

DNI Metals Inc. - Signs Binding Agreement with Korea Graphite

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Signs Binding Agreement with Korea Graphite to Supply Flake Graphite for Korean End Users Subject to Korea Graphite Finalising Offtake Agreements with Korean End Users

Toronto, January 15, 2018 - [DNI Metals Inc.](#) (CSE: DNI) (OTC Pink: DMNK) (FSE: DG7N) ("DNI" or the "Company") has signed a binding supply letter agreement ("Binding Supply Agreement"), with Korea Graphite Co. Ltd ("Korea Graphite" or "KGL") a 100% owned subsidiary of Peninsula Mines Ltd ("Peninsula", ASX:PSM), that includes a commitment by DNI to supply up to 24,000 tonnes per year of flake graphite to Korea Graphite, subject to Korea Graphite finalising offtake agreements with Korean end users commencing Q4, 2018.

In addition, as contemplated in the Cooperative Memorandum of Understanding ("Cooperative MOU") signed on the 15th August 2017, Korea Graphite and DNI will continue to discuss potential development cooperation in order to fast-track DNI's Madagascar flake-graphite projects, this includes potential for investment in a processing plant and/or investment in DNI's new graphite property.

Peninsula's Managing Director and director of Korea Graphite, Jon Dugdale, said, "This binding supply agreement with DNI is a key pre-cursor to establishing binding offtake agreements with Korean flake-graphite end users."

"Peninsula has established strong relationships with Korean end-users that are looking to secure flake-graphite supply for lithium-ion battery anode production as well as for cutting-edge new technologies such as expandable graphite, a non-flammable building cladding/insulation product.

"Madagascar has been producing high-purity, large-flake graphite for over 100 years and DNI's large-flake graphite deposits are saprolite hosted and close to port."

The Binding Supply Agreement includes the following terms:

1. Under the terms of the Supply Agreement DNI will supply to Korea Graphite minimum flake graphite production ("Graphite Production") as follows:
 - a) 500 tonnes of Graphite Production a month (4,000 tonnes a year) from 1 September 2018 (the Due Date) for a period of four months;
 - b) 1,000 tonnes of Graphite Production per month (12,000 tonnes a year) from 1 January 2019 for a period of six months;
 - c) 2,000 tonnes of Graphite Production per month (24,000 tonnes a year) from 1 July 2019 for a minimum period of 24 months.
2. The obligations of the parties in relation to the Binding Supply Agreement are subject to Korea Graphite entering into, by the Due Date, one or more binding offtake agreements in Korea for the on-sale of Graphite Production to end-users on the best prices reasonably achievable by Korea Graphite and otherwise on usual commercial terms acceptable to Korea Graphite and DNI acting reasonably ("Offtake Agreements"), and,
3. the Graphite Production supplied under the Supply Agreement must comply with the specifications as the End Users may specify in their Offtake Agreements, including as stipulated in the offtake Memorandum of Understanding ("Offtake MOU") signed by Korea Graphite with Korean expandable graphite producer, Graphene Korea Co., Ltd ("Graphene Korea").

4. The purchase prices payable by KGL for the Graphite Production under the terms of the Supply Agreement will be the same as the DNI approved purchase prices payable by the End Users under the Offtake Agreements less 10% of such amounts (which amount is to be retained by KGL by way of a marketing fee). The marketing fee will be split 50:50 between DNI for flake graphite not sourced from DNI's projects (excluding Peninsula's Korean projects).

About Korea Graphite:

Korea Graphite is a 100% owned subsidiary of Peninsula Mines Ltd ("Peninsula"). Peninsula is an Australian listed, exploration/development company focused on developing opportunities for mineral discovery and production in South Korea. Peninsula is well established in South Korea, having worked in the Country for over five years.

PSM signed a Memorandum of Understanding ("MOU") with Korean expandable graphite producer, Graphene Korea, in June 2017^{D1}, which is non-binding (except for certain non-material terms) and envisages long-term strategic cooperation with respect to offtake of graphite concentrate and development of graphite mining and processing projects both within and potentially outside Korea. The offtake and development MOU includes a commitment to cooperate in respect of:

- i) Supply by the Company, to Graphene Korea, initially up to 20,000 TPA of >180 micron, >95% Total Graphitic Carbon ("TGC") flake graphite concentrate, and,
- ii) Development of mining and processing facilities in South Korea, and potentially overseas, for selected projects that meet required metallurgical specifications.

Peninsula Mines and Graphene Korea are working together to identify supply from projects that have the potential to produce flake-graphite concentrate that will meet the specifications for production of Graphene Korea's expandable graphite product, which are, specifically >180-micron flake graphite and a >95% concentrate grade of material that shows expandable properties.

Peninsula is also engaged in discussions with other graphite end-users in Korea regarding feed for Lithium-ion battery anode manufacture and potentially refractories.

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 projects in Madagascar, Vohitsara and Marofody, which are located 50kms from the country's main seaport. These projects are contiguous, with the bulk of their

respective mineralisation located between two (2) and four (4) kms from the paved national highway; which bisects the tenement area. DNI intends to develop both the Vohitsara and Marofody projects, 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.

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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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