

DNI Metals Update

26.03.2021 | [CNW](#)

(DMNKF:OTC)

TORONTO, March 26, 2021 - [DNI Metals Inc.](#) (OTC: DMNKF) ("DNI" or the "Company")

Coronavirus- Madagascar

In order to prevent the risk of the spread of the novel coronavirus (COVID-19), the Government of Madagascar has not allowed international flights in or out of the capital city of Antananarivo since, 21 March 2020, it is unknown when this will change.

In an Article in the Africa Report, written by Olivier Caslin, dated February 19, 2021, where he interviewed the IMF representative in Madagascar since 2018, Mr. Marc Gérard.

Mr. Caslin asked: "What is Madagascar's economic situation since the pandemic erupted in March?"

Mr. Gérard answered; "The country has been hit hard. The latest estimates predict a recession of at least 4%, even though growth of 5% was expected in early 2020. This deceleration is essentially due to external shocks, namely the halt in tourism and the sharp drop in trade, as well as the disruption of supply chains linked to the implementation of confinement measures. The economic crisis is severely affecting Malagasy people in a country where social safety nets are very thin".

Mining Permits in Madagascar

According to Mining Review Africa, in an article dated November 4, 2020; "Since assuming office in January 2019, President Andry Rajoelina has made reform of the mining sector one of his top priorities, yet his approach has drawn criticism from industry players.

Approval of a new mining code by the government council on 20 November 2019, after no prior consultation with stakeholders, sent shock waves through the industry.

Although the provisions were rejected at a subsequent cabinet meeting on 27 November 2019, the government's approach served to fuel distrust between Rajoelina's administration and mining operators.

At the time, there were mounting frustrations within the government that big asset operators such as Rio Tinto, which had accumulated significant debts at QIT Madagascar Minerals, were under-performing.

Pressure from the World Bank and the Chamber of Mines eventually led the Ministry of Mines to initiate a proper consultation process involving all stakeholders.

The COVID-19 pandemic has now stalled this review process."

The government of Madagascar continues to have the issuing of all licenses, permits and title cards on hold as they are still considering changes to some of the mining laws.

Termination of the DNI Madagascar Team

In December 2017, DNI's previous Country Manager, Mr. Steven Goertz, had promised that the environmental permits would be issued and DNI would be ready for production within approximately 30 days. Throughout 2018, again and again, Mr. Goertz assured management and the board that the permits would be issued within days. Mr. Goertz even provided DNI with documents and receipts, that according to him, showed that all documents and fees had been filed and paid at the Office National pour l'Environnement ("ONE").

While investigating the permitting process completed by the previous country manager and his team, the Chairman Daniel Weir, found that the "ONE" argued that the documents presented to the DNI Senior Management and Board in Canada from Mr. Goertz were in fact, forgeries. Mr. Goertz and his team had withdrawn the funds from the DNI bank account in Madagascar and yet the "ONE" argued they had never received those funds.

On October 15, 2018, the DNI Madagascar team lead by the former country manager was terminated, and Daniel Weir, DNI's Chairman of the Board, took charge of all operations in Madagascar. The now terminated team refused to return to DNI any and all corporate documentation in their possession.

October 16, 2018 through to Mid-2019, Mr. Weir was able to properly file the documentation, complete the required onsite technical meetings, complete the required public consultations, and pay the proper fees, all of which Mr. Goertz had claimed to have completed but did not, misleading management, the board and the shareholders of DNI.

The delays created by Mr. Goertz, pushed the permitting process into the new government administration, who as mentioned above have put all permits on hold. These delays have caused DNI and its shareholders substantial financial losses. DNI will be looking at all the options available to them in the courts in any attempts to recoup these losses from the applicable parties responsible.

Fraud Trial - Criminal Court

Under Malagasy law, if a person becomes aware of a crime it must be reported to the police. Therefore, Daniel Weir reported the fraud to the police. The fraud being, that the former DNI Madagascar team had apparently forged government documents and stolen funds.

On February 19, 2020, a trial was held. On March 5, 2020 a judgement and the sentencing was released. The court found Mr. Goertz guilty of fraud and of forgery of official government documents. He was sentenced to two years in prison and Mr. Goertz will be banned from staying in Madagascar for a period of three years after he has served his sentence. The same court also ordered Mr. Goertz to pay DNI, 60,000,000 Ariary (sixty million Ariary) in damages.

On October 6, 2020, an opposition trial was held for Mr. Goertz. Since Mr. Goertz nor his Lawyers attended the original trial in February of 2020, he was entitled to oppose the length of the sentencing but not the fraud and forgery charges. The court upheld the original sentencing of two years in prison and Mr. Goertz will be banned from staying in Madagascar for a period of three years after he has served his sentence. The same court also ordered Mr. Goertz to pay DNI, 60,000,000 Ariary (sixty million Ariary) in damages, plus court costs of 5,000,000 Ariary (five million Ariary)

On February 12, 2021, an appeal trial was held. The court upheld the original sentencing of two years in prison and Mr. Goertz will be banned from staying in Madagascar for a period of three years after he has served his sentence. The same court also ordered Mr. Goertz to pay DNI, 60,000,000 Ariary (sixty million Ariary) in damages. The same judge found that Mr. Weir had filed an invalid report with the police and upheld the charges against Mr. Weir. Mr. Weir immediately appealed the charges to a higher court.

Under Malagasy law it is illegal not to file the corporate taxes in a timely manner. As the previous DNI Madagascar team refused to return the corporate documents to DNI, Mr. Weir had to file a report with the police on behalf of DNI saying that the pertinent corporate documents required to file the taxes had been lost and/or stolen. As the previous team still held those documents in their possession, they were able to go to

the courts and declare that the report Mr. Weir filed with the police claiming the documents were lost or stolen was technically invalid. This led to the charges being drawn against Mr. Weir in Madagascar. Mr. Weir's charges are under Section 161 of the Madagascar Penal Code which in basic terms, reads that a document was incorrectly filed and used in Madagascar. As already stated, these charges are already being appealed.

Commercial Court

In Madagascar, all Malagasy companies, DNI's local subsidiaries, must have a Manager ("Gerant") that is either a citizen of Madagascar or have residence status. Mr. Goertz being a resident of Madagascar, was made the Gerant of the DNI's subsidiaries, DNI Metals Madagascar Sarl., which holds the permits for the Vohitsara project, and DNIM Holdings No.1 Sarl., which holds the permits for the Marofody Project.

On October 15, 2018, Mr. Goertz was terminated as the Country Manager, and Gerant of the local subsidiaries, and ordered to return all documents and assets of DNI and its subsidiaries. Mr. Goertz refused stating he was owed money, even though he has since been found guilty of forgery and misappropriating the company funds.

Mr. Goertz has been removed as Gerant of DNIM Holding No.1 Sarl and DNI is working on removing him as Gerant of DNI Metals Madagascar Sarl. Once the appeal process is completed, since Mr. Goertz has been criminally convicted, he cannot serve as a Gerant of a company in Madagascar.

DNI has filed a lawsuit against Mr. Goertz for US\$2.5 Million in Madagascar representing some of the losses that he has caused DNI and its shareholders.

Mr. Goertz has also filed a claim in the courts saying he is owed consulting fees. Mr. Goertz was rightfully terminated in October 2018. At this time there are no outstanding fees owed to Mr. Goertz or any of his consulting companies on the books of DNI.

ASX Press Release - Cougar Appoints Administrators

Pitcher Partners, in an ASX announcement, dated June 30, 2020, released the following information.
<https://www.asx.com.au/asxpdf/20200701/pdf/44k49v49wrkx39.pdf>

"[Cougar Metals NL](#), Appointment of Administrators

At approximately 2:00 pm on 30 June 2020, the Board of Directors appointed Bryan Hughes and Daniel Bredenkamp of Pitcher Partners as Joint and Several Administrators of the Company pursuant to section 436A of the Corporations Act 2001.

Suspension of shares from trading whilst the Company is in Administration

Whilst the Company is in Administration, all listed securities will remain suspended. Shareholders are also unable to transfer their shares during this time

Current Status of the Company

The Administrators have assumed control of the Company's assets and will work with the Board during the administration period to maximize the outcome for all stakeholders of the Company.

Updates on the progress of the Administration

The administrators will provide updates throughout the administration by way of announcements to the ASX and we ask that shareholders refrain from contacting the Administrators' office at this time."

Administration in Australia is equivalent to Chapter 11 in the USA and CCAA in Canada.

DNI issues Cougar additional Default Notices

On September 24, 2018 a Settlement Agreement (the "Agreement") was reached between DNI and [Cougar Metals NL](#) ("Cougar") with respect to DNI's Vohitsara Property in Madagascar.

On July 23, 2019, DNI issued Cougar a default notice claiming that Cougar had breached the non-disparagement provision in the Agreement.

Cougar requested an arbitration to dispute the default. A hearing was held on November 18, 2019 in Toronto.

On December 2, 2019 a decision was handed down by the arbitrator in which it was decided that;

1. Cougar had breached the non-disparagement provisions of the Agreement;
2. The DNI's notice of breach was justified and Cougar's claim was dismissed;
3. DNI was unable to prove that it had incurred financial damages as a result of Cougar's breach;
4. DNI's request for a set off against, or cancellation of, the payment to be made by DNI to Cougar under the Agreement was dismissed; and
5. The payment that was due to Cougar on July 25, 2019 was due two days after the date of the decision.

However, on November 5, 2019 DNI issued Cougar a second default notice for continued failure to observe the non-disparagement and confidentiality obligations of the Agreement. As applicable with the first default notice, the Agreement provides that DNI is entitled to suspend payment of the balance of the amount owing under the Agreement pending determination of any dispute regarding Cougar's breach by an arbitrator.

On December 10, 2019, DNI issued Cougar a third default notice for failure to observe the non-disparagement and confidentiality obligations in the Agreement. Again, the Agreement provides that DNI is entitled to suspend payment of the balance of the amount owing under the Agreement pending determination of any dispute regarding Cougar's breach by an arbitrator.

On May 4, 2020, DNI issued Cougar a fourth default notice for failure to observe the non-disparagement and confidentiality obligations in the Agreement. Again, the Agreement provides that DNI is entitled to suspend payment of the balance of the amount owing under the Agreement pending determination of any dispute regarding Cougar's breach by an arbitrator.

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On March 16, 2021, DNI issued Cougar a fifth and sixth default notice for failure to observe the non-disparagement and confidentiality obligations in the Agreement. Again, the Agreement provides that DNI is entitled to suspend payment of the balance of the amount owing under the Agreement pending determination of any dispute regarding Cougar's breach by an arbitrator.

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Mr. John Carter has started a new venture that needs his fulltime attention. He has decided to resign as a director of DNI. Mr. Carter will continue as an advisor to the company. We thank Mr. Carter for all his guidance and support.

DMNKF - OTC
Issued Common Shares: 132,687,603

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