



(formerly MK2 Ventures Ltd.)
Management Discussion and Analysis
For the Three Months Ended September 30, 2019

This management's discussion and analysis ("MD&A") is management's interpretation of the financial condition and results of operations of District Metals Corp. (formerly MK2 Ventures Ltd.) (the "Company" or "District Metals") for the three-month period ended September 30, 2019. This MD&A should be read in conjunction with the audited financial statements of the Company for the fiscal year ended June 30, 2019 and condensed interim financial statements for the three months ended September 30, 2019, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements, but does not form part of, the Company's financial statements.

All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language on page 8 and 9. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated. This MD&A has been prepared as of November 27, 2019.

BUSINESS OVERVIEW

The Company was incorporated under the *Business Corporations Act* (Alberta) on July 24, 1989 and was continued into the province of British Columbia on March 31, 2006. On July 17, 2019, the Company changed its name to District Metals Corp. The Company is listed on the TSX Venture Exchange (the "Exchange") under the trading symbol "DMX".

The Company is a junior mineral exploration stage company in the business of acquiring, exploring and evaluating natural resource properties. As at the date of this MD&A, the Company holds a 100% interest in the Bakar Property located on North Vancouver Island in British Columbia, Canada.

The Company may need to identify a new business opportunity and acquire additional funding for its corporate and overhead expenses in the near future through either equity or debt financing. Many factors influence the Company's ability to raise funds, including the health of the capital markets, the climate for mineral exploration investment and the Company's track record. Actual funding requirements may vary from those planned due to a number of factors, including the acquisition of new projects. Management is approaching several sources of equity capital but recognizes there may be some difficulty obtaining such financing due to the current market conditions. There is no guarantee that the Company will be able to secure additional financing in the future at terms that are favourable, or at all.

On May 1, 2019, the Company entered into a purchase agreement with Longford Capital Corp. and James Douglas Rogers to acquire a 100% interest in the Bakar Property (subject to a 2% net smelter royalty) for \$50,000 cash and the issuance of 1,250,000 common shares. The acquisition closed on July 12, 2019. The Company was obligated to incur expenditures of \$200,000 within six months from the closing date and these expenditures were to be registered and recorded with the British Columbia Minerals Title Branch. This condition has now been met.

Costs incurred with respect to the property are summarized below:

Acquisition Costs	Bakar Property	
Balance, June 30, 2019	\$	35,086
Additions		240,000
Balance, September 30, 2019	\$	275,086
Deferred Exploration Costs		
Balance, June 30, 2019	\$	320,202
Consulting		19,469
Balance, September 30, 2019	\$	339,671

HIGHLIGHTS

- On July 12, 2019, the Company issued 1,250,000 common shares as consideration for the Bakar Property.
- On August 12, 2019, the Company issued 1,065,000 incentive stock options to directors, officers and consultants of the Company. The options vested immediately and are exercisable at \$0.20 for a period of 60 months from grant date.

FINANCIAL REVIEW

For a discussion of the factors affecting the Company's losses see "Summary of quarterly results" and "Results of operations" below.

Results of operations

The Company incurred a net loss and total comprehensive loss of \$332,172 during the three months ended September 30, 2019, a decrease in loss of \$342,303, as compared to the total net loss and comprehensive loss of \$674,475 for the three months ended September 30, 2018.

Compared to the three months ended September 30, 2018, net loss and total comprehensive loss attributable to shareholders of the Company for the three months ended September 30, 2019 was mainly impacted by the following factors:

- Professional fees were \$47,304 during the three months ended September 30, 2019 compared to \$5,719 during the three months ended September 30, 2018. The increase of \$40,631 is due to costs related to the closing of the acquisition of the Bakar Property which occurred on July 12, 2019.
- Shareholder information and investor relations expenses were \$13,110 during the three months ended September 30, 2019 compared to \$nil during the three months ended September 30, 2018. The \$13,110 increase is primarily a result of the Company's expenditures related to the maintenance of its website and press releases issued during the period.
- Consulting fees decreased to \$19,500 from \$51,000 as a result of the Company having management actively engaging in the identification, review and assessment of mineral and exploration properties during the comparative period.
- Insurance expense increased by \$3,690, property investigation costs increased \$5,181 and travel increased \$8,739 as the Company did not have such expenditures in the comparative period.
- During the three months ended September 30, 2019 the Company granted 1,065,000 stock options resulting in a stock-based compensation expense of \$205,015 whereas the Company granted 2,050,000 stock options and incurred stock-based compensation expense of \$585,900 in the comparative period.

Summary of quarterly results

The following table provides a summary of financial data for the Company's most recent eight quarters derived from the Company's unaudited condensed interim financial statements prepared in accordance with IAS 34:

	Quarter ended	Revenue	Loss before other income and expenses	Total comprehensive loss	Basic and diluted income (loss) per common share
Q1/20	September 30, 2019	\$ -	\$ (332,172)	\$ (332,172)	\$ (0.01)
Q4/19	June 30, 2019	-	(88,829)	(88,829)	(0.00)
Q3/19	March 31, 2019	-	(82,995)	(82,995)	(0.00)
Q2/19	December 31, 2018	-	(121,369)	(121,369)	(0.00)
Q1/19	September 30, 2018	-	(674,475)	(674,475)	(0.02)
Q4/18	June 30, 2018	-	(30,382)	(30,382)	(0.00)
Q3/18	March 31, 2018	-	(16,850)	(16,850)	(0.00)
Q2/18	December 31, 2017	-	(26,656)	(26,656)	(0.00)
Q1/18	September 30, 2017	-	(28,727)	(28,727)	(0.00)

The primary factors affecting the magnitude and variations of the Company's losses are as follows:

- The three months ended September 30, 2019 included stock-based compensation of \$205,015 and professional fees of \$47,304 in relation to the acquisition to the Bakar Property. Once normalized for these items, the net loss is consistent with the previous periods.
- During the year-end June 30, 2019, the Company's first quarter loss was influenced by the stock-based compensation expense of \$585,900 incurred during the period. When normalized for this amount, the loss is \$88,575, which is in line with the remaining quarters.
- During the year ended June 30, 2018, the Company did not have an active business and thus losses and expenses are consistent from period to period.

LIQUIDITY AND CAPITAL RESOURCES

The Company may need additional funding for its corporate and overhead expenses in the near future through either equity or debt financing. Many factors influence the Company's ability to raise funds, including the health of the capital market, the climate for mineral exploration investment and the Company's track record. Actual funding requirements may vary from those planned due to a number of factors, including the acquisition of new projects. Management will approach various sources of equity capital but recognizes there may have difficulty obtaining such finance due to the current market conditions. There is no guarantee that the Company will be able to secure additional financings in the future on terms that are favourable, or at all.

The Company's financial statements for the fiscal year ended September 30, 2019 have been prepared on a going concern basis, which assumes that the Company will continue in operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At September 30, 2019, the Company had cash of \$564,656 (June 30, 2019: \$784,845) and working capital of \$501,802 (June 30, 2019: \$688,428). The Company currently has no active business and is not generating any revenues. It has incurred losses and negative cash flows from operations since inception and had an accumulated deficit of \$55,370,707 as at September 30, 2019 (June 30, 2019: \$55,038,535).

Cash flows

Cash used in operating activities for the three months ended September 30, 2019, was \$127,157 compared to \$88,575 for the three months ended September 30, 2018. The increase in spending is primarily the result of increase of activities during the period.

Cash used in investing activities for the three months ended September 30, 2019 was \$59,469 compared to investing activities of \$Nil in the comparative period. Investing activities related to payments to acquire and explore the Bakar Property.

TRANSACTIONS WITH RELATED PARTIES

The Company's related parties consist of its key management personnel, including its directors and officers.

During the normal course of business, the Company enters into transactions with its related parties that are considered to be arm's length transactions and made at normal market prices and on normal commercial terms.

Key management compensation for the three months ended September 30, 2019 and 2018 were as follows:

	For the Three Months Ended	
	September 30, 2019	September 30, 2018
Short-term benefits	\$ 27,938	\$ 15,000

During the three months ended September 30, 2019 and 2018, the Company incurred \$10,000 and \$28,875, respectively, for consulting fees provided by the Company's Chief Executive Officer.

During the three months ended September 30, 2019 and 2018, the Company incurred stock-based compensation expense of \$182,877 and \$385,836, respectively, related to stock options granted to officers and directors of the Company.

At September 30, 2019 and June 30, 2019, the Company had no fees owing to related parties.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical judgements and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the condensed interim financial statements for the three months ended September 30, 2019 are consistent with those applied in the preparation of Company's interim condensed financial statements for the three months ended September 30, 2019 and include the following:

Critical judgments

The critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions management has made about the future and other major sources of estimation uncertainty at the date of the statement of financial position that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Income Taxes

The Company recognizes deferred tax assets for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and other income tax deductions can be utilized. In assessing the probability of realizing the income tax benefits of deductible temporary differences, unused tax losses and other income tax deductions, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

As at September 30, 2019 and 2018, the Company has not recognized any deferred tax assets for deductible temporary differences. Changes in any of the above-mentioned estimates can materially affect the amount of income tax assets recognized. In addition, where applicable tax laws and regulations are either unclear or subject to varying interpretations, changes in these estimates can occur that materially affect the amounts of income tax assets recognized. The Company reassesses unrecognized income tax assets at the end of each reporting period

NEW ACCOUNTING STANDARDS AND ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Company adopted the following new accounting standard and interpretation:

IFRS 16, Leases (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases on the condensed consolidated statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company has applied a modified retrospective transition approach. The Company does not have any leases, and as a result, this standard had no impact on the Company's financial statements on adoption.

IFRIC 23, Uncertainty over Income Tax Treatments (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. This interpretation did not have an impact on the Company's financial statements.

The Company has not applied the following amendment that has been issued but is not yet effective:

Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. The Company has not elected to apply this amendment early.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the three months ended September 30, 2019.

FINANCIAL INSTRUMENTS AND RELATED RISKS

Classifications

The Company's financial assets and liabilities are classified as follows:

	September 30, 2019	June 30, 2019
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 564,656	\$ 784,845
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	\$ 98,474	\$ 118,772

The amount of accounts payable and accrued liabilities includes amounts due to and from related parties.

Fair value information

The fair values of the Company's cash, amounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments.

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of inputs used in measuring fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

At September 30, 2019 and 2018, the Company had no financial assets measured and recognized on the statement of financial position at fair value belonging in Level 2 or Level 3 of the fair value hierarchy.

Financial instrument risk exposure

The Company's financial instruments expose the Company to certain financial risks, including credit risk, liquidity risk, interest rate risk, foreign currency risk and other price risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. At September 30, 2019, the Company's cash exposes the Company to credit risk.

The Company's cash is held with high credit quality financial institution in Canada. At September 30, 2019 and 2018, management considers its exposure to credit risk with respect to receivables to be low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital. At September 30, 2019, the Company had cash of \$564,656 (June 30, 2019 - \$784,845) and accounts payable and accrued liabilities of \$98,474 (June 30, 2019 - \$118,772) with contractual maturities of less than one year.

Market risk

Market risk consists of interest rate risk, foreign currency risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate cash flow risk due to their short-term nature and maturity.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies. As at September 30, 2019 and 2018, the Company is not exposed to currency risk, as all balances are denominated in Canadian dollars.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk, or currency risk. As at September 30, 2019 and 2018, the Company is not exposed to significant other price risk.

OUTSTANDING SHARE CAPITAL DATA

At the date of this MD&A, the Company had 33,073,303 common shares issued and outstanding (June 30, 2019 – 33,073,303).

The Company has authorized an unlimited number of common shares without par value.

At the date of this MD&A, the Company has no warrants outstanding.

At the date of this MD&A, the Company has stock options outstanding as follows:

Number of options	Exercise price	Expiry date	Exercisable
2,050,000	\$0.30	July 11, 2021	2,050,000
1,065,000	\$0.20	August 12, 2024	1,065,000

OUTLOOK

The Company will not need additional funding for its corporate and overhead expenses in the near future; although any material acquisition will likely require additional financing. Many factors influence the Company's ability to raise funds, including the health of the capital market and the Company's track record. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favorable, or at all.

RISKS AND UNCERTAINTIES

The Company's business remains mineral property acquisition, exploration and development business and as a result it may be exposed to a number of operational, financial, regulatory and other risks and uncertainties that are typical in the natural resource industry and common to other companies in the exploration and development stage. These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company or which are presently considered immaterial could adversely impact the Company's business, results of operations, and financial performance in future periods.

General economic and financial market conditions

Since the middle of 2008, there has been global economic uncertainty, increased market volatility, reduced confidence in financial markets, bank failures and credit availability concerns. These economic events have had a negative effect on the mining and minerals sectors in general and may impact the ability of the Company to obtain equity or debt financing in the future on terms that are favourable and acceptable to the Company. The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

Although there have been some indications of economic recovery and macroeconomic indicators in the United States have had a lesser impact on silver and copper prices as compared to other metal prices, if these increased levels of volatility and market turmoil were to continue or intensify, the Company's results of operations and financial performance could be adversely impacted and the trading price of the Company's common shares could be adversely affected. General economic conditions remain unsettled and the outlook uncertain. As a result, the Company will continue to consider its future plans and options carefully in light of prevailing economic conditions.

Need for Additional Funding

Further funding may be required by the Company to continue as a going concern. There is no guarantee that the Company will be able to raise sufficient funds. In addition, any future financing may be dilutive to existing shareholders of the Company.

Exploration and development stage risks

Exploration for mineral resources involves a high degree of risk, the cost of conducting programs may be substantial and the likelihood of success is difficult to assess.

Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, but not limited to, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could negatively impact them, and employs experienced consultants and key management to assist in its risk management and to make timely decisions regarding future property expenditures.

Other risks associated with projects in the exploration and development stage which could cause delays or prohibit the progress of the overall project include delays in obtaining required government approvals and permits and the inability to obtain suitable or adequate machinery, equipment, road access, power or labour.

Metal price risk

The price of metals greatly affects the value of the Company's own securities and investments and the recoverability of its exploration and evaluation assets.

Operating Hazards and Risks

The Company's operations are subject to hazards and risks normally associated with the exploration and development of mineral properties, any of which could cause delays in the progress of the Company's exploration and development plans, damage to or destruction of property, loss of life and/or environmental damage. Some of these risks include, but are not limited to, unexpected or unusual geological formations; rock bursts, cave-ins, fires, flooding and earthquakes; unanticipated changes in metallurgical characteristics and mineral recovery, unanticipated ground or water conditions, industrial or labour disputes, hazardous weather conditions, cost overruns, land claims and other unforeseen events may occur. A combination of experience, knowledge and careful evaluation may not be able to overcome these risks.

The nature of these risks is such that liabilities might exceed any insurance policy limits, the liabilities and hazards might not be insurable or the Company might not elect to insure itself against such liabilities due to high premium costs or other factors. Such liabilities may have a materially adverse effect on the Company's financial condition and operations and could reduce or eliminate any future profitability and result in increased costs and a decline in the value of the securities of the Company.

Environmental risk

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the country in which the Company operates. Present or future laws and regulations and third party opposition, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploring, developing, operating and closing of mines. Programs may also be delayed or prohibited in certain areas. The costs of complying with changes in governmental regulations can negatively impact the Company's financial performance. As at June 30, 2018, management estimates that the Company has no obligations for decommissioning.

Reliance on key personnel and skilled workers

The Company's operations require employees and contractors with a high degree of specialized technical, management and professional skills, such as engineers, trades people and plant and equipment operators. The Company competes with other local industries for these skilled workers. If the Company is unable to find an adequate supply of skilled workers, a decrease in productivity or an increase in costs may result which could have a material adverse effect on the Company's business, results of operations and financial performance.

The success of the Company's operations and activities is dependent to a significant extent on the efforts and abilities of its senior management team, as well as outside contractors, experts and its partners. The loss of one or more members of senior management, key employees, contractors or partners, if not replaced, could have a material adverse effect on the Company's business, results of operations and financial performance.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the BC *Business Corporations Act* ("BCBCA") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of District Metals are required to act honestly, in good faith, and in the best interest of District Metals.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties relating to disputes; fluctuations in commodity prices and foreign currency exchange rates; uncertainties relating to interpretation of drill results and the geology; the need to obtain additional financing to develop properties and uncertainties as to the availability and terms of future financing; uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward looking statements contained herein are based on information available as at October 24, 2019 and are subject to change after this date. The Company assumes no obligation and has no policy for updating or revising forward looking information or statements to reflect new events or circumstances, except as may be required under applicable securities laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and discussed under "Risks and Uncertainties".