

# **DISTRICT METALS CORP.**

Condensed Consolidated Interim Financial Statements  
For the three months ended September 30, 2022 and 2021  
(Expressed in Canadian Dollars - Unaudited)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of District Metals Corp. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

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

As at	September 30, 2022	June 30, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,126,238	\$ 1,508,278
GST and VAT receivable	21,258	32,625
Due from related parties (Note 10)	-	-
Prepaid expenses	33,950	36,157
Marketable securities (Note 3)	100,000	120,000
	1,281,446	1,697,060
Advances and deposits (Note 3)	30,842	58,851
Exploration and evaluation assets (Note 3)	7,018,059	6,916,084
<b>TOTAL ASSETS</b>	<b>\$ 8,330,347</b>	<b>\$ 8,671,995</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 5 and 10)	\$ 160,574	\$ 294,198
<b>TOTAL LIABILITIES</b>	<b>160,574</b>	<b>294,198</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	66,358,955	66,358,955
Reserve (Note 7)	2,307,702	2,307,702
Accumulated deficit	(60,496,884)	(60,288,860)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>8,169,773</b>	<b>8,377,797</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 8,330,347</b>	<b>\$ 8,671,995</b>

Going Concern (Note 1)  
Subsequent Event (Note 11)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 29, 2022. They are signed on behalf of the Board of Directors by:

"Joanna Cameron"  
Director

"Garrett Ainsworth"  
CEO and 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, 2022	September 30, 2021
<b>EXPENSES</b>		
General and administrative costs	\$ 14,993	\$ 38,495
Marketing and investor relations	30,454	48,557
Consulting fees (Note 10)	122,470	112,045
Professional fees	8,854	110,793
Stock-based compensation (Notes 7 and 10)	-	-
Transfer agent, regulatory and listing fees	5,687	22,792
<b>OPERATING EXPENSES</b>	<b>182,458</b>	<b>332,682</b>
<b>OTHER EXPENSES (INCOME)</b>		
Fair value loss on investments (Note 4)	20,000	-
Foreign exchange (gain) loss	5,566	(2,051)
Write-down (recovery) of mineral property (Note 5)	-	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ 208,024</b>	<b>\$ 330,631</b>
<b>Basic and diluted loss per share</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted average number of common shares outstanding</b>	<b>66,358,955</b>	<b>76,741,623</b>

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)

	<b>Three months ended</b>	
	<b>September 30, 2022</b>	<b>September 30, 2021</b>
<b>Cash flows provided from (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
<b>Net loss</b>	<b>\$ (208,024)</b>	<b>\$ (330,631)</b>
<b>Adjustments for items not affecting cash:</b>		
Unrealized gain on marketable securities	<b>20,000</b>	-
Write-down of mineral property	-	-
Stock-based compensation	-	-
	<b>(188,024)</b>	<b>(330,631)</b>
<b>Net changes in non-cash working capital items:</b>		
GST and VAT receivable	<b>11,367</b>	214,340
Prepaid expenses and deposits	<b>2,207</b>	760
Accounts payable and accrued liabilities	<b>27,326</b>	(253,635)
<b>Net cash flows used in operating activities</b>	<b>(147,124)</b>	<b>(369,166)</b>
<b>INVESTING ACTIVITIES</b>		
Advances and deposits	<b>28,009</b>	(144,529)
Proceeds from sale of exploration and evaluation asset interest	-	-
Exploration and evaluation assets acquisition costs	-	-
Exploration and evaluation assets exploration expenditures	<b>(262,925)</b>	(165,574)
<b>Net cash flows used in investing activities</b>	<b>(234,916)</b>	<b>(310,103)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from private placement, net of cash share issuance costs	-	-
Proceeds from the exercise of stock options	-	-
<b>Net cash flows provided by financing activities</b>	<b>-</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(382,040)</b>	<b>(679,269)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,508,278</b>	<b>3,643,704</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,126,238</b>	<b>\$ 2,964,435</b>
<b>Supplemental cash flow information</b>	<b>\$</b>	<b>\$</b>
Exploration and evaluation assets included in accounts payable and accrued liabilities	59,041	320,427
Fair value of reallocation pursuant to stock option cancellation	-	291,521
Interest paid	-	-
Taxes paid	-	-

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
<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>
Fair value reallocation pursuant to stock option cancellation (Note 8)	-	-	(291,521)	291,521	-
Net loss for the period	-	-	-	(330,631)	(330,631)
<b>Balance, September 30, 2021</b>	<b>76,741,623</b>	<b>\$ 64,171,883</b>	<b>\$ 1,662,138</b>	<b>\$ (58,893,302)</b>	<b>\$ 6,940,719</b>
<b>Balance, June 30, 2022</b>	<b>86,980,707</b>	<b>\$ 66,358,955</b>	<b>\$ 2,307,702</b>	<b>\$ (60,288,860)</b>	<b>\$ 8,377,797</b>
Net loss for the period	-	-	-	(208,024)	(208,024)
<b>Balance, September 30, 2022</b>	<b>86,980,707</b>	<b>\$ 66,358,955</b>	<b>\$ 2,307,702</b>	<b>\$ (60,496,884)</b>	<b>\$ 8,169,773</b>

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, 2022 and 2021

(Expressed in Canadian Dollars – Unaudited)

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### 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 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, 2022 of \$208,024 (2021 - \$330,631), had negative cash flows from operations since inception and had an accumulated deficit of \$60,496,884 as at September 30, 2022 (June 30, 2022 - \$60,288,860). 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.

### 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, 2022 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 Bergslagen Metals AB (Sweden), is the Canadian dollar. All amounts in these condensed consolidated interim 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 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:

## **DISTRICT METALS CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

#### **For the Three Months Ended September 30, 2022 and 2021**

(Expressed in Canadian Dollars – Unaudited)

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#### *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 (Sweden) and Bergslagen Metals 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 and compensation options*

The Company uses the Black-Scholes option pricing model for the valuation of stock-based compensation and the Geske compound option pricing model for the valuation of compensation options. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, forfeiture rate, risk-free market interest rate, expected volatility in the price of the underlying stock and expected life of the instruments. 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.

### **3. BASIS OF PREPARATION**

Marketable securities consist of 1,000,000 common shares (9.0%) of Sherpa II Holdings Corp. ("Sherpa II") 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, 2022, the fair value of the shares was \$100,000 (June 30, 2022 – \$120,000). During the three months ended September 30, 2022, the Company recorded a fair value loss on marketable securities of \$20,000 (2021 – \$Nil).

**DISTRICT METALS CORP.****Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2022 and 2021**

(Expressed in Canadian Dollars – Unaudited)

**4. EXPLORATION AND EVALUATION ASSETS**

	<b>Tomtebo Property</b>	<b>Svarvsjo Property</b>	<b>Gruvberget Property</b>	<b>Bakar Property</b>	<b>Total</b>
<b>Acquisition Costs</b>					
Balance, June 30, 2021	\$ 1,620,706	\$ -	\$ -	\$ 32,051	\$ 1,652,757
Additions	-	402,500	260,000	-	662,500
Property interest sale	-	-	-	-	-
Balance, June 30, 2022	1,620,706	402,500	260,000	32,051	2,315,257
Additions	-	-	-	-	-
<b>Balance, September 30, 2022</b>	<b>\$ 1,620,706</b>	<b>\$ 402,500</b>	<b>\$ 260,000</b>	<b>\$ 32,051</b>	<b>\$ 2,315,257</b>
<b>Deferred Exploration Costs</b>					
Balance, June 30, 2021	1,957,619	-	-	-	1,957,619
Consulting	361,097	2,814	62,240	4,326	430,477
Drilling	1,570,478	-	209,748	-	1,780,226
Geochemistry	90,444	687	2,050	-	93,181
Geophysics	-	36,136	155,259	-	191,395
Other costs	122,456	394	25,079	-	147,929
Balance, June 30, 2022	4,102,094	40,031	454,376	4,326	4,600,827
Consulting	11,500	-	17,950	1,816	31,266
Drilling	-	-	-	-	-
Geochemistry	7,367	-	18,144	-	25,511
Geophysics	-	-	28,000	-	28,000
Other costs	4,985	-	12,213	-	17,198
<b>Balance, September 30, 2022</b>	<b>\$ 4,125,946</b>	<b>\$ 40,031</b>	<b>\$ 530,683</b>	<b>\$ 6,142</b>	<b>\$ 4,702,802</b>
Balance, June 30, 2022	\$ 5,722,800	\$ 442,531	\$ 714,376	\$ 36,377	\$ 6,916,084
<b>Balance, September 30, 2022</b>	<b>\$ 5,746,652</b>	<b>\$ 442,531</b>	<b>\$ 790,683</b>	<b>\$ 38,193</b>	<b>\$ 7,018,059</b>

As at September 30, 2022, the Company had advanced \$12,508 (June 30, 2022 – \$39,995) to vendors and contractors as exploration expenditures on the properties to be incurred subsequent to period end.

As at September 30, 2022, the Company had paid \$18,334 (2021 - \$18,856) for reclamation deposits for Tomtebo, Svarvsjo, and Gruvberget properties in Sweden and paid a deposit on mineral licenses of \$Nil (2021 - \$Nil).

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

At September 30, 2022 and June 30, 2022, the Company's accounts payable and accrued liabilities are comprised of the following:

	<b>September 30, 2022</b>		<b>June 30, 2022</b>	
Trade payables	\$	22,508	\$	53,430
Accrued liabilities		138,066		240,768
	\$	160,574	\$	294,198

**6. SHARE CAPITAL****a) Authorized**

Unlimited number of common shares without par value.

**b) Issued**

During the three months ended September 30, 2022, there were no common shares issued.

**DISTRICT METALS CORP.****Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2022 and 2021**

(Expressed in Canadian Dollars – Unaudited)

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

Total stock-based compensation expense recognized during the three months ended September 30, 2022 was \$Nil (2021 - \$Nil), using the Black-Scholes option pricing model.

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, 2022 and June 30, 2022 are as follows:

	September 30, 2022		June 30, 2022	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
<b>Outstanding, beginning of period/year</b>	6,880,000	\$ 0.29	5,680,000	\$ 0.30
Granted	-	-	2,600,000	0.26
Exercised	-	-	(380,000)	0.29
Cancelled/expired	-	-	(1,020,000)	0.30
<b>Outstanding, end of period/year</b>	<b>6,880,000</b>	<b>\$ 0.29</b>	<b>6,880,000</b>	<b>\$ 0.29</b>
<b>Exercisable, end of period/year</b>	<b>6,880,000</b>	<b>\$ 0.29</b>	<b>6,880,000</b>	<b>\$ 0.29</b>

At September 30, 2022, 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	1.87
June 2, 2025	1,855,000	1,855,000	\$ 0.21	2.67
October 7, 2025	300,000	300,000	\$ 0.33	3.02
December 30, 2025	1,400,000	1,400,000	\$ 0.46	3.25
January 18, 2026	50,000	50,000	\$ 0.45	3.30
April 13, 2026	200,000	200,000	\$ 0.40	3.54
October 7, 2026	2,220,000	2,220,000	\$ 0.25	4.02
	<b>6,880,000</b>	<b>6,880,000</b>	<b>\$ 0.29</b>	<b>3.17</b>

**b) Warrants**

A continuity schedule of the Company's outstanding common share purchase warrants as at September 30, 2022 and June 30, 2022 is as follows:

**DISTRICT METALS CORP.****Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2022 and 2021**

(Expressed in Canadian Dollars – Unaudited)

	September 30, 2022		June 30, 2022	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
<b>Outstanding, beginning of period/year</b>	11,517,886	\$ 0.40	7,917,866	\$ 0.42
Issued	-	-	3,600,000	0.35
<b>Outstanding, end of period/year</b>	11,517,866	\$ 0.40	11,517,866	\$ 0.40

**c) Compensation options**

A continuity schedule of the Company's outstanding compensation options as at September 30, 2022 and June 30, 2022 is as follows:

	September 30, 2022		June 30, 2022	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
<b>Outstanding, beginning of period/year</b>	1,205,920	\$0.30/0.25	847,600	\$ 0.30 <sup>(1)</sup> / 0.42 <sup>(2)</sup>
Granted	-	-	358,320	0.25 <sup>(3)</sup> / 0.35 <sup>(4)</sup>
Exercised	-	-	-	-
<b>Outstanding, end of period/year</b>	1,205,920	\$ 0.30 / 0.25	1,205,920	0.30/0.42/0.25/ 0.35

<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.

<sup>(3)</sup> The holder of each compensation option is entitled to purchase one Unit at an exercise price of \$0.25.

<sup>(4)</sup> Each whole common share purchase warrant is exercisable into one common share of the Company at an exercise price of \$0.35.

**8. 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 its operational and administrative activities. 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, 2022.

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.

**DISTRICT METALS CORP.****Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2022 and 2021**

(Expressed in Canadian Dollars – Unaudited)

**9. FINANCIAL INSTRUMENTS****a) Categories of financial instruments and fair value measurements**

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

	September 30, 2022	June 30, 2022
<b>Financial assets:</b>		
<b><i>Fair value through profit and loss</i></b>		
Cash and cash equivalents	\$ 1,126,238	\$ 1,508,278
Marketable securities	100,000	120,000
<b>Financial liabilities:</b>		
<b><i>Other financial liabilities</i></b>		
Accounts payable and accrued liabilities	\$ 160,574	\$ 294,198

The amount of accounts payable and accrued liabilities includes amounts due to related parties (Note 10).

**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, 2022 and June 30, 2022, 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.

***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, 2022, the Company was exposed to credit risk on its cash and cash equivalents.

The Company's cash and cash equivalents is held with high credit quality financial institutions in Canada and Sweden and as at September 30, 2022, 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, 2022, the Company had cash and cash equivalents of \$1,126,238 (June 30, 2022 - \$1,508,278) and accounts payable and accrued liabilities of \$160,574 (June 30, 2022 - \$294,198) with contractual maturities of less than one year. The Company had sufficient cash to meet its current liabilities as at September 30, 2022. The Company assessed its liquidity risk as low as at September 30, 2022.

**DISTRICT METALS CORP.****Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2022 and 2021**

(Expressed in Canadian Dollars – Unaudited)

*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, 2022.

*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, 2022 and June 30, 2022, the Company had exposure to foreign currency risk through the following assets and liabilities denominated in Euros, and Swedish Krona ("SEK").

<b>September 30, 2022</b>		
	<b>Euros</b>	<b>SEK</b>
Cash and cash equivalents	1,463	1,522,188
Accounts payable and accrued liabilities	-	(468,218)
Net	1,463	1,053,970
Canadian dollar equivalent	1,959	128,817

  

<b>June 30, 2022</b>		
	<b>Euros</b>	<b>SEK</b>
Cash and cash equivalents	1,466	2,185,665
Accounts payable and accrued liabilities	-	(360,970)
Net	1,466	1,824,695
Canadian dollar equivalent	\$ 1,970	\$ 229,364

For the period ended September 30, 2022, based on the above net exposures, a 5% change in the Canadian Dollar/Euro and Canadian Dollar/SEK exchange rate would impact the Company's net loss by approximately \$Nil and \$5,000 (June 30, 2022 - \$Nil and \$11,000), respectively. As at September 30, 2022 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 33, 2022 and June 30, 2022.

**10. 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, 2022 and 2021 were as follows:

	<b>For the Three Months Ended</b>			
	<b>September 30, 2022</b>		September 30, 2021	
Salary	\$	63,750	\$	63,750
Short-term benefits	\$	54,250	\$	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, 2022, recorded in consulting fees (2021 - \$63,750). During the three months ended September 30, 2022 and 2021, the Company incurred consulting fees of \$15,000 and \$15,000, respectively, for services provided by the CFO.

(c) During the three months ended September 30, 2022 and 2021, the Company incurred stock-based compensation expense of \$Nil and \$Nil, respectively, related to stock options granted to officers and directors of the Company.

**DISTRICT METALS CORP.****Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended September 30, 2022 and 2021**

(Expressed in Canadian Dollars – Unaudited)

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- (d) During the three months ended September 30, 2022 and 2021, the Company incurred director's fees of \$9,000 and \$9,000, respectively, recorded in consulting fees, to directors of the Company.
- (e) During the three months ended September 30, 2022 and 2021, the Company incurred consulting fees of \$24,000 and \$24,000 paid to a company controlled by a close family member of the CFO.
- (f) At September 30, 2022 and June 30, 2022, the Company had \$49,642 and \$8,254, respectively, due to related parties, including in accounts payable and accrued liabilities. Amounts are unsecured, non-interest bearing with no set terms of repayment.

**11. SUBSEQUENT EVENT**

On November 10, 2022, the Company ratified an Exploration Management Agreement (the "Agreement") between the Company and Sherpa II effective August 31, 2021, whereby the Company will conduct the exploration at the Bakar Property. Pursuant to the Agreement, District will charge Sherpa II a management fee of 10%, based off eligible flow-through expenditures incurred at the Bakar property.