

# **DISTRICT METALS CORP.**

Consolidated Financial Statements  
For the years ended June 30, 2021, 2020 and 2019  
(Expressed in Canadian Dollars)



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### TO THE SHAREHOLDERS AND DIRECTORS DISTRICT METALS CORP.

#### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of financial position of District Metals Corp. (the "Company") as of June 30, 2021 and 2020, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years ended June 30, 2021, 2020 and 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years ended June 30, 2021, 2020 and 2019, in conformity with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

#### *Material Uncertainty Related to Going Concern*

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company is not generating any revenues. It has incurred a loss during the year ended June 30, 2021 of \$2,729,880, negative cash flows from operations since inception and had an accumulated deficit of \$58,854,192 as at June 30, 2021. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### **Critical Audit Matters**

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

*Smythe LLP*

Chartered Professional Accountants

We have served as the Company's auditor since 2007.

Vancouver, Canada  
October 28, 2021

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**DISTRICT METALS CORP.**  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)

As at	June 30, 2021	June 30, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 5)	\$ 3,643,704	\$ 2,512,091
GST and VAT receivable	199,073	2,927
Due from related parties (Note 15)	28,088	-
Prepaid expenses	30,117	9,806
Marketable securities (Note 6)	125,000	-
	4,025,982	2,524,824
Advances and deposits (Note 7)	227,592	89,593
Exploration and evaluation assets (Note 7)	3,610,376	2,116,429
<b>TOTAL ASSETS</b>	<b>\$ 7,863,950</b>	<b>\$ 4,730,846</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 8 and 15)	\$ 592,600	\$ 262,747
<b>TOTAL LIABILITIES</b>	<b>592,600</b>	<b>262,747</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	64,171,883	59,496,635
Reserve (Note 10)	1,953,659	1,100,559
Accumulated deficit	(58,854,192)	(56,129,095)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>7,271,350</b>	<b>4,468,099</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 7,863,950</b>	<b>\$ 4,730,846</b>

Subsequent Events (Note 16)

These consolidated financial statements were authorized for issue by the Board of Directors on October 28, 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 consolidated financial statements.

**DISTRICT METALS CORP.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars)

	<b>For the Years Ended</b>		
	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>EXPENSES</b>			
General and administrative costs	\$ 348,956	\$ 226,835	\$ 61,189
Marketing and investor relations (Note 15)	578,791	33,176	15,651
Consulting fees (Note 15)	652,729	249,764	289,215
Stock-based compensation (Notes 10 and 15)	794,799	514,659	585,900
Transfer agent, regulatory and listing fees	27,429	50,480	15,713
Property investigation costs	-	15,646	-
<b>OPERATING EXPENSES</b>	<b>2,402,704</b>	<b>1,090,560</b>	<b>967,668</b>
<b>OTHER EXPENSES (INCOME)</b>			
Foreign exchange gain	(25,760)	-	-
Fair value gain on investments (Note 6)	(45,000)	-	-
Write-down of mineral property (Note 7)	397,936	-	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ 2,729,880</b>	<b>\$ 1,090,560</b>	<b>\$ 967,668</b>
<b>Basic and diluted loss per share</b>	<b>\$ 0.04</b>	<b>\$ 0.03</b>	<b>\$ 0.03</b>
<b>Weighted average number of common shares outstanding</b>	<b>67,770,446</b>	<b>34,422,890</b>	<b>31,786,810</b>

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

**DISTRICT METALS CORP.**  
**Consolidated Statements of Cash Flow**  
(Expressed in Canadian Dollars)

	<b>For the Years Ended</b>		
	<b>June 30, 2021</b>	June 30, 2020	June 30, 2020
<b>Cash flows provided from (used in):</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Net loss</b>	<b>\$ (2,729,880)</b>	\$ (1,090,560)	\$ (967,668)
<b>Adjustments for item not affecting cash:</b>			
Unrealized gain on investments	(45,000)	-	-
Write-down of mineral property	397,936	-	-
Stock-based compensation	794,799	514,659	585,900
	<b>(1,582,145)</b>	(575,901)	(381,768)
<b>Net changes in non-cash working capital items:</b>			
GST, VAT and other receivable	(224,234)	18,470	(19,131)
Prepaid expenses and deposits	(20,311)	(8,848)	5,250
Accounts payable and accrued liabilities	(41,353)	193,699	10,637
<b>Net cash flows used in operating activities</b>	<b>(1,868,043)</b>	(372,580)	(385,012)
<b>INVESTING ACTIVITIES</b>			
Advances and deposits	(227,592)	(89,593)	-
Proceeds from sale of exploration and evaluation asset interest	50,000	-	-
Exploration and evaluation assets	(1,439,468)	(150,545)	(263,121)
<b>Net cash flows used in investing activities</b>	<b>(1,617,060)</b>	(240,138)	(263,121)
<b>FINANCING ACTIVITIES</b>			
Proceeds on private placement	4,750,000	2,400,000	-
Share issue costs	(482,104)	(60,036)	(328)
Proceeds on stock options exercised	348,820	-	-
Proceeds on warrants exercised	-	-	6,000
<b>Net cash flows provided from financing activities</b>	<b>4,616,716</b>	2,339,964	5,672
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,131,613</b>	1,727,246	(642,461)
<b>Cash and cash equivalents, beginning of year</b>	<b>2,512,091</b>	784,845	1,427,306
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,643,704</b>	\$ 2,512,091	\$ 784,845
<b>Supplemental cash flow information</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Advances incurred and reclassified to exploration and evaluation assets	89,593	-	-
Non-cash share issuance for exploration and evaluation assets	21,616	1,660,320	-
Fair value of shares received for sale of exploration and evaluation asset interest	80,000	-	-
Exploration and evaluation assets included in accounts payable and accrued liabilities	413,649	42,443	92,167
Fair value reallocation pursuant to stock option cancellation	4,783	-	-

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

**DISTRICT METALS CORP.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
(Expressed in Canadian Dollars)

	Number of shares	Amount	Reserve	Accumulated deficit	Total
<b>Balance, June 30, 2018</b>	<b>31,783,303</b>	<b>\$ 55,490,679</b>	<b>\$ -</b>	<b>\$ (54,070,867)</b>	<b>\$ 1,419,812</b>
Shares issued on exercise of warrants	40,000	6,000	-	-	6,000
Share issuance costs	-	(328)	-	-	(328)
Stock-based compensation (Note 10)	-	-	585,900	-	585,900
Net loss for the year	-	-	-	(967,668)	(967,668)
<b>Balance, June 30, 2019</b>	<b>31,823,303</b>	<b>\$ 55,496,351</b>	<b>\$ 585,900</b>	<b>\$ (55,038,535)</b>	<b>\$ 1,043,716</b>
Common shares issued for property payments (Note 7)	7,599,220	1,660,320	-	-	1,660,320
Share issued in private placement (Note 9)	20,000,001	2,400,000	-	-	2,400,000
Share issuance costs (Note 9)	-	(60,036)	-	-	(60,036)
Stock-based compensation (Note 10)	-	-	514,659	-	514,659
Net loss for the year	-	-	-	(1,090,560)	(1,090,560)
<b>Balance, June 30, 2020</b>	<b>59,422,524</b>	<b>\$ 59,496,635</b>	<b>\$ 1,100,559</b>	<b>\$ (56,129,095)</b>	<b>\$ 4,468,099</b>
Common shares issued for property payments (Note 7)	253,366	121,616	-	-	121,616
Common shares issued pursuant to stock option and compensation option exercises (Note 9)	1,232,400	348,820	-	-	348,820
Fair value reallocation pursuant to stock option and compensation option exercises (Note 9)	-	330,604	(330,604)	-	-
Fair value reallocation pursuant to stock option cancellation (Note 9)	-	-	(4,783)	4,783	-
Common shares issued in private placement (Note 9)	15,833,333	4,750,000	-	-	4,750,000
Share issuance costs (Note 9)	-	(875,792)	393,688	-	(482,104)
Stock-based compensation (Note 10)	-	-	794,799	-	794,799
Net loss for the year	-	-	-	(2,729,880)	(2,729,880)
<b>Balance, June 30, 2021</b>	<b>76,741,623</b>	<b>\$ 64,171,883</b>	<b>\$ 1,953,659</b>	<b>\$ (58,854,192)</b>	<b>\$ 7,271,350</b>

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

## **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 12<sup>th</sup> 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 consolidated 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 year ended June 30, 2021 of \$2,729,880 (2020 - \$1,090,560, 2019 – \$967,668) and negative cash flows from operations since inception and had an accumulated deficit of \$58,854,192 as at June 30, 2021 (June 30, 2020 - \$56,129,095). Whether and when the Company can obtain profitability and positive cash flows from operations is uncertain. These uncertainties cast significant 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 consolidated 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

### **(b) Basis of presentation**

These consolidated 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 consolidated 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 consolidated financial statements.

### **(c) Presentation and functional currency**

The presentation and functional currency of the Company and its wholly owned subsidiary, District Metals AB (Sweden), is the Canadian dollar. All amounts in these consolidated financial statements are expressed in Canadian dollars, unless otherwise indicated.

### **(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 in Note 4.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

#### (a) Basis of consolidation

The Company's consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, District Metals AB (Sweden). Subsidiaries are entities controlled by the Company, where control is achieved by the Company being exposed to, or having rights to, variable returns from its involvement with the entity and having the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

#### (b) Foreign currency transactions

Transactions in currencies other than the Canadian dollar ("foreign currencies"), the Company's functional currency, are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the consolidated statement of financial position. Non-monetary items that are denominated in foreign currencies and measured at other than fair value are translated using the rates of exchange at the transaction dates. Foreign exchange gains and losses are included in net loss for the period.

#### (c) Cash Equivalents

Cash equivalents include short-term liquid investments that are cashable or readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

#### (d) Financial instruments

##### i) Classification and measurement

###### Financial asset

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value less, for an item not at fair value through profit or loss, transaction costs directly attributable to its acquisition or issue, and are subsequently measured at either (i) amortized cost, (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

###### *Amortized cost*

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method. Amounts due from related parties are classified and measured at amortized cost.

###### *Fair value through other comprehensive income ("FVTOCI")*

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI. The Company does not have any assets classified and measured at FVTOCI.

###### *Fair value through profit or loss ("FVTPL")*

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. The Company's cash and cash equivalents and marketable securities are classified in this category.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Financial instruments (continued)**

i) Classification and measurement (continued)

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Other financial liabilities are non-derivatives and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statements of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Accounts payable and accrued liabilities are included in this category and represent liabilities for goods and services provided to the Company prior to the end of the year that are unpaid.

ii) Derecognition of financial assets and financial liabilities

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

The Company derecognizes financial liabilities when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss and comprehensive loss.

iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**(e) Restoration, rehabilitation, and environmental obligations**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other assets.

The increase in the restoration provision due to the passage of time is recognized as interest expense.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Exploration and evaluation expenditures**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits are recorded as a reduction to the cumulative costs incurred and capitalized on the related property in the period it is received.

Exploration and evaluation assets are assessed for impairment at each reporting date and if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**(f) Share capital**

*Common shares*

Common shares issued are classified as share capital, a component of shareholders' equity. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from share capital.

*Equity units*

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated using the residual value method. Under the residual value method, proceeds are allocated to the common shares up to their fair value, determined by reference to the quoted market price of the common shares on the issuance date, and the remaining balance, if any, to the reserve for warrants.

From time to time in connection with private placements, the Company issues compensatory warrants ("Finders' Warrants") or Compensation Units ("Compensation Options") to agents as commission for services. Awards of Finders' Warrants and Compensation Options are accounted for in accordance with the fair value method of accounting and result in share issue costs and a credit to reserves when Finders' Warrants and Compensation Options are issued. The fair value of Finders' Warrants is measured using the Black-Scholes option pricing model and the fair value of the Compensation Options is measured using the Geske compound option pricing model that both requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility in the price of the underlying stock, and expected life of the instruments.

**(g) Share options and warrants**

All share options and warrants are included in reserves, a component of shareholders' equity, until exercised. Upon exercise, the consideration received plus the amounts in reserves attributable to the options and/or warrants being exercised are credited to share capital. When share options and warrants expire unexercised or are cancelled, other than cancellations resulting from forfeitures when vesting conditions are not satisfied, the amounts recognized in reserves are reclassified to accumulated deficit.

Stock-based compensation to employees and consultants are measured at the fair value of the instruments granted. Stock-based compensation is measured at the fair value of the goods or services received or the fair value of the equity instruments issued as calculated using the Black-Scholes option pricing model. The offset to the recorded expense is to reserves. The fair value of awards is calculated using the Black-Scholes option pricing model which considers the following factors: exercise price; current market price of the underlying shares; expected life of the award; risk-free interest rate; forfeiture rate; and expected volatility.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) Income taxes**

Income tax on profit or loss comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on taxable income for the period.

Deferred tax is provided for using the asset and liability method of accounting, whereby deferred tax assets and liabilities are recognized for the future tax effects of differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the tax bases of the assets and liabilities (temporary differences), unused tax losses and other income tax deductions. Temporary differences on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss are not provided for. Deferred tax assets and liabilities are measured based on the expected manner of realization or settlement of the carrying amounts of the related assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date. Deferred tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

Income tax on profit or loss comprises current and deferred tax. Income tax is recognized in profit or loss, except deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**(i) Loss per share**

Loss per share is calculated by dividing loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted loss per share is determined by adjusting loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. The calculation of diluted loss per share excludes the effects of various conversions and exercises of options and warrants that would be anti-dilutive.

**(j) Impairment of non-financial assets**

Impairment tests on non-financial assets, including exploration and evaluation assets are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in profit or loss.

**(k) New accounting standards and interpretations**

The Company adopted the following new accounting standard and interpretation:

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 adoption of these amendments had no impact on the Company's consolidated financial statements on adoption.

#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

##### 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 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.

##### *Determination of functional currency*

The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which the respective entity operates; the functional currency of District Metals Corp. and District Metals AB 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 subsidiary if there is a change in events and/or conditions which determine the primary economic environment.

##### *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:

##### *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, 2021 and 2020, 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.

##### *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.

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**5. CASH AND CASH EQUIVALENTS**

At June 30, 2021 and 2020, the Company's cash and cash equivalents are composed of the following:

	<b>June 30, 2021</b>		<b>June 30, 2020</b>	
Cash held in bank accounts	\$	2,843,704	\$	2,512,091
Cash equivalents		800,000		-
<b>Total</b>	<b>\$</b>	<b>3,643,704</b>	<b>\$</b>	<b>2,512,091</b>

Cash equivalents are held in cashable guaranteed investment certificates with an interest rate of 0.30%.

**6. MARKETABLE SECURITIES**

Marketable securities consist of 1,000,000 common shares of Sherpa II Holdings Corp. received in connection with the sale of an 80% interest in the Bakar Property (Note 7). These shares are publicly traded on the Exchange and are held at FVTPL. As at June 30, 2021, the fair value of the shares was \$125,000 (2020 - \$Nil). During the year ended June 30, 2021, the company recorded a fair value gain on investment of \$45,000 (2020 - \$Nil, 2019 - \$Nil) determined by reference to closing prices on the Exchange.

**7. EXPLORATION AND EVALUATION ASSETS**

	<b>Tomtebo Property</b>		<b>Bakar Property</b>		<b>Total</b>	
<b>Acquisition Costs</b>						
Balance, June 30, 2019	\$	-	\$	35,086	\$	35,086
Additions		1,499,090		240,000		1,739,090
Balance, June 30, 2020		1,499,090		275,086		1,774,176
Additions (Note 9)		121,616		-		121,616
Property interest sale		-		(130,000)		(130,000)
<b>Balance, June 30, 2021</b>	<b>\$</b>	<b>1,620,706</b>	<b>\$</b>	<b>145,086</b>	<b>\$</b>	<b>1,765,792</b>
<b>Deferred Exploration Costs</b>						
Balance, June 30, 2019	\$	-	\$	320,202	\$	320,202
Consulting		-		19,469		19,469
Exploration		-		2,582		2,582
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
<b>Balance, June 30, 2021</b>	<b>\$</b>	<b>1,957,619</b>	<b>\$</b>	<b>284,901</b>	<b>\$</b>	<b>2,242,520</b>
Write-down of mineral property	\$	-	\$	(397,936)	\$	(397,936)
Balance, June 30, 2020	\$	1,499,090	\$	617,339	\$	2,116,429
<b>Balance, June 30, 2021</b>	<b>\$</b>	<b>3,578,325</b>	<b>\$</b>	<b>32,051</b>	<b>\$</b>	<b>3,610,376</b>

**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. 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.

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

**a) Tomtebo Property (continued)**

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 must:

- 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 June 30, 2021 \$227,592 (June 30, 2020 – \$89,593) had been advanced for exploration expenditures 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; 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.

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 \$397,936 during the year ended June 30, 2021. 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.

As at June 30, 2021, the fair value of the investment in Sherpa II was \$125,000 (June 30, 2020 - \$Nil). During the year ended June 30, 2021, the Company recorded an unrealized gain of \$45,000 (2020 - \$Nil) on its investment in Sherpa II.

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**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

At June 30, 2021 and 2020, the Company's accounts payable and accrued liabilities are comprised of the following:

	<b>June 30, 2021</b>		<b>June 30, 2020</b>	
Trade payables	\$	61,223	\$	132,318
Accrued liabilities		531,377		130,429
	\$	592,600	\$	262,747

**9. SHARE CAPITAL**

**a) Authorized**

Unlimited number of common shares without par value.

**b) Issued**

On June 2, 2021, the Company issued 870,000 common shares for gross proceeds of \$261,000 in accordance with the exercise of stock options. In conjunction with the exercise, the Company reclassified \$248,651 from reserves to share capital.

On May 12, 2021, the Company issued 2,400 common shares and 1,200 share purchase warrants for gross proceeds of \$720 in accordance with the exercise of compensation options. In conjunction with the exercise, the Company reclassified \$1,112 from reserves to share capital.

On February 19, 2021, the Company issued 150,000 common shares for gross proceeds of \$45,000 in accordance with the exercise of stock options. In conjunction with the exercise, the Company reclassified \$42,872 from reserves to share capital.

On December 30, 2020, the Company issued 100,000 common shares for gross proceeds of \$20,000 in accordance with the exercise of stock options. In conjunction with the exercise, the Company reclassified \$18,225 from reserves to share capital.

On December 30, 2020, the Company issued 15,833,333 units with a fair value of \$4,750,000 in accordance with the closing of a brokered private placement. Each unit comprises one common share and one-half common share purchase warrant, exercisable at \$0.42 per share until December 30, 2022 (a "Unit"). Cash share issuance costs of \$482,104 were incurred and 850,000 compensation options with a fair value of \$393,688 were granted to finders. Each compensation option entitles the holder to purchase one Unit at an exercise price of \$0.30. The fair value of the compensation options was determined using an options pricing model with the following inputs on date of issuance: allocated share price of \$0.0001 for the share component of the unit; allocated price of \$0.42 for the warrant component of the unit; exercise price of the Unit of \$0.30; expected life of 2.0 years for both the share component and warrant component of the unit; expected volatility of 111%; risk free rate of 0.20%; and expected dividend yield of 0%.

The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected life of options is the average expected period to exercise. Volatility is based on available historical volatility of the Company's share price.

On December 30, 2020, the Company issued a total of 253,366 common shares with a fair value of \$121,616 in accordance with the Top-Up Right clause of the Tomtebo Purchase Agreement (Note 7).

On December 21, 2020, the Company issued 100,000 common shares for gross proceeds of \$20,000 in accordance with the exercise of stock options. In conjunction with the exercise, the Company reclassified \$18,225 from reserves to share capital.

On October 27, 2020, the Company issued 10,000 common shares for gross proceeds of \$2,100 in accordance with the exercise of stock options. In conjunction with the exercise, the Company reclassified \$1,519 from reserves to share capital.

On June 30, 2020, the Company issued 5,882,830 common shares with a fair value of \$1,353,050 pursuant to its acquisition of the Tomtebo Property. In connection with the acquisition, the Company also issued 466,390 Finder Shares with a fair value of \$107,270 (Note 7).

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**9. SHARE CAPITAL (continued)**

**b) Issued (continued)**

On June 8, 2020, the Company closed a non-brokered private placement and issued 20,000,001 common shares for gross proceeds of \$2,400,000. In connection with the Private Placement, the Company paid a total of \$60,036 in finders fees.

On July 12, 2019, the Company issued 1,250,000 common shares with a fair value of \$200,000 in connection with the purchase of the Bakar Property (Note 7).

**10. OPTIONS AND WARRANTS**

**a) Options**

The Black-Scholes option pricing model inputs for options granted and vested during the year ended June 30, 2021 and 2020 are as follows:

Grant Date	Expiry Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield	Fair Value
12-Aug-2019	12-Aug-2024	\$0.20	1.20%	5	164%	0	\$0.19
7-Oct-2020	7-Oct-2025	\$0.33	0.36%	5	137%	0	\$0.33
30-Dec-2020	30-Dec-2025	\$0.46	0.41%	5	130%	0	\$0.41
18-Jan-2021	18-Jan-2026	\$0.45	0.41%	5	129%	0	\$0.37
13-Apr-2021	13-Apr-2026	\$0.40	0.93%	5	123%	0	\$0.33

The risk-free interest rate is based on the Canadian government bond rate for a similar term as the expected life of the stock options. The forfeiture rate assumption of 0% is based on historical results and the annualized volatility is based on the Company's historical share prices.

On August 12, 2019, the Company granted 1,065,000 stock options with a fair value of \$199,290 to officers, directors and consultants of the Company, which vest in three equal tranches over an 18 month period.

On October 7, 2020, the Company granted 300,000 stock options with a fair value of \$97,909 to a director of the Company, which vested immediately.

On December 30, 2020, the Company granted 1,400,000 stock options with a fair value of \$576,176 to officers, directors and consultants of the Company, which vested immediately.

On January 18, 2021, the Company granted 50,000 stock options with a fair value of \$18,714 a consultant of the Company, which vested immediately.

On April 13, 2021, the Company granted 200,000 stock options with a fair value of \$66,777 to consultants of the Company, which vested immediately, and cancelled 20,000 stock options which were unexercised. In conjunction with the cancellation, the Company reclassified \$4,783 from reserves to deficit.

Total stock-based compensation expense recognized during the year ended June 30, 2021 was \$794,799 (2020 - \$514,659, 2019 - \$585,900) using the Black-Scholes option pricing model, which includes \$35,223 (2020 - \$164,168, 2019 - \$Nil) 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.

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**10. OPTIONS AND WARRANTS (continued)**

**a) Options (continued)**

A continuity schedule of the Company's outstanding stock options for the years ended June 30, 2021 and 2020 are as follows:

	June 30, 2021		June 30, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
<b>Outstanding, beginning of year</b>	4,980,000	\$ 0.24	2,050,000	\$ 0.30
Granted	1,950,000	0.43	2,930,000	0.21
Exercised	(1,230,000)	0.28	-	-
Cancelled	(20,000)	0.15	-	-
<b>Outstanding, end of year</b>	<b>5,680,000</b>	<b>\$ 0.30</b>	<b>4,980,000</b>	<b>\$ 0.24</b>
<b>Exercisable, end of year</b>	<b>5,680,000</b>	<b>\$ 0.30</b>	<b>4,270,000</b>	<b>\$ 0.25</b>

At June 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)
July 11, 2021	1,020,000	1,020,000	\$ 0.30	0.03
August 12, 2024	855,000	855,000	\$ 0.20	3.12
June 2, 2025	1,855,000	1,855,000	\$ 0.21	3.93
October 7, 2025	300,000	300,000	\$ 0.33	4.27
December 30, 2025	1,400,000	1,400,000	\$ 0.46	4.50
January 18, 2026	50,000	50,000	\$ 0.45	4.56
April 13, 2026	200,000	200,000	\$ 0.40	4.79
	<b>5,680,000</b>	<b>5,680,000</b>	<b>\$ 0.30</b>	<b>3.30</b>

**b) Warrants**

A continuity schedule of the Company's outstanding common share purchase warrants for the years ended June 30, 2021 and 2020 is as follows:

	June 30, 2021		June 30, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
<b>Outstanding, beginning of year</b>	-	\$ -	-	\$ -
Issued	7,917,866	0.42	-	-
<b>Outstanding, end of year</b>	<b>7,917,866</b>	<b>\$ 0.42</b>	<b>-</b>	<b>\$ -</b>

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**10. OPTIONS AND WARRANTS (continued)**

**c) Compensation options**

A continuity schedule of the Company's outstanding compensation options for the years ended June 30, 2021 and 2020 is as follows:

	June 30, 2021		June 30, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
<b>Outstanding, beginning of year</b>	-	\$ -	-	\$ -
Granted	850,000	0.30 <sup>(1)</sup> / 0.42 <sup>(2)</sup>	-	-
Exercised	(2,400)	0.30 <sup>(1)</sup> / 0.42 <sup>(2)</sup>	-	-
<b>Outstanding, end of year</b>	<b>847,600</b>	<b>\$ 0.30 / 0.42</b>	<b>-</b>	<b>\$ -</b>

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

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

On May 12, 2021, 2,400 compensation options were exercised for gross proceeds of \$720. Accordingly, 2,400 common shares and 1,200 share purchase warrants were issued.

**11. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	June 30, 2021	June 30, 2020	June 30, 2019
Net loss for the year	\$ (2,729,880)	\$ (1,090,560)	\$ (967,668)
Canadian federal and provincial statutory income tax rate	27.00%	27.00%	27.00%
Income tax benefit based on Canadian statutory income tax rates	(737,067)	(294,451)	(261,270)
Effects of the following:			
Non-deductible expenditures	214,597	139,326	158,705
Difference between Canadian and foreign tax rates	1,938	-	-
Over provided in prior years	(100,334)	-	-
Changes in unrecognized deferred tax	726,386	171,336	102,654
Changes in timing differences	(105,519)	(16,211)	(89)
Income tax benefit	\$ -	\$ -	\$ -

At June 30, 2021 and 2020, the Company had deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized as follows:

	June 30, 2021	June 30, 2020
Non-capital loss carry-forwards	\$ 11,907,506	\$ 10,347,862
Deductible temporary differences relating to:		
Exploration and evaluation assets, property and equipment	1,052,399	224,391
Share issue cost	429,854	61,543
Capital losses	16,484,659	16,484,659
	\$ 29,874,418	\$ 31,007,836

**11. INCOME TAXES (continued)**

The Canadian non-capital losses at June 30, 2021 expire as follows:

Expiry date	Amount
2026	\$ 759,200
2027	1,165,500
2028	55,700
2029	1,046,800
2031	1,111,900
2032	1,530,000
2033	811,800
2034	1,056,800
2035	940,600
2036	348,700
2037	248,100
2038	209,400
2039	384,100
2040	589,400
2041	1,551,900
	<b>\$ 11,809,900</b>

**12. MANAGEMENT OF CAPITAL**

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 year ended June 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.

**13. FINANCIAL INSTRUMENTS**

**a) Categories of financial instruments and fair value measurements**

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

	June 30, 2021	June 30, 2020
<b>Financial assets:</b>		
<i><b>Fair value through profit and loss</b></i>		
Cash	\$ 3,643,704	\$ 2,512,091
Marketable securities	125,000	-
<i><b>Amortized cost</b></i>		
Due from related parties	28,088	-
<b>Financial liabilities:</b>		
<i><b>Other financial liabilities</b></i>		
Accounts payable and accrued liabilities	\$ 592,600	\$ 262,747

The amount of accounts payable and accrued liabilities includes amounts due to related parties (Note 15).

### 13. FINANCIAL INSTRUMENTS (continued)

#### 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 June 30, 2021 and 2020, the Company had no financial assets measured and recognized on the consolidated 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.

##### *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, 2021, the Company was exposed to credit risk on its cash and cash equivalents and amounts due from related parties.

The Company's cash and cash equivalents is held with a high credit quality financial institutions in Canada and Sweden and as at June 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 June 30, 2020, the Company had cash and cash equivalents of \$3,643,704 (2020 - \$2,512,091) and accounts payable and accrued liabilities of \$592,600 (2020 - \$262,747) with contractual maturities of less than one year. The Company had sufficient cash to meet its current liabilities as at June 30, 2021. The Company assessed its liquidity risk as low as at June 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 June 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 June 30, 2021 and 2020, the Company had exposure to foreign currency risk through the following assets and liabilities denominated in US Dollars, Euros, and SEK:

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**13. FINANCIAL INSTRUMENTS (continued)**

**c) Management of financial risks (continued)**

<b>June 30, 2021</b>			
	<b>US Dollars</b>	<b>Euros</b>	<b>SEK</b>
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)

  

<b>June 30, 2020</b>			
	<b>US Dollars</b>	<b>Euros</b>	<b>SEK</b>
Cash and cash equivalents	-	-	25,000
Accounts payable and accrued liabilities	-	-	-
Net	-	-	25,000
Canadian dollar equivalent	-	-	3,673

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 \$2,000, \$44,000 and \$18,000 (2020 - \$Nil impact for all), respectively. As at June 30, 2021 and 2020 the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at June 30, 2021 and 2020.

**14. SEGMENTED INFORMATION**

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:

	<b>Sweden</b>		<b>Canada</b>		<b>Total</b>
<b>As at June 30, 2021</b>					
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
<b>As at June 30, 2020</b>					
Current assets	\$	3,673	\$	2,521,151	\$ 2,524,824
Advances		89,593		-	89,593
Exploration and evaluation assets		1,499,090		617,339	2,116,429
	\$	1,592,356	\$	3,138,490	\$ 4,730,846

**15. 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 years ended June 30, 2021, 2020 and 2019 were as follows:

	<b>For the Years Ended</b>		
	<b>June 30, 2021</b>	June 30, 2020	June 30, 2019
Salary	\$ 378,670	\$ 24,455	\$ -
Short-term benefits	\$ 102,550	\$ 110,000	\$ 116,750

**15. RELATED PARTY TRANSACTIONS (continued)**

- (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 \$378,670 to the CEO during the year ended June 30, 2021 (2020 - \$24,455, 2019 - \$Nil) and consulting fees of \$Nil (2020 - \$110,000, 2019 - \$116,750), recorded in consulting fees. During the years ended June 30, 2021, 2020 and 2019, the Company incurred consulting fees of \$36,550, \$Nil and \$Nil, respectively, for services provided by the CFO.
- (c) During the years ended June 30, 2021, 2020 and 2019, the Company incurred stock-based compensation expense of \$566,834, \$400,911 and \$385,837, respectively, related to stock options granted to officers and directors of the Company.
- (d) During the years ended June 30, 2021, 2020 and 2019, the Company incurred director's fees of \$8,000, \$Nil and \$Nil, respectively, recorded in consulting fees, to directors of the Company.
- (e) During the years ended June 30, 2021, 2020 and 2019, the Company incurred consulting fees of \$58,000, \$Nil and \$Nil paid to a company controlled by a close family member of the CFO.
- (f) At June 30, 2021 and 2020, the Company had \$28,088 due from, and \$87,183 due to, related parties, respectively. Amounts are unsecured, non-interest bearing with no set terms of repayment.

**16. SUBSEQUENT EVENTS**

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

On July 11, 2021, 1,020,000 stock options priced at \$0.30 expired unexercised.

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 to EMX 1,659,084 common shares;
- paid cash consideration to EMX of \$35,000;
- granted to EMX a 2.5% net smelter return ("NSR") royalty on the Svardsjo Property;
- will incur \$1,000,000 of eligible work expenditures on the Svardsjo Property within five years from closing;
- 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 at an exercise price of \$0.25 to officers, directors and consultants with 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 to Explora 1,000,000 common shares;
- paid cash consideration to Explora of \$20,000;
- granted to 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
- will incur \$500,000 of eligible work expenditures on the Gruvberget Property within two years from closing.