

On November 3, 2017, Cougar Metals NL (“**Cougar**”) delivered a Notice of Default to DNI Metals Inc. (“**DNI**”) with respect to the Definitive Agreement, dated March 24, 2017 (the “**Agreement**”). The Agreement grants Cougar the option to acquire 50% interest in DNI Metals Madagascar SARL, the owner of a graphite mining project in Madagascar (the “**Project**”) in exchange for Cougar’s completion of various payments and a works program. Cougar’s Notice of Default claims that DNI was in breach of the Agreement for withholding consent to a reasonable extension to the works program, failing to address security, and refusing to deal with Cougar’s country manager or with its CEO. Cougar claims that it was delayed for in excess of 100 days, by a number of issues beyond its control, including:

- a) unavailability of the bulldozer leased by DNI for 30 days;
- b) inability to access the Project for 47 days due to local landholder issues and unpreparedness of the site; and
- c) 27 days due to the arrest and imprisonment of Cougar’s driller due to a complaint by DNI.

DNI rejected the grounds invoked by Cougar as not being beyond its control, but offered an extension of 20 days for Cougar to complete its obligations. Cougar claims the proposed extension was well short of what was necessary. In addition, Cougar claims that DNI failed to address the security of Cougar’s personnel from arrest, including Cougar’s CEO.

On December 1, 2017, DNI issued a Notice of Default stating that Cougar had failed to meet its works program obligations and to make certain monthly payments. DNI alleged that Cougar failed to devote the necessary financial and technical resources to advance the Project and therefore failed to meet deadlines to complete its work.

On December 6, 2017, Cougar initiated arbitration to the London Court of International Arbitration (“**LCIA**”), as contemplated by the Agreement. Cougar seeks an order quashing DNI’s Notice of Default, and claims for specific performance of the Agreement, including an order requiring DNI to obtain a valid mining permit, and to provide adequate protection from arrest and imprisonment for Cougar’s employees and contractors. Alternatively, Cougar seeks an order for damages for breach and improper termination of the Agreement in the amount of US\$6 million per year for the life of the Project, and in the further alternative, an order for rescission of the Agreement with damages for DNI’s alleged misrepresentation as to the mining permit it holds for the Project. Cougar also seeks damages resulting from DNI’s statements to the market, in the amount of US\$5 million, and costs of the arbitration.

On December 8, 2017, DNI delivered a notice of termination of the Agreement, citing Cougar’s failure to make monthly payments for DNI’s assistance on the work program, totalling AUD\$29,333. Cougar contests the notice of termination and denies this sum was owing.

On January 10, 2018, DNI delivered a Response to the Notice of Arbitration, including a counter-claim. DNI denies Cougar’s allegations in their entirety (including allegations relating to the non-existence of the mining permit) and seeks a declaration that the arbitral tribunal lacks jurisdiction to quash the Notice of Default with respect to Cougar’s non-payment of monetary obligations. DNI also seeks a dismissal of Cougar’s claims, a declaration that DNI lawfully terminated the Agreement, an order that Cougar refrain from making defamatory statements

relating to its claims against DNI, and damages for such defamatory statements. Cougar denies DNI's right to bring a defamation claim, and also claims that the statements about which DNI complains are true.

Upon agreement of the parties, the LCIA appointed William G. Horton as sole arbitrator on January 31, 2018. The Tribunal issued a Procedural Order on February 9, 2018 that scheduled the evidentiary hearing for the week of September 24, 2018. On March 14, 2018, the Tribunal issued a decision on interim measures placing certain limits on the disclosures to be made regarding the arbitration. Further enquiries should be directed to the parties' representatives.