,000.

Subsequent to June 30, 2018, the Company repaid the four promissory notes per Note 15.

Subsequent to June 30, 2018, the Company granted 5,250,000 options to allow the purchase of common shares of the Company for a period of five (5) years from August 3, 2018, at $0.08 per share, vesting immediately.