

DISTRICT METALS CORP.

Condensed Consolidated Interim Financial Statements
For the three months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars - Unaudited)

DISTRICT METALS CORP.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

As at	September 30, 2021	June 30, 2021
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 2,964,435	\$ 3,643,704
GST and VAT receivable	12,821	199,073
Due from related parties (Note 12)	-	28,088
Prepaid expenses	29,357	30,117
Marketable securities (Note 4)	125,000	125,000
	3,131,613	4,025,982
Advances and deposits (Note 5)	372,121	227,592
Exploration and evaluation assets (Note 5)	3,869,172	3,610,376
TOTAL ASSETS	\$ 7,372,906	\$ 7,863,950
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 and 12)	\$ 432,187	\$ 592,600
TOTAL LIABILITIES	432,187	592,600
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	64,171,883	64,171,883
Reserve (Note 8)	1,662,138	1,953,659
Accumulated deficit	(58,893,302)	(58,854,192)
TOTAL SHAREHOLDERS' EQUITY	6,940,719	7,271,350
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 7,372,906	\$ 7,863,950

Subsequent Events (Note 13)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 29, 2021. They are signed on behalf of the Board of Directors by:

"Joanna Cameron"

Director

"Garrett Ainsworth"

Director

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

DISTRICT METALS CORP.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

	Three months ended	
	September 30, 2021	September 30, 2020
EXPENSES		
General and administrative costs	\$ 149,288	\$ 25,026
Marketing and investor relations	48,557	49,578
Consulting fees (Note 12)	112,045	95,357
Stock-based compensation (Notes 8 and 12)	-	18,917
Transfer agent, regulatory and listing fees	22,792	1,649
OPERATING EXPENSES	332,682	190,527
OTHER EXPENSES (INCOME)		
Foreign exchange (gain) loss	(2,051)	-
Write-down of mineral property (Note 5)	-	442,492
NET LOSS AND COMPREHENSIVE LOSS	\$ 330,631	\$ 633,019
Basic and diluted loss per share	\$ 0.00	\$ 0.01
Weighted average number of common shares outstanding	76,741,623	59,422,524

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

DISTRICT METALS CORP.
Condensed Consolidated Interim Statements of Cash Flow
(Expressed in Canadian Dollars - Unaudited)

	Three months ended	
	September 30, 2021	September 30, 2020
Cash flows provided from (used in):		
OPERATING ACTIVITIES		
Net loss	\$ (330,631)	\$ (633,019)
Adjustments for item not affecting cash:		
Write-down of mineral property	-	442,492
Stock-based compensation	-	18,917
	(330,631)	(171,610)
Net changes in non-cash working capital items:		
GST, VAT and other receivable	214,340	(262,661)
Prepaid expenses and deposits	760	-
Accounts payable and accrued liabilities	(253,635)	(197,275)
Net cash flows used in operating activities	(369,166)	(631,546)
INVESTING ACTIVITIES		
Advances and deposits	(144,529)	-
Exploration and evaluation assets	(165,574)	(152,323)
Net cash flows used in investing activities	(310,103)	(152,323)
Net decrease in cash and cash equivalents	(679,269)	(783,869)
Cash and cash equivalents, beginning of period	3,643,704	2,512,091
Cash and cash equivalents, end of period	\$ 2,964,435	\$ 1,728,222
Supplemental cash flow information	\$	\$
Advances incurred and reclassified to exploration and evaluation assets	-	89,593
Exploration and evaluation assets included in accounts payable and accrued liabilities	320,427	26,717
Fair value reallocation pursuant to stock option cancellation	291,521	-

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

DISTRICT METALS CORP.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars - Unaudited)

	Number of shares	Amount	Reserve	Accumulated deficit	Total
Balance, June 30, 2020	59,422,524	\$ 59,496,635	\$ 1,100,559	\$ (56,129,095)	\$ 4,468,099
Stock-based compensation (Note 8)	-	-	18,917	-	18,917
Net loss for the period	-	-	-	(633,019)	(633,019)
Balance, September 30, 2020	59,422,524	\$ 59,496,635	\$ 1,119,476	\$ (56,762,114)	\$ 3,853,997
Balance, June 30, 2021	76,741,623	\$ 64,171,883	\$ 1,953,659	\$ (58,854,192)	\$ 7,271,350
Fair value reallocation pursuant to stock option cancellation (Note 8)	-	-	(291,521)	291,521	-
Net loss for the period	-	-	-	(330,631)	(330,631)
Balance, September 30, 2021	76,741,623	\$ 64,171,883	\$ 1,662,138	\$ (58,893,302)	\$ 6,940,719

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

DISTRICT METALS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars – Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

District Metals Corp. (the “Company” or “District Metals”) was incorporated under the provincial laws of the Province of Alberta on July 24, 1989 and continued in the Province of British Columbia on March 31, 2006. The Company’s registered office is located at 12th Floor – 200 Burrard Street, Vancouver, BC, V7X 1T2. The Company is listed on the TSX Venture Exchange (the “Exchange”) and trades under the symbol “DMX” and on the Frankfurt Stock Exchange under the symbol “DFPP”.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. The Company currently is not generating any revenues. It has incurred a loss during the three months ended September 30, 2021 of \$330,631 (2020 - \$633,019) and negative cash flows from operations since inception and had an accumulated deficit of \$58,893,302 as at September 30, 2021 (June 30, 2021 - \$58,854,192). Whether and when the Company can obtain profitability and positive cash flows from operations is uncertain. These uncertainties cast substantial doubt on the Company’s ability to continue as a going concern.

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. These condensed consolidated interim financial statements 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. Such adjustments could be material.

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID-19”) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, including the possible impact on future financing opportunities and access to exploration properties.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed, and therefore these condensed consolidated interim financial statements should be read in conjunction with the Company’s June 30, 2021 audited annual consolidated financial statements and the notes to such financial statements.

(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss (“FVTPL”), which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

(c) Presentation and functional currency

The presentation and functional currency of the Company and its wholly owned subsidiaries, District Metals AB (Sweden) and Startplatten 192092 AB (Sweden), is the Canadian dollar. The Company incorporated Startplatten 192092 AB (Sweden) during the three months ended September 30, 2021, in order to hold the mineral licenses for the Svärdsjö and Gruvberget properties in Sweden (Note 13). All amounts in these condensed consolidated interim financial statements are expressed in Canadian dollars, unless otherwise indicated.

DISTRICT METALS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars – Unaudited)

2. BASIS OF PREPARATION (continued)

(d) Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions about the future and to exercise judgment in applying the Company's accounting policies. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgments and assumptions made by management and other major sources of measurement uncertainty are discussed below:

Significant accounting 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 condensed consolidated interim 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.

Determination of functional currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which the respective entity operates; the functional currency of District Metals Corp., District Metals AB and Startplatten 192092 AB (Sweden) is determined to be the Canadian dollar. Such determination involves certain judgments to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment of the respective entity.

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 for indicators of impairment, which includes 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 consolidated 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:

Valuation of stock-based compensation

The Company uses the Black-Scholes option pricing model for the 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.

Recoverability of the carrying value of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company. If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount the Company carries out an impairment test at the cash-generating unit ("CGU"), or group of CGUs, level in the year the new information becomes available. If indicators of impairment exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment.

DISTRICT METALS CORP.**Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars – Unaudited)

3. CASH AND CASH EQUIVALENTS

At September 30, 2021 and June 30, 2021, the Company's cash and cash equivalents are composed of the following:

	September 30, 2021		June 30, 2021	
Cash held in bank accounts	\$	2,964,435	\$	2,843,704
Cash equivalents		-		800,000
Total	\$	2,964,435	\$	3,643,704

Cash equivalents as at June 30, 2021 were held in cashable guaranteed investment certificates with an interest rate of 0.30%.

4. MARKETABLE SECURITIES

Marketable securities consist of 1,000,000 common shares (9.0%) of Sherpa II Holdings Corp. received in connection with the sale of an 80% interest in the Bakar Property (Note 5). These shares are publicly traded on the Exchange and are held at FVTPL. As at September 30, 2021, and June 30, 2021, the fair value of the shares was \$125,000.

5. EXPLORATION AND EVALUATION ASSETS

	Tomtebo Property		Bakar Property		Total	
Acquisition Costs						
Balance, June 30, 2019	1,499,090		275,086		1,774,176	
Additions	121,616		-		121,616	
Property interest sale	-		(130,000)		(130,000)	
Balance, September 30 and June 30, 2021	\$ 1,620,706		\$ 145,086		\$ 1,765,792	
Deferred Exploration Costs						
Balance, June 30, 2020	\$ -		\$ 342,253		\$ 342,253	
Consulting	811,578		1,333		812,911	
Drilling	951,856		-		951,856	
Geochemistry	48,463		-		48,463	
Geophysics	41,167		-		41,167	
Other costs (recovery)	104,555		(58,685)		45,870	
Balance, June 30, 2021	1,957,619		284,901		2,242,520	
Consulting	118,748		-		118,748	
Drilling	92,975		-		92,975	
Geochemistry	37,274		-		37,274	
Other costs	9,799		-		9,799	
Balance, September 30, 2021	\$ 2,216,415		\$ 284,901		\$ 2,501,316	
Write-down of mineral property	\$ -		\$ (397,936)		\$ (397,936)	
Balance, June 30, 2021	\$ 3,578,325		\$ 32,051		\$ 3,610,376	
Balance, September 30, 2021	\$ 3,837,121		\$ 32,051		\$ 3,869,172	

a) Tomtebo Property

On June 30, 2020, the Company completed its acquisition of 100% ownership of the Tomtebo (the "Tomtebo Property") and Trollberget properties (collectively, the "Properties") 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.

DISTRICT METALS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars – Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) Tomtebo Property (continued)

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.

During the year ended June 30, 2021, the Company issued 219,756 common shares with a fair value of \$105,483 to EMX pursuant to the Top-Up Right, which satisfies all Top-Up Right obligations to EMX.

To retain the Tomtebo Property, the Company was required to:

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

As at June 30, 2021, the Company has completed all requirements to retain the Tomtebo Property.

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"). During the year ended June 30, 2021, the Company issued an additional 33,610 common shares with a fair value of \$16,133, which satisfies all Top-Up Right obligations for the Finder Shares associated with the Tomtebo Purchase Agreement. The Consultant is at arm's length to the Company.

As at September 30, 2021, the Company had advanced \$372,121 (June 30, 2021 – \$227,592 for exploration expenditures on the Properties to be incurred subsequent to period end.

b) Bakar Property

During the year ended June 30, 2020, the Company acquired a 100% interest in the Bakar property by paying a cash purchase price of \$50,000 and issuing 1,250,000 common shares with a fair value of \$200,000.

On December 18, 2020, the Company sold an 80% interest in the Bakar Property to Sherpa II Holdings Corp. ("Sherpa II") (the "Bakar Sale Agreement"), an arms-length third party. Pursuant to the Bakar Sale Agreement, Sherpa II acquired an 80% interest in the Bakar Property for the following consideration:

- \$50,000 cash payment (received);
- 1,000,000 common shares of Sherpa II (received; fair value at December 31, 2020 of \$80,000);
- \$200,000 in work expenditures within nine months of closing (completed during the three months ended September 30, 2021); and
- Assumption 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.

The purchase consideration pursuant to the Bakar Sale Agreement was lower than the Company's carrying value of the Bakar Property, as such, the Company determined that indicators of impairment existed. A test of the recoverable amount of the Bakar Property resulted in an impairment loss of \$442,492 during the three months ended September 30, 2020. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the property at this stage of operations. In estimating the fair value less costs of disposal, management estimated the fair value of the property based on the consideration stated in the Bakar Sale Agreement, level 3 in the fair value hierarchy.

During the year ended June 30, 2021, the Company received a refund of \$58,685 from the Government of Canada related to Mineral Exploration Tax Credit ("METC"), which was recorded as a recovery against other costs on the Bakar Property.

DISTRICT METALS CORP.**Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars – Unaudited)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At September 30, 2021 and June 30, 2021, the Company's accounts payable and accrued liabilities are comprised of the following:

	September 30, 2021		June 30, 2021	
Trade payables	\$	340,307	\$	61,223
Accrued liabilities		91,880		531,377
	\$	432,187	\$	592,600

7. SHARE CAPITAL**a) Authorized**

Unlimited number of common shares without par value.

b) Issued

During the three months ended September 30, 2021 and 2020, no common shares were issued.

8. OPTIONS AND WARRANTS**a) Options**

On July 11, 2021, 1,020,000 stock options priced at \$0.30 expired unexercised and accordingly, \$291,521 was reclassified from reserve to deficit. Total stock-based compensation expense recognized during the three months ended September 30, 2021 was \$Nil (2020 - \$18,917 using the Black-Scholes option pricing model, which includes \$Nil (2020 - \$18,917) recognized for the vesting of previously granted stock options.

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of stock options. The terms of the granted options are fixed by the Board of Directors and are not to exceed ten years. The exercise price of options are determined by the Board of Directors, but shall not be less than the closing price of the Company's common shares on the day preceding the day on which the options are granted, less any discount permitted by the Exchange. Options granted under the plan may vest immediately on grant, or over a period as determined by the Board of Directors or, in respect of options granted for investor relations services, as prescribed by Exchange policy.

A continuity schedule of the Company's outstanding stock options as at September 30, 2021 and June 30, 2021 are as follows:

	September 30, 2021		June 30, 2021	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period/year	5,680,000	\$ 0.24	4,980,000	\$ 0.24
Granted	-	0.43	1,950,000	0.43
Exercised	-	0.28	(1,230,000)	0.28
Cancelled/expired	(1,020,000)	0.30	(20,000)	0.15
Outstanding, end of period/year	4,660,000	\$ 0.30	5,680,000	\$ 0.30
Exercisable, end of period/year	4,660,000	\$ 0.30	5,680,000	\$ 0.30

DISTRICT METALS CORP.**Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars – Unaudited)

8. OPTIONS AND WARRANTS (continued)**a) Options (continued)**

At September 30, 2021, the Company had outstanding stock options exercisable to acquire common shares of the Company as follows:

Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining contractual life (in years)
August 12, 2024	855,000	855,000	\$ 0.20	2.87
June 2, 2025	1,855,000	1,855,000	\$ 0.21	3.67
October 7, 2025	300,000	300,000	\$ 0.33	4.02
December 30, 2025	1,400,000	1,400,000	\$ 0.46	4.25
January 18, 2026	50,000	50,000	\$ 0.45	4.30
April 13, 2026	200,000	200,000	\$ 0.40	4.54
	4,660,000	4,660,000	\$ 0.30	3.77

b) Warrants

A continuity schedule of the Company's outstanding common share purchase warrants as at September 30, 2021 and June 30, 2021 is as follows:

	September 30, 2021		June 30, 2021	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period/year	7,917,866	\$ 0.42	-	\$ -
Issued	-	-	7,917,866	0.42
Outstanding, end of period/year	7,917,866	\$ 0.42	7,917,866	\$ 0.42

c) Compensation options

A continuity schedule of the Company's outstanding compensation options as at September 30, 2021 and June 30, 2021 is as follows:

	September 30, 2021		June 30, 2021	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period/year	847,600	\$ 0.30 / 0.42-	-	\$ -
Granted	-	-	850,000	0.30 ⁽¹⁾ / 0.42 ⁽²⁾
Exercised	-	-	(2,400)	0.30 ⁽¹⁾ / 0.42 ⁽²⁾
Outstanding, end of period/year	847,600	\$ 0.30 / 0.42	847,600	\$ 0.30 / 0.42

⁽¹⁾ The holder of each compensation option is entitled to purchase one Unit at an exercise price of \$0.30.

⁽²⁾ Each whole common share purchase warrant is exercisable into one common share of the Company at an exercise price of \$0.42.

9. MANAGEMENT OF CAPITAL

DISTRICT METALS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars – Unaudited)

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to continue its business and maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company's capital includes the components of its shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash. In order to preserve cash, the Company does not pay any dividends.

The Company is not subject to any externally imposed capital requirements. The Company did not change its capital management approach during the three months ended September 30, 2021.

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.

10. FINANCIAL INSTRUMENTS

a) Categories of financial instruments and fair value measurements

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

	September 30, 2021	June 30, 2021
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash and cash equivalents	\$ 2,964,435	\$ 3,643,704
Marketable securities	125,000	125,000
<i>Amortized cost</i>		
Due from related parties	-	28,088
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	\$ 432,187	\$ 592,600

The amount of accounts payable and accrued liabilities includes amounts due to related parties (Note 12).

b) Fair value information

The fair values of the Company's cash and cash equivalents, due from related parties 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, 2021 and June 30, 2021, the Company had no financial assets measured and recognized on the condensed consolidated interim statement of financial position at fair value belonging in Level 2 or Level 3 of the fair value hierarchy.

c) Management of financial risks

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

10. FINANCIAL INSTRUMENTS (continued)

DISTRICT METALS CORP.**Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars – Unaudited)

c) Management of financial risks (continued)*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, 2021, the Company was exposed to credit risk on its cash and cash equivalents.

The Company's cash and cash equivalents is held with a high credit quality financial institutions in Canada and Sweden and as at September 30, 2021, 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 September 30, 2021, the Company had cash and cash equivalents of \$2,964,435 (June 30, 2021 - \$3,643,704) and accounts payable and accrued liabilities of \$432,187 (June 30, 2021 - \$592,600) with contractual maturities of less than one year. The Company had sufficient cash to meet its current liabilities as at September 30, 2021. The Company assessed its liquidity risk as low as at September 30, 2021.

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 September 30, 2021.

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, 2021 and June 30, 2021, the Company had exposure to foreign currency risk through the following assets and liabilities denominated in US Dollars, Euros, and SEK.

September 30, 2021			
	US Dollars	Euros	SEK
Cash and cash equivalents	13,323	472,742	690,292
Accounts payable and accrued liabilities	(21,514)	(52,846)	(1,822,006)
Net	(8,191)	419,897	(1,131,714)
Canadian dollar equivalent	(10,436)	621,704	(164,212)
June 30, 2021			
	US Dollars	Euros	SEK
Cash and cash equivalents	25,674	594,579	965,536
Accounts payable and accrued liabilities	-	-	(3,428,353)
Net	25,674	594,579	(2,462,817)
Canadian dollar equivalent	31,820	873,972	(357,355)

Based on the above net exposures a 5% change in the Canadian Dollar/US Dollar, Canadian Dollar/Euro and Canadian Dollar/SEK exchange rate would impact the Company's net loss by approximately \$1,000, \$31,000 and \$8,000 (June 30, 2021 - \$2,000, \$44,000 and \$18,000), respectively. As at September 30, 2021 and June 30, 2021 the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at September 30, 2021 and June 30, 2021.

11. SEGMENTED INFORMATION

DISTRICT METALS CORP.**Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2021 and 2020**

(Expressed in Canadian Dollars – Unaudited)

The Company is organized into business units based on exploration and evaluation assets and has two reportable operating segments, being that of acquisition and exploration and evaluation activities in Canada and Sweden. The Company is in the exploration stage and has no reportable segment revenues or operating results. The Company's total assets are segmented geographically as follows:

	Sweden		Canada		Total
As at September 30, 2021					
Current assets	\$ 737,129	\$	2,394,484	\$	3,131,613
Advances	154,631		217,490		372,121
Exploration and evaluation assets	3,869,172		-		3,869,172
	\$ 4,760,932	\$	2,611,974	\$	7,372,906
As at June 30, 2020					
Current assets	\$ 1,163,926	\$	2,862,056	\$	4,025,982
Advances	227,592		-		227,592
Exploration and evaluation assets	3,610,376		-		3,610,376
	\$ 5,001,894	\$	2,862,056	\$	7,863,950

12. RELATED PARTY TRANSACTIONS

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 three months ended September 30, 2021 and 2020 were as follows:

	For the Three Months Ended	
	September 30, 2021	September 30, 2020
Salary	\$ 63,750	\$ 62,179
Short-term benefits	\$ 48,000	\$ -

(b) On June 1, 2020, the Company entered into an employment agreement with the Company's Chief Executive Officer ("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. Pursuant to the employment agreement, the Company incurred a salary of \$63,750 to the CEO during the three months ended September 30, 2021, recorded in consulting fees (2020 - \$62,179). During the three months ended September 30, 2021 and 2020, the Company incurred consulting fees of \$15,000 and \$Nil, respectively, for services provided by the CFO.

(c) During the three months ended September 30, 2021 and 2020, the Company incurred stock-based compensation expense of \$Nil and \$11,723, respectively, related to stock options granted to officers and directors of the Company.

(d) During the three months ended September 30, 2021 and 2020, the Company incurred director's fees of \$9,000 and \$8,000, respectively, recorded in consulting fees, to directors of the Company.

(e) During the three months ended September 30, 2021 and 2020, the Company incurred consulting fees of \$24,000 and \$Nil paid to a company controlled by a close family member of the CFO.

(f) At September 30, 2021 and June 30, 2021, the Company had \$8,254 due to and \$28,088 due from, related parties, respectively. Amounts are unsecured, non-interest bearing with no set terms of repayment.

13. SUBSEQUENT EVENTS

DISTRICT METALS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars – Unaudited)

The Company entered into the following transactions subsequent to September 30, 2021:

On October 6, 2021, the Company completed the acquisition of the Svardsjo Property located in Sweden from a wholly-owned subsidiary of EMX Royalty Corp. ("EMX"). As consideration for the acquisition of the Svardsjo Property, the Company:

- issued 1,659,084 common shares to EMX (completed);
- paid \$35,000 cash consideration to EMX (completed);
- granted EMX a 2.5% net smelter return ("NSR") royalty on the Svardsjo Property;
- agreed to incur \$1,000,000 of eligible work expenditures on the Svardsjo Property within five years from closing;
- agreed to make certain milestone payments upon a mineral resource estimate and/or preliminary economic assessment; and
- reimburse EMX for mineral license fees previously paid.

On October 7, 2021, the Company granted 2,220,000 stock options to officers, directors and consultants with an exercise price of \$0.25 and an expiry date five years from the grant date.

On October 12, 2021, the Company completed the acquisition of the Gruvberget Property located in Sweden from Explora Mineral AB ("Explora"). As consideration for the acquisition of the Gruvberget Property, the Company:

- issued 1,000,000 common shares to Explora (completed);
- paid \$20,000 cash consideration to Explora (completed);
- granted Explora a 2.5% NSR royalty on the Gruvberget Property subject to an option to repurchase the entire 2.5% NSR royalty for \$8,000,000 at any time; and
- agreed to will incur \$500,000 of eligible work expenditures on the Gruvberget Property within two years from closing.

On November 10, 2021, the Company granted 380,000 stock options with an exercise price of \$0.29 to a consultant of the Company with an expiry date five years from the grant date. On November 22, 2021, 300,000 from this grant were exercised.

On November 23, 2021, the Company entered into an agreement with Haywood Securities Inc. as sole lead agent (the "Agent"), who has agreed to sell, on a commercially reasonable efforts private placement basis, up to 12,000,000 units (the "Units") at a price of \$0.25 per Unit (the "Issue Price") to raise aggregate gross proceeds of up to \$3,000,000. Each Unit will consist of one common share in the capital of the Company (a "Unit Share") and one-half of one common share purchase warrants (each whole share purchase warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one common share in the capital of the Company (a "Warrant Share") at \$0.35 per Warrant Share for a period of 24 months from the Closing Date, which is expected to occur on or about December 14, 2021. The Company has granted the Agent an option, exercisable in whole or in part, by giving notice to the Company at any time up to 48 hours prior to the Closing Date, to sell an additional 15% of Units at the Issue Price.