

# DNI Metals Inc. Issues Cougar Metals NL a Letter of Default

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Toronto, December 1, 2017 - [DNI Metals Inc.](#) (CSE: DNI) (OTC Pink: DMNKF) ("DNI" or the "Company") has today issued [Cougar Metals NL](#) ("Cougar") a letter of default in respect of the agreement (the "Option Agreement") dated March 24, 2017 between DNI and Cougar.

Pursuant to the terms of the Option Agreement, Cougar was to, among other things, complete a NI 43-101 compliant resource report (the "Resource Report") on DNI's Vohitsara project in Madagascar by June 30<sup>th</sup>, 2017. This report was to include 3000 meters of drilling completed by Cougar by June 30<sup>th</sup>, 2017. Despite being granted two extensions by DNI to allow Cougar to produce the Resource Report by November 20, 2017, Cougar failed to complete the requisite drilling or the Resource Report.

Under the Option Agreement, Cougar has seven days to remedy the Defaults. In the event that certain of the Defaults are not remedied, DNI may cancel the Option Agreement. Cougar may elect to submit certain Defaults to arbitration.

Dan Weir, President and CEO of DNI stated:

1. Cougar has had 241 days to complete a 3,000 m drill program. Cougar owns many drill rigs, but only supplied 1 reverse circulation drill, ("R/C") rig to Madagascar. Cougar only completed 1,700 m. Cougar's R/C rig has the potential to drill 100-300 m per day.
2. DNI completed 1,040 m of a diamond core drilling program in 60 days. Diamond core drilling is slower than R/C, especially in weathered material. Diamond drilling can only drill 30-50 m per day
3. DNI granted Cougar 2 extensions.
4. Cougar mismanaged the project. Their management team only completed 2 short visits of the project. Once in May and once in October.

Chronological details of agreements with Cougar Metals:

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

In order to maintain the Working Right and Earn In in good standing, Cougar was required to make payments as follows:

- i. 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; and
- ii. Unless Cougar has withdrawn from the Agreement by April 12, 2017, pay DNI US\$150,000 by June 7, 2017, and
- iii. AU\$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 was required to, in addition to

payments referred to above:

- i. 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;
- ii. Complete a NI 43-101 compliant PEA using the parameters of 10,000 TPA graphite production from the Property by October 31, 2017;
- iii. The mineral resource report and the PEA shall include a minimum of 3,000m of drilling to a maximum of 50m and 1,000m of surface trenching; and
- iv. 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.

Pursuant to the agreement if there were any delays in Cougar's ability to complete the Program, as described above, beyond the reasonable control of Cougar then the date by which the Programs were to be completed and the Earn-In Period could 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 were able to negotiate an extension to October 31, 2017, to complete the NI-43-101 resource report and December 31, 2017 to complete the PEA.

AU\$11,000 plus expenses per month from March 31, 2017 was extended to October 31, 2017 or until field work was completed. The payment was 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, were to 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 brought in and paid for 1,040 meters of Diamond core drilling, which was completed in 60 days, to determine the flake size distribution, and to provide a better evaluation of the property.

As at October 31, 2017, Cougar had not completed the required 3,000 meters of drilling, and did not present DNI with a 43-101 compliant resource report.

On October 31, 2017 DNI granted Cougar an additional 20 days, to comply with the terms of the Definitive Agreement/Option Agreement, and again Cougar did not complete its requirements.

#### About DNI Metals

Certain advisors and directors of DNI have significant operational experience at historical hard rock graphite mines in Canada (e.g. Ontario and Quebec) and Australia. Between them, they have built three (3) processing plants and designed two (2) others; all, which were shut down in the 1990,'s due to increased Chinese competition. Keith Minty, a director, previously worked at Cal Graphite near Kearny, Ontario.

It was our team's understanding of the high production and capital expenditure costs associated with so-called "hard rock" graphite mining that inspired DNI to search for saprolite-hosted graphite deposits.

Certain parts Madagascar and Brazil, produce graphite from weathered material called saprolite.

According to Dictionary.com, saprolite is described as:

"Soft, thoroughly decomposed and porous rock, often rich in clay, formed by the in place chemical weathering of igneous, metamorphic, or sedimentary rocks. Saprolite is especially common in humid and tropical climates. It is usually reddish brown or grayish white and contains those structures (such as cross-stratification) that were present in the original rock from which it formed."

DNI owns two permitted, saprolite-hosted graphite deposits in Madagascar; located 50kms from the country's main seaport. The deposits are located less than two (2) kms from the paved national highway. DNI intends to develop the Vohitsara project, should the economic viability and technical feasibility be established. DNI has not yet established mineral resources or mineral reserves supported by a PEA or mining study (PFS or FS).

DNI has a graphite wholesale business, in which it buys and sells high quality graphite. This business has shown a steady increase in volume over the past year.

Steven Goertz (MAusIMM, MAIG), who is a qualified person, approved the technical disclosure in this news release.

DNI &#8212; Canadian Securities Exchange  
DMNKF - OTC  
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We seek Safe Harbour. This announcement may include forward looking statements. While these statements represent DNI's best current judgment, they are subject to risks and uncertainties that could cause actual results to vary, including risk factors listed in DNI's Annual Information Form and its MD&A's, all of which are available from SEDAR and on its website.

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