



Management Discussion and Analysis For the Year Ended June 30, 2020

This management's discussion and analysis ("MD&A") is provided to enable the reader to assess material changes in financial condition and results of operations of District Metals Corp. (the "Company" or "District Metals") for the fiscal year ended June 30, 2020. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the fiscal year ended June 30, 2020, 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 consolidated financial statements.

This MD&A contains forward-looking statements. Statements regarding the adequacy of cash resources to carry out the Company's exploration programs or the need for future financing are forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language on pages 13 and 14. 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 October 18, 2020.

BUSINESS OVERVIEW

The Company was incorporated under the *Business Corporations Act* (Alberta) on July 24, 1989 and 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" and on the Frankfurt Stock Exchange under the symbol "DFPP".

The Company is a junior mineral exploration stage company in the business of acquiring, exploring, and evaluating natural resource properties, and either developing these properties further or disposing of them when the evaluation is complete. As at the date of this MD&A, the Company holds a 100% interest in the Tomtebo and Trollberget Properties, located in the Bergslagen Mining District of south-central Sweden, and a 100% interest in the Bakar Property located on North Vancouver Island in British Columbia, Canada.

The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the future. 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. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favourable, or at all.

Tomtebo and Trollberget Properties, Sweden

On June 30, 2020, the Company completed its acquisition of 100% ownership of the Tomtebo and Trollberget properties ("Tomtebo Property") from Viad Royalties AB, a wholly-owned subsidiary of EMX Royalty Corp. ("EMX"), for \$35,000 and the issuance of 5,882,830 common shares of the Company, with a fair value of \$1,353,050 ("Tomtebo Purchase Agreement" or the "Transaction"). EMX retained a 2.5% net smelter royalty on each of the properties. The Company also entered into a shareholder rights agreement with EMX pursuant to which, among other things, EMX has been granted a top-up right (the "Top-Up Right") to maintain its proportionate shareholding in the Company at no additional consideration until the earlier of the five year anniversary of the closing of the Transaction and completion of a financing raising gross proceeds of at least \$600,000, up to a maximum of 3,000,000 common shares in the capital of the Company.

To retain the Tomtebo Property, the Company must:

- i) incur \$1,000,000 of eligible expenditures on the Tomtebo Property within two years of the closing of the Transaction; and
- ii) complete a minimum of 2,000 m of drilling within three years of completion of the Transaction and an aggregate of 5,000 m within five years of completion of the Transaction.

Also in connection with the closing of the Transaction, pursuant to the previously announced services agreement between the Company, Vector Geological Solutions Inc., (the "Consultant") and Daniel MacNeil, as principal of the Consultant, the Company issued 466,390 common shares in the capital of the Company, with a fair value of \$107,270, to the Consultant (the "Finder Shares") and agreed to issue up to an additional 33,610 shares on the issuance of at least 448,134 common shares pursuant to the Top-Up Right, on or before 12 months following the closing date. The Consultant is at arm's length to the Company.

For further details regarding the terms of the Purchase Agreement, please refer to the Company's news releases of February 20, 2020 and May 8, 2020 and the Purchase Agreement filed on the Company's profile on www.sedar.com.

Costs incurred with respect to the Tomtebo Property are summarized below:

Acquisition Costs		
Balance, June 30, 2019	\$	-
Additions		1,499,090
Balance, June 30, 2020	\$	1,499,090
Total		
Balance, June 30, 2019	\$	-
Balance, June 30, 2020	\$	1,499,090

Bakar Property, British Columbia

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. These expenditures were completed during the year-ended June 30, 2019.

Costs incurred with respect to the Bakar Property are summarized below:

Acquisition Costs		
Balance, June 30, 2019	\$	35,086
Additions		240,000
Balance, June 30, 2020	\$	275,086
Deferred Exploration Costs		
Balance, June 30, 2019	\$	320,202
Consulting		19,469
Exploration		2,582
Balance, June 30, 2019	\$	342,253
Total		
Balance, June 30, 2019	\$	355,288
Balance, June 30, 2020	\$	617,339

On August 18, 2020, the Company announced that it had entered into a definitive agreement to sell an 80% interest in its Bakar Property to Sherpa II Holdings Corp. ("Sherpa II") (the "Bakar Sale Agreement"). Pursuant to the Bakar Sale Agreement, Sherpa II will acquire an 80% interest in the Bakar Property for the following consideration:

- \$50,000 cash payment;
- 1,000,000 common shares of Sherpa II;
- \$200,000 in work expenditures within six months of closing; and
- Carry over of the 2.0% NSR from the royalty agreement dated July 12, 2019 between the Company and Longford Capital Corp. on one of the eight mineral claims that comprises Bakar, which covers 1,352 hectares (ha) out of the 15,687 ha Property. The 2.0% NSR may be repurchased entirely for \$6,500,000 cash.

ANNUAL FINANCIAL INFORMATION

The selected financial information below are derived from the Company's audited consolidated financial statements for the years ended June 30, 2020, 2019 and 2018, prepared in accordance with IFRS. The Company's significant accounting policies and new accounting policies applied in the preparation of its consolidated financial statements are outlined in Note 3 to the Company's audited consolidated financial statements for the years ended June 30, 2020 and 2019.

	Year ended		
	June 30, 2020	June 30, 2019	June 30, 2018
Total revenue	\$ -	\$ -	\$ -
Operating expenses	1,090,560	967,668	102,615
Other expenses (income)	-	-	-
Net loss	1,090,560	967,668	102,615
Total comprehensive loss	1,090,560	967,668	102,615
Basic and diluted loss per common share:	0.03	0.03	0.00

	As at		
	June 30, 2020	June 30, 2019	June 30, 2018
Cash	\$ 2,512,091	\$ 784,845	\$ 1,427,306
Mineral property, plant and equipment	2,116,429	355,288	-
Total assets	4,730,846	1,162,488	1,435,780
Current financial liabilities	262,747	118,772	15,968
Shareholders' equity	4,468,099	1,043,716	1,419,812

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 \$1,090,560 during the fiscal year ended June 30, 2020, an increase in loss of \$122,892, as compared to the total net loss and comprehensive loss of \$967,668 for the year ended June 30, 2019.

The increase in loss was largely the result of higher expenses associated with the acquisition of the Tomtebo and Trollberget properties, including increases in professional fees of \$144,001, travel of \$18,100, shareholder information and investor relations of \$17,525, and property investigation costs of \$15,646. Further contributing to the increase in expenses compared to the prior year were an increase in transfer agent, regulatory and listing fees of \$34,767, as a result of the Company moving from a listing under the NEX Branch of the Exchange to a listing on the Venture Exchange in Q4 2019; and an increase in management fees of \$26,954, as a result of increased service levels compared to the prior year.

These increases were partially offset by decreases in consulting fees and stock-based compensation expense of \$66,405 and \$71,241, respectively. The decrease in consulting fees was primarily the result of management actively engaging in the identification, review, and assessment of mineral and exploration properties. During the year ended June 30, 2020 the Company granted 2,930,000 stock options resulting in a stock-based compensation expense of \$514,659, compared to 2,050,000 stock options grants during the year ended June 30, 2019 resulting in stock-based compensation expense of \$585,900.

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
Q4/20 June 30, 2020	\$ -	\$ (541,190)	\$ (541,190)	\$ (0.01)
Q3/20 March 31, 2020	-	(115,120)	(115,120)	(0.00)
Q2/20 December 31, 2020	-	(102,078)	(102,078)	(0.00)
Q1/20 September 30, 2020	-	(332,172)	(332,172)	(0.00)
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)

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

- During the year-end June 30, 2020, the Company's first and fourth quarter losses were influenced by stock-based compensation expense of \$205,015 and \$309,644, respectively. When normalized for this amount, the losses of \$127,157 for Q1 2020 and \$231,546 for Q4 2020.
- During the year ended June 30, 2019, the Company's first quarter loss was influenced by stock-based compensation expense of \$585,900. When normalized for this amount, the loss was \$88,575.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated financial statements for the fiscal year ended June 30, 2020 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 June 30, 2020, the Company had cash of \$2,512,091 (2019 - \$784,845) and working capital of \$2,262,077 (2019 - \$688,428). The Company currently does not generate revenue. It has incurred losses and negative cash flows from operations since inception and had an accumulated deficit of \$56,129,095 as at June 30, 2020 (2019 - \$55,038,535).

The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the next twelve months and in the future. The consolidated financial statements for the year ended June 30, 2020 do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

Cash flows

Cash used in operating activities for the year ended June 30, 2020, was \$372,580 compared to \$385,012 for the year ended June 30, 2019. The decrease in spending is primarily the result of changes in non-cash working capital items compared to the prior year.

During 2020 and 2019, cash was invested in exploration and evaluation assets, with higher spend in 2019, associated with cash costs incurred on the Bakar property and the Tomtebo and Trollberget properties.

Cash from financing activities for the year ended June 30, 2020 was \$2,339,964 compared to \$5,672 for the year ended June 30, 2019. In the fourth quarter of 2020, the Company completed a non-brokered private placement of 20,000,001 common shares for gross proceeds of \$2,400,000 and share issuance costs of \$60,036, resulting in net proceeds of \$2,339,964. Financing activity in prior year was restricted to the exercise of 40,000 warrants, resulting in gross proceeds of \$6,000 and share issuance costs of \$328, for net proceeds of \$5,672.

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.

- (a) Key management compensation for the years ended June 30, 2020 and 2019 were as follows:

	For the Years Ended	
	June 30, 2020	June 30, 2019
Salary	\$ 24,455	\$ -
Short-term benefits	110,000	116,750

During the year ended June 30, 2020, the Company incurred \$110,000 (2019 - \$116,750), for consulting fees provided by the Company's Chief Executive Officer ("CEO"). The Company entered into an employment agreement with the Company's CEO effective June 1, 2020, pursuant to which, if the Company experiences a change of control the CEO is entitled to 24 months of salary.

- (b) During the year ended June 30, 2020, the Company incurred stock-based compensation expense of \$400,911 (2019 - \$385,837), related to stock options granted to officers and directors of the Company. On October 7, 2020, the Company granted 300,000 stock options to a director of the Company.
- (c) At June 30, 2020, the Company had \$87,183 (2019 - \$nil) owing to related parties.

FOURTH QUARTER

	June 30, 2020	June 30, 2019
EXPENSES		
General and administrative costs	\$ 2,891	\$ 925
Management fees	49,454	22,500
Consulting fees	32,560	39,687
Professional fees	109,859	6,073
Insurance	2,716	2,875
Shareholder information and investor relations	8,050	15,651
Stock-based compensation expense	309,644	-
Travel	704	747
Transfer agent, regulatory and listing fees	25,312	371
	\$ 541,190	\$ 88,829

The Company incurred a net loss and total comprehensive loss of \$541,190 during the three months ended June 30, 2020 compared \$88,829 for the same period of 2019, an increase in loss of \$452,361.

The increase in loss was primarily the result of higher:

- Stock-based compensation expense resulting from a stock option grant to employees and consultants in the fourth quarter of 2020 with immediate vesting and with no corresponding stock option grant in the fourth quarter of 2019;
- Professional fees and transfer agent, regulatory and listing fees related to the Company's acquisition of the Tomtebo and Trollberget properties in the fourth quarter of 2020, up \$103,786 and \$24,941, respectively, compared to the same period of 2019; and
- Management fees related to increased service levels compared to the fourth quarter of 2019.

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 audited consolidated financial statements for the year ended June 30, 2020 are consistent with those applied in the preparation of and as disclosed in Note 4 to the Company's audited consolidated financial statements for the year ended June 30, 2020 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.

Impairment of long-lived assets

The carrying value and the recoverability of long-lived assets, including exploration and evaluation assets, are evaluated at each reporting date. Management assesses the potential impairment, which involves assessing whether facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

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 June 30, 2020 and 2019, 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.

Valuation of stock-based compensation

The Company uses the Black-Scholes option pricing model for valuation of stock-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

NEW ACCOUNTING STANDARDS AND ACCOUNTING STANDARDS NOT YET EFFECTIVE

New accounting standards and interpretations

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 in the consolidated statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company does not have any leases, and as a result, this standard had no impact on the Company's consolidated financial statements on adoption.

Accounting standards issued but not yet adopted

The following amendment 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 is currently evaluating the potential impact of these amendments.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the year ended June 30, 2020.

FINANCIAL INSTRUMENTS AND RELATED RISKS

Classifications

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

	June 30, 2020	June 30, 2019
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash	\$ 2,512,091	\$ 784,845
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	\$ 262,747	\$ 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 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 June 30, 2020 and 2019, 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 and foreign currency 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 June 30, 2020, the Company was exposed to credit risk on its cash.

The Company's cash is held with a high credit quality financial institution in Canada and as at June 30, 2020, management considers its exposure to credit risk 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 and expenditures.

At June 30, 2020, the Company had cash of \$2,512,091 (2019 - \$784,845) and accounts payable and accrued liabilities of \$262,747 (2019 - \$118,772) with contractual maturities of less than one year. The Company had sufficient cash to meet its current liabilities as at June 30, 2020. The Company assessed its liquidity risk as low as at June 30, 2020.

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.

The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at June 30, 2020.

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 June 30, 2020, the Company had limited exposure to foreign currency risk, as the majority of balances are denominated in Canadian dollars. The Company assessed its financial currency risk as low as at June 30, 2020.

OUTSTANDING SHARE CAPITAL DATA

At the date of this MD&A, the Company had 59,422,524 common shares issued and outstanding (June 30, 2020 – 59,422,524).

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, and the following stock options outstanding:

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	335,000
1,865,000	\$0.21	June 2, 2025	1,865,000
300,000	\$0.33	October 7, 2025	300,000

RISKS AND UNCERTAINTIES

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company and uncertainties not discussed to date or not known to management could have material and adverse effects on the valuation of our securities, existing business activities, financial condition, results of operations, plans and prospects. could cause the Company's operating and financial performance to differ materially from the estimates described in forward-looking statements relating to the Company. These include widespread risks associated with any form of business and specific risks associated with the Company's business and its involvement in the mineral exploration and development industry.

This section describes risk factors identified as being potentially significant to the Company and its material property, the Tomtebo Property. Additional risk factors may be included in technical reports or other documents previously disclosed by the Company. In addition, other risks and uncertainties not discussed to date or not known to management could have material and adverse effects on the valuation of our securities, existing business activities, financial condition, results of operations, plans and prospects.

Limited Operating History

The Company has no history of earnings or profitability. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complication, and delays frequently encountered in connection with the establishment of any business. The Company will have limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that the Company will be able to generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

Negative Operating Cash Flow and Dependence on Third-Party Financing

The Company does not have a source of operating cash flow and there can be no assurance that the Company will ever generate earnings or achieve profitability. Accordingly, it is dependent on third-party financing to continue exploration activities, maintain capacity, and satisfy contractual obligations. The Company has negative cash flow from operating activities in its most recently completed financial year, and proceeds from any financings will be used to fund anticipated negative cash flow from operating activities in both current and future periods. The amount and timing of expenditures will depend on several factors, including in material part the progress of ongoing exploration, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the entering into of any strategic partnerships, and the acquisition of additional property interests. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties or require it to sell one or more of its properties.

Uncertainty of Additional Funding

The Company will be dependent on third-party financing, whether through debt, equity or other means. There is no assurance that it will be successful in obtaining required financing in the future or that such financing will be available on terms acceptable to the Company. Volatile resource markets, a claim against the Company, a significant event disrupting the Company's business or other factors may make it difficult or impossible to obtain financing through debt, equity or other means on favourable terms, or at all. In addition, any future financing may also be dilutive to existing shareholders of the Company. The Company is dependent on third-party financing to satisfy the exploration expenditure requirements required by the definitive purchase agreement between the Company and the vendor of the Tomtebo property by the times specified therein, failing which the Tomtebo Property will be forfeited without any repayment to the Company.

Exploration Risks

The Company's mineral properties are in early exploration stages and are without a known body of commercially exploitable resources. Exploration for mineral resources involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The risks and uncertainties inherent in exploration activities include but are not limited to:

general economic, market and business conditions, the regulatory process and actions, failure to obtain necessary permits and approvals, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. The discovery of mineral deposits is dependent upon several factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting exploration programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body will be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is also dependent upon several factors, most of which are beyond the control of the Company and may result in the Company not receiving adequate return on investment capital.

No Known Mineral Reserves or Mineral Resources

There are no known bodies of commercial minerals on the Company's mineral properties. The exploration programs undertaken and proposed constitute an exploratory search for mineral resources and mineral reserves or programs to qualify identified mineralization as mineral reserves. There is no assurance that the Company will be successful in its search for mineral resources and mineral reserves.

Substantial Expenditures Are Required

Substantial expenditures are required to establish mineral reserves through drilling and the estimation of mineral reserves or mineral resources in accordance with the CIM Definition Standards. Although significant benefits may be derived from the discovery of a major mineralized deposit, the Company may not discover minerals in sufficient quantities or grades to justify a commercial mining operation and the funds required for development may not be obtained on a timely basis or may not be obtainable on terms acceptable to the Company. Estimates of mineral reserves and mineral resources can also be affected by environmental factors, unforeseen technical difficulties and unusual or unexpected geological formations. In addition, the grades of minerals ultimately mined may differ from those indicated by drilling results. Material changes in mineral reserve or mineral resource estimates, grades, stripping ratios or recovery rates may affect the economic viability of any project.

The Company is Dependent on a Single Material Mineral Project

The Company currently has only one material project, the Tomtebo Property, and, in the absence of additional mineral projects, it is solely dependent upon its exploration and development for future revenue and profits. Should additional exploration and development of the Tomtebo Property not be possible or practicable for political, engineering, technical or economic reasons, then the Company's business and financial position will be significantly and adversely affected.

Inaccurate Estimates

Unless otherwise indicated, mineralization figures presented by the Company in filings with securities regulatory authorities, press releases and other public statements that may be made from time to time, are based upon estimates made by Company personnel and independent geologists. These estimates are inherently imprecise, as they depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. As a result, there can be no assurance that mineral resource or other mineralization figures or estimates of costs (including initial capital costs and initial capital intensity) and expenses will be accurate, nor that the resource mineralization could be mined or processed profitably.

Governmental Regulation

The Company's assets and activities are subject to extensive Canadian and Swedish federal, provincial, territorial and local laws and regulations governing various matters, including, but not limited to: land access, use and ownership; water use; environmental protection; social consultation and investment; management and use of toxic substances and explosives; rights over and management of natural resources, including minerals and water; prospection, exploration, development and construction of mines, production and reclamation; exports and imports; taxation; mining royalties; restrictions on the movement of capital into and out of Sweden (which could impact the Company's ability to repatriate funds to Canada); importation of equipment and goods; transportation; hiring practices and labour standards by the Company and contractors, as well as occupational health and safety, including mine safety; reporting requirements related to investment, social and environmental impacts, health and safety, and other matters; processes for preventing, controlling or halting artisanal or illegal mining activities; and historic and cultural preservation.

The costs and efforts associated with compliance with laws and regulations are already substantial and future laws and regulations, changes to existing laws and regulations or more stringent application and enforcement of current laws and regulations by governmental authorities, could cause additional expenses, capital expenditures, delays in the development of the Company's property, and even restrictions on or suspensions of Company operations. Moreover, these laws and regulations may allow governmental authorities and private parties to bring complaints or lawsuits against the Company based upon alleged damage to property and/or injury to persons resulting from the environmental, health and safety impacts of the Company's past and current operations, or possibly even actions or inaction by parties from whom the Company acquired its property, and could lead to the imposition of substantial financial judgments, fines, penalties or other civil or criminal sanctions.

It is challenging to comply strictly with all of the norms that apply to the Company. The Company retains competent and trained staff, professionals, attorneys and consultants in jurisdictions in which it does business; however, there is no certainty that both it and its contractors will continuously be compliant with all applicable laws and regulations. The failure to comply with all applicable norms could lead to financial restatements, fines, penalties and other material negative impacts on the Company.

Laws, Regulations and Local Practices

While the Company seeks to fully comply with applicable laws, regulations and local practices, failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction, cancellation or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. Any such loss, reduction or imposition of partners could have a material adverse impact on the Company's operations or business. Furthermore, increasing complexity of mining laws and regulations may render the Company incapable of strict compliance.

Competitive Conditions

The Company will actively compete for resource acquisitions, exploration leases, licenses, concessions, and skilled industry personnel with a substantial number of other mining companies, many of which have significantly greater financial resources than the Company. The Company's competitors will include major integrated mining companies and numerous other independent mining companies and individual producers and operators, some of which may have greater liquidity, greater access to credit and other financial resources, newer or more efficient equipment, lower cost structures, more effective risk management policies and procedures and/or greater ability than the Company to withstand losses. The Company's competitors may be able to respond more quickly to new laws or regulations or emerging technologies or devote greater resources to the expansion of their operations than the Company can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Competition could adversely affect the Company's ability to acquire suitable new properties in the future. Competition could also affect the Company's ability to raise financing to fund the exploration and development of its properties or to hire qualified personnel. The Company may not be able to compete successfully against current and future competitors, and any failure to do so could have a material adverse effect on the Company's business, financial condition or results of operations.

Reliance Upon Key Personnel

The senior officers of the Company are critical to its success. In the event of the departure of a senior officer, the Company believes that it will be successful in attracting and retaining qualified successors, but there can be no assurance of such success. Recruiting qualified personnel as the Company grows is critical to its success. The number of persons skilled in the acquisition, exploration, and development of mining properties is limited, and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, engineering, geological and other personnel. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on future cash flows, earnings, results of operations and the financial condition of the Company. The Company is particularly at risk at this state of its development as it relies on a small management team, the loss of any member of which could cause severe adverse consequences.

Title to Properties

Although the Company has or will receive title opinions for any material properties in which it has an interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's properties may be subject to prior unregistered agreements or transfers or indigenous land claims and title may be affected by unidentified or unknown defects. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claims to individual mineral properties or mining concessions may be constrained. A successful challenge to the Company's title to a property or to the precise area and location of a property could cause delays or stoppages to the Company's exploration activities or loss of the Company's rights to explore, develop and extract any ore on that property without reimbursement to the Company. Any such delays, stoppages or loss of title would likely have a material adverse effect on the Company's business, financial condition and results of operations.

Conflicts of Interest

Members of the Board may become directors of other reporting companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the Board may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Company and its Board will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. Conflicts, if any, will be subject to the procedures and remedies as provided under the Business Corporations Act (British Columbia) (the "BCBCA"). The provisions of the BCBCA require a director or officer of a corporation who has a material interest in a contract or transaction of the corporation, or a director or officer of a corporation who is a director or officer of or has a material interest in a person who has a material interest in a contract or transaction with the corporation, to disclose his or her interest and, in the case of directors, to refrain from voting on any matter

in respect of such contract unless permitted under the BCBCA, as the case may be. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

Permits and Licenses

In the ordinary course of business, the Company is required to obtain new governmental permits as well as renew permits for exploration and development activities and any ultimate development, construction and commencement of new mining operations. Obtaining or renewing necessary permits can be a complex and time-consuming process, which at times may involve several political jurisdictions and different government agencies that may not have the necessary expertise, resources or political disposition needed for efficient and timely processing, and may require public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by permitting authorities and timeframes for agency decisions. The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can recover from the Project once in production. Any unexpected delays or costs associated with the permitting process could slow exploration and/or development or impede the eventual operation of a mine, and could adversely impact the Company's operations and profitability.

Environmental and other Regulatory Requirements

Environmental and other regulatory requirements will affect the future operations of the Company, including exploration and development activities and commencement of production on the Company's mining properties. Such projects will require permits from various federal and local governmental authorities and such operations are and will be governed by laws and regulations governing exploration, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. Companies engaged in the development and operation of mines and related facilities often experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, may be necessary prior to operation of the Company's mining properties and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of ore extraction facilities at the Company's mining properties on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and environmental laws.

Amendments to current laws, regulations, and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration costs or require abandonment or delays in the exploration or future development of new mining properties.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting ownership of assets, exploration policies, monetary policies, taxation, rates of exchange, environmental regulations, labour relations and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Volatility of Share Price

In recent years, the securities markets in Canada and the United States, and the TSX Venture Exchange in particular, have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values, or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Company in creating revenues, cash flows, or earnings.

Dividends

At the present time, it is unlikely the Company's shareholders will receive a dividend on Common Shares. Payment of any future dividends will be at the discretion of Company's Board after taking into account many factors, including operating results,

financial condition and anticipated cash needs. It is expected that the Company will retain its earnings, if any, to finance further growth.

Acquisitions and Joint Ventures

The Company will evaluate from time to time opportunities to acquire or enter into joint ventures in respect of mining assets and businesses. These acquisitions and joint ventures may be significant in size, may involve granting rights to third parties, may change the scale of the Company's business and may expose it to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition and joint venture activities will depend on its ability to successfully negotiate arrangements, identify suitable acquisition and joint venture candidates and partners, acquire or enter into a joint venture with them on acceptable terms and integrate their operations successfully with those of the Company.

Any acquisitions or joint ventures would be accompanied by risks, such as the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of the Company's ongoing business; the inability of management to maximize the financial and strategic position of the Company through the successful incorporation of acquired assets and businesses or joint ventures; additional expenses associated with amortization of acquired intangible assets; the maintenance of uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; dilution of the Company's present shareholders or of its interests in its subsidiaries or assets as a result of the issuance of shares to pay for acquisitions or the decision to grant earning or other interests to a joint venture partner; and the potential unknown liabilities associated with acquired assets and businesses. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions or joint ventures. There may be no right for shareholders to evaluate the merits or risks of any future acquisition or joint venture undertaken except as required by applicable laws and regulations.

Infrastructure

Exploration, development and processing activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important elements of infrastructure, which affect access, capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay the exploration or development of the Company's mineral properties. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploration or development of the Company's mineral properties will be commenced or completed on a timely basis, if at all. Furthermore, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of necessary infrastructure could adversely affect our operations. Failure to adequately meet these infrastructure requirements or changes in the cost of such requirements could affect the Company's ability to carry out exploration and future development operations and could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Commodity Price Risk

The price of the Common Shares, the Company's financial results, exploration and development activities may in the future be adversely affected by declines in the prices of certain minerals. Prices for minerals fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of commodities by various central banks and financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's future revenues, if any, are expected to be in large part derived from mining and sale of precious and base metals or interests in properties related thereto. The effect of these factors on the price of precious and base metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

Fluctuations in Foreign Currency Exchange Rates

The Company reports its financial results and maintains its accounts in Canadian dollars. The Company's operations in Sweden make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company has not hedged its exposure to currency fluctuations.

Claims and Legal Proceedings

The Company and/or its directors and officers may be subject to a variety of civil or other legal proceedings, with or without merit. From time to time in the ordinary course of its business, the Company may become involved in various legal proceedings, including commercial, employment and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results or financial condition.

Going Concern Risk

The Financial Statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. 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. The Company's future operations are dependent upon the identification and successful completion of equity or debt financings and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financings or in achieving profitability.

Information Systems and Cyber Security

The Company's operations depend on information technology ("IT") systems. These IT systems could be subject to network disruptions caused by a variety of sources, including computer viruses, security breaches and cyber-attacks, as well as disruptions resulting from incidents such as cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in IT system failures, delays and/or increase in capital expenses. The failure of IT systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

COVID-19 Risks

The Company's business, operations, and financial condition, and the market price of the Common Shares could be materially and adversely affected by the outbreak of epidemics or pandemics or other health crises, including the recent outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines, and a general reduction in consumer activity in a number of countries. The outbreak has caused companies and various international jurisdictions to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend to countries outside of those currently impacted. Such public health crises can result in volatility and disruptions in the supply and demand for precious and base metals, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk, share prices and inflation. The risks to the Company of such public health crises also include risks to employee health and safety, a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, increased labour and fuel costs, regulatory changes, political or economic instabilities or civil unrest. At this point, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company's control; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations, and financial condition and the market price of the Common Shares.

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. It is the Company's policy 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 18, 2020 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".

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.