



Management Discussion and Analysis For the Six Months Ended December 31, 2020

This management's discussion and analysis ("MD&A") is management's interpretation of the financial condition and results of operations of District Metals Corp. (the "Company" or "District Metals") for the six months ended December 31, 2020. This MD&A should be read in conjunction with the audited financial statements of the Company for the fiscal year ended June 30, 2020 and condensed consolidated interim financial statements for the six months ended December 31, 2020, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements, but does not form part of, the Company's financial statements.

This MD&A contains forward-looking statements. Statements regarding the adequacy of cash resources to carry out the Company's exploration programs or the need for future financing are forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language included in this MD&A. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated. This MD&A has been prepared as of March 1, 2021.

BUSINESS OVERVIEW

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

The Company is a junior mineral exploration stage company in the business of acquiring, exploring, and evaluating natural resource properties, and either developing these properties further or disposing of them when the evaluation is complete. As at the date of this MD&A, the Company holds a 100% interest in the Tomtebo and Trollberget Properties, located in the Bergslagen Mining District of south-central Sweden, and a 20% interest in the Bakar Property located on North Vancouver Island in British Columbia, Canada.

The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the future. Many factors influence the Company's ability to raise funds, including the health of the capital market, the climate for mineral exploration investment and the Company's track record. Actual funding requirements may vary from those planned due to a number of factors, including the acquisition of new projects. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favourable, or at all.

Tomtebo and Trollberget Properties, Sweden

On June 30, 2020, the Company completed its acquisition of 100% ownership of the Tomtebo and Trollberget properties ("Tomtebo Property") from Viad Royalties AB, a wholly-owned subsidiary of EMX Royalty Corp. ("EMX"), for \$35,000 and the issuance of 5,882,830 common shares of the Company, with a fair value of \$1,353,050 ("Tomtebo Purchase Agreement" or the "Transaction"). EMX retained a 2.5% net smelter royalty on each of the properties. The Company also entered into a shareholder rights agreement with EMX pursuant to which, among other things, EMX has been granted a top-up right (the "Top-Up Right") to maintain its proportionate shareholding in the Company at no additional consideration until the earlier of the five year anniversary of the closing of the Transaction and completion of a financing raising gross proceeds of at least \$600,000, up to a maximum of 3,000,000 common shares in the capital of the Company. For further details regarding the terms of the Purchase Agreement, please refer to the Company's news releases of February 20, 2020 and May 8, 2020 and the Purchase Agreement filed on the Company's profile on www.sedar.com.

To retain the Tomtebo Property, the Company must:

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

Also in connection with the closing of the Transaction, pursuant to the previously announced services agreement between the Company, Vector Geological Solutions Inc., (the "Consultant") and Daniel MacNeil, as principal of the Consultant, the Company issued 466,390 common shares in the capital of the Company, with a fair value of \$107,270, to the Consultant (the "Finder Shares") and during the six months ended December 31, 2020, 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.

During the six months ended December 31, 2020, the Company issued 219,756 common shares with a fair value \$105,483 to EMX pursuant to the Top-Up Right in the Tomtebo Purchase Agreement, which satisfies all Top-Up Right obligations in the Tomtebo Purchase Agreement.

Bakar Property, British Columbia

On May 1, 2019, the Company entered into a purchase agreement with Longford Capital Corp. and James Douglas Rogers to acquire a 100% interest in the Bakar Property (subject to a 2% net smelter royalty) for \$50,000 cash and the issuance of 1,250,000 common shares. The acquisition closed on July 12, 2019. The Company was obligated to incur expenditures of \$200,000 within six months from the closing date and these expenditures were to be registered and recorded with the British Columbia Minerals Title Branch. These expenditures were completed during the year-ended June 30, 2019.

On August 18, 2020, the Company announced that it had entered into a definitive agreement to sell an 80% interest in its Bakar Property to Sherpa II Holdings Corp. ("Sherpa II") (the "Bakar Sale Agreement"), an arms-length party. The transaction closed on December 18, 2020. 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 six months of closing; and
- Carry over of the 2.0% NSR from the royalty agreement dated July 12, 2019 between the Company and Longford Capital Corp. on one of the eight mineral claims that comprises Bakar, which covers 1,352 hectares (ha) out of the 15,687 ha Property. The 2.0% NSR may be repurchased entirely for \$6,500,000 cash.

Due to the purchase consideration pursuant to the Bakar Sale Agreement being lower than the carrying value, indicators of impairment existed leading to a test of the recoverable amount of the Bakar Property, which resulted in an impairment loss of \$456,537. 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.

Costs incurred with respect to the Tomtebo and Bakar properties are summarized below:

	Tomtebo Property	Bakar Property	Total
Acquisition Costs			
Balance, June 30, 2019	\$ -	\$ 35,086	\$ -
Additions	1,499,090	240,000	1,739,090
Balance, June 30, 2020	1,499,090	275,086	1,774,176
Additions	121,616	-	121,616
Property interest sale	-	(130,000)	(130,000)
Balance, December 31, 2020	\$ 1,620,706	\$ 145,086	\$ 1,765,792
Deferred Exploration Costs			
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 (recovery)	275,840	1,698	277,538
Exploration	121,287	-	121,287
Balance, December 31, 2020	\$ 397,127	\$ 343,951	\$ 741,078
Write-down of mineral property	\$ -	\$ (456,537)	\$ (456,537)
Total			
Balance, June 30, 2020	\$ 1,499,090	\$ 617,339	\$ 2,116,429
Balance, December 31, 2020	\$ 2,017,833	\$ 32,500	\$ 2,050,333

FINANCIAL REVIEW

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

Results of operations for the three months ended December 31, 2020

The Company incurred a net and comprehensive loss of \$1,356,380 during the three months ended December 31, 2020, an increase in loss of \$1,254,302, as compared to the net and comprehensive loss of \$102,078 for the three months ended December 31, 2019. The increase in net loss and total comprehensive loss was primarily driven by:

- An increase in stock-based compensation expense of \$685,197 due to stock options granted during the three months ended December 31, 2019.
- An increase in marketing expense of \$324,140 due to the Company retaining an arms-length marketing consultant during the three months ended December 31, 2020, consistent with the increase in business activity.
- Management fees were up \$155,520 while consulting fees decreased by \$45,750 driven primarily by the fact that the Company's Chief Executive Officer entered into an employment agreement effective June 1, 2020 and is no longer a consultant.
- Professional fees increased from \$159 in 2019 to \$111,919 in 2020 primarily due to an increase in financing activity resulting in higher legal fees.
- A write down to the Bakar property of \$14,045 to write the property down to its fair value of \$32,500 based on management's estimate after considering the purchase agreement with Sherpa II Holdings Corp. to acquire an 80% interest in the Bakar Property.
- Shareholder information and investor relations costs increased \$14,736 due to increased activity in the current period following the purchase of the Tomtebo Property in June 2020.

Results of operations for the six months ended December 31, 2020

The Company incurred a net and comprehensive loss of \$2,000,361 during the six months ended December 31, 2020, an increase in loss of \$1,566,111, as compared to the net and comprehensive loss of \$434,250 for the six months ended December 31, 2019. The increase in net loss and total comprehensive loss was primarily driven by:

- Stock-based compensation expense increased from \$205,015 in 2019 to \$704,114 in 2020, due to stock options being granted during the six months ended December 31, 2020.

- A write down to the Bakar property of \$456,537 to write the property down to its fair value of \$32,500 based on management's estimate after considering the purchase agreement with Sherpa II Holdings Corp. to acquire an 80% interest in the Bakar Property.
- Management fees were up \$228,377 while consulting fees decreased by \$65,250, driven primarily by the fact that the Company's Chief Executive Officer entered into an employment agreement effective June 1, 2020 and is no longer a consultant.
- An increase in marketing expense of \$324,140 due to the Company retaining an arms-length marketing consultant during the six months ended December 31, 2020, consistent with the increase in business activity.
- Shareholder information and investor relations costs were up \$51,204 due to increased activity in the current period following the purchase of the Tomtebo Property in June 2020.
- Professional fees increased from \$47,463 in 2019 to \$123,195 in 2020 primarily due to an increase in financing activity resulting in higher legal fees.

Summary of quarterly results

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

		Loss before other		Total		Basic and diluted
Quarter ended		Revenue	income and expenses	comprehensive loss		income (loss) per common share
Q2/21	December 31, 2020	\$ -	\$ (1,356,380)	\$ (1,356,380)	\$	(0.02)
Q1/21	September 30, 2020	-	(633,019)	(633,019)		(0.01)
Q4/20	June 30, 2020	-	(541,190)	(541,190)		(0.01)
Q3/20	March 31, 2020	-	(115,120)	(115,120)		(0.00)
Q2/20	December 31, 2019	-	(102,078)	(102,078)		(0.00)
Q1/20	September 30, 2019	-	(332,172)	(332,172)		(0.01)
Q4/19	June 30, 2019	-	(88,829)	(88,829)		(0.00)
Q3/19	March 31, 2019	-	(82,995)	(82,995)		(0.00)

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

- Q2 2021: The Company's loss included marketing expense of \$324,140 due to the Company retaining an arms-length marketing consultant and stock-based compensation expense of \$685,197. After normalizing for these items, and considering a general increase in activity in FY21 is due to the acquisition of the Tomtebo property, net loss is consistent with the prior period.
- Q1 2021: The Company's loss included a write-down of \$456,537 of its Bakar Property to fair value. After normalizing for this item and considering a general increase in activity in FY21 is due to the acquisition of the Tomtebo property, net loss is consistent with the prior period.
- Q4 2020: The Company's loss included stock-based compensation of \$309,644 and professional fees of \$109,859 in connection with the acquisition of the Tomtebo property and the increased level of activity at the Company.
- Q1 2020: The Company's loss included stock-based compensation of \$205,015 and professional fees of \$47,304 in relation to the acquisition to the Bakar Property. Once normalized for these items, the net loss of \$79,853 was consistent with the previous periods.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial statements for the fiscal period ended December 31, 2020 have been prepared on a going concern basis, which assumes that the Company will continue in operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At December 31, 2020, the Company had cash and cash equivalents of \$5,564,735 (June 30, 2020: \$2,512,091) and its current assets exceeded its current liabilities by \$5,411,180 (June 30, 2020: \$2,262,077). The Company currently has no active business and is not generating any revenues. It has incurred losses and negative cash flows from operations since inception and had an accumulated deficit of \$58,129,456 as at December 31, 2020 (June 30, 2020: \$56,129,095).

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

Cash flows

Cash used in operating activities for the six months ended December 31, 2020 was \$884,616 compared to \$331,690 for the six months ended December 31, 2019. The increase in spending is a result of the increased level of activity at the Company compared to the prior year following the acquisition of the Tomtebo Property in June 2020 and the granting of incentive stock options during the six months ended December 31, 2020.

Cash used in investing activities for the six months ended December 31, 2020 was \$508,908 compared to investing activities of \$59,469 in the comparative period. Investing activities related to investment in the Company's exploration and evaluation assets – the Tomtebo Property in the current year and the Bakar Property in the prior year period.

Cash provided by financing activities for the six months ended December 31, 2020 was \$4,446,168 compared to financing activities of \$Nil in the comparative period. Financing activities related primarily to the closing of a brokered private placement as well as the exercise of stock options in the current period.

TRANSACTIONS WITH RELATED PARTIES

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

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

Key management compensation for the three and six months ended December 31, 2020 and 2019 were as follows:

	For the Six Months Ended	
	December 31, 2020	December 31, 2019
Salary	\$ 198,670	\$ -
Short-term benefits	\$ -	\$ 60,000

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 \$198,670 to the CEO during the six months ended December 31, 2020. For the six months ended December 31, 2019, the Company incurred management fees of \$60,000 for services provided by the CEO and Vice President of Exploration and Development.

During the six months ended December 31, 2020 and 2019, the Company incurred stock-based compensation expense of \$573,456 and \$182,877, respectively, related to stock options granted to officers and directors of the Company.

During the six months ended December 31, 2020 and 2019, the Company incurred director's fees of \$8,000 and \$Nil, respectively, to directors of the Company.

At December 31, 2020, the Company had \$Nil (June 30, 2020 - \$87,183) owing to related parties. These amounts are non-interest bearing and have no fixed term of repayment.

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

The critical judgements and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the condensed interim financial statements for the six months ended December 31, 2020 are as follows:

Going concern

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

Impairment of long-lived assets

The Company evaluates each long-term asset each reporting period to determine if there are any indications of impairment. If any such indications exist, an estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The estimates and assumptions used to estimate the recoverable amount of the long-lived assets are subject to risk and uncertainty and there is the possibility that changes in circumstances will alter these estimates and assumptions.

Determination of functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates; the Company has determined the functional currency District Metals Corp. and its subsidiary, District Metals AB, to be the Canadian dollar. Such determination involves certain judgements 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.

NEW ACCOUNTING STANDARDS AND ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Company adopted the following new accounting standard and amendment:

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 amendment had no impact to the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the six months ended December 31, 2020.

FINANCIAL INSTRUMENTS AND RELATED RISKS

Classifications

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

	December 31, 2020	June 30, 2020
Financial assets:		
<i>Fair value through profit and loss</i>		
Cash and cash equivalents	\$ 5,564,735	\$ 2,512,091
Marketable securities	80,000	-
Financial liabilities:		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	\$ 307,364	\$ 262,747

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

Financial instrument risk exposure

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. At December 31, 2020, the Company was exposed to credit risk on its cash and cash equivalents.

The Company's cash and cash equivalents are held with a high credit quality financial institution in Canada and as at December 31, 2020, management considers its exposure to credit risk to be low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital and expenditures.

At December 31, 2020, the Company had cash and cash equivalents of \$5,564,735 (June 30, 2020 - \$2,512,091) and accounts payable and accrued liabilities of \$307,364 (June 30, 2020 - \$262,747) with contractual maturities of less than one year. The Company had sufficient cash to meet its current liabilities at December 31, 2020. The Company assessed its liquidity risk as low as at December 31, 2020.

Interest rate risk

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

The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk at December 31, 2020.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies.

As at December 31, 2020, the Company is exposed to foreign currency risk, as it has cash, accounts payables and accrued liabilities denominated in Swedish Krona. Based on its volume of transactions, the Company determines its foreign currency risk is not significant.

OUTSTANDING SHARE CAPITAL DATA

At the date of this MD&A, the Company had 75,869,223 common shares issued and outstanding (June 30, 2020 – 59,422,524).

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

At the date of this MD&A, the Company has 7,916,666 warrants outstanding and 850,000 compensation options exercisable at \$0.30 into one common share and one half share purchase warrant.

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

Number of options	Exercise price	Expiry date	Exercisable
1,900,000	\$0.30	July 11, 2021	1,900,000
865,000	\$0.20	August 12, 2024	865,000
1,855,000	\$0.21	June 2, 2025	1,855,000
300,000	\$0.33	October 7, 2025	300,000
1,400,000	\$0.46	December 30, 2025	1,400,000
50,000	\$0.45	January 15, 2026	50,000

RISKS AND UNCERTAINTIES

The Company's business remains mineral property acquisition, exploration and development business and as a result it may be exposed to a number of operational, financial, regulatory and other risks and uncertainties that are typical in the natural resource industry and common to other companies in the exploration and development stage. These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company or which are presently considered immaterial could adversely impact the Company's business, results of operations, and financial performance in future periods. Refer to the Company's Annual Information Form dated October 30, 2020 for a list of risk factors impacting the Company.

CONFLICTS OF INTEREST

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements" and "forward-looking information" within the meaning of Canadian securities legislation. All statements included in this MD&A, other than statements of historical fact, are forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict", "foresee" and other similar terminology, or sentences/statements that certain actions, events

or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance.

These statements reflect the Company's current expectations regarding future events, performance and results, and is accurate only at the time of this MD&A, and may be superseded by more current information. Forward-looking statements also involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company or its mineral projects to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or information.

In making such statements, the Company has made assumptions regarding, among other things: general business and economic conditions; the availability of additional; the supply and demand for, inventories of, and the level and volatility of the prices of metals;; the timing and receipt of governmental permits and approvals; changes in regulations; political factors; the accuracy of the Company's interpretation of the geology of the Company's properties and prospective properties; the availability of equipment, skilled labour and services needed for the exploration of mineral properties; and currency fluctuations.

Although the forward-looking statements or information contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. They should not be read as guarantees of future performance or results. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to: the factors discussed below and under "Risks and Uncertainties"; unanticipated changes in general business and economic conditions or conditions in the financial markets; fluctuations in the price of metals; stock market volatility; the availability of exploration capital and financing generally; changes in national and local government legislation; changes to taxation; changes in interest or currency exchange rates; loss of key personnel; inaccurate geological assumptions; I; competition; unavailability of materials and equipment; government action or delays in the receipt of permits or government approvals; and unanticipated events related to health, safety and environmental matters, including the impact of epidemics.

Forward-looking information is designed to help readers understand management’s current views of the Company’s near and longer-term prospects, and it may not be appropriate for other purposes. The Company will not update any forward-looking statements or forward-looking information unless required to by applicable securities laws.