DISTRICT METALS CORP.

Condensed Consolidated Interim Financial Statements
For the nine months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars - unaudited)

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

As at		March 31, 2021 (unaudited)		June 30, 2020
ASSETS				
Current assets				
Cash and cash equivalents (Note 3)	$	4,931,967	$	2,512,091
GST and VAT receivable		51,589		2,927
Prepaid expenses		37,182		9,806
Marketable securities (Notes 4 and 10)		110,000		-
		5,130,738		2,524,824
Advances (Note 4)		-		89,593
Exploration and evaluation assets (Note 4)		2,573,565		2,116,429
TOTAL ASSETS	$	7,704,303	$	4,730,846
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Notes 5 and 8)	$	321,013	$	262,747
TOTAL LIABILITIES		321,013		262,747
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		63,540,345		59,496,635
Reserve (Note 7)		2,262,979		1,100,559
Accumulated deficit		(58,420,034)		(56,129,095)
TOTAL SHAREHOLDERS' EQUITY		7,383,290		4,468,099
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	7,704,303	$	4,730,846

Subsequent events (Note 12)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 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 condensed consolidated interim financial statements.

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

	For the Three Months Ended		For the Nine months Ended	
	March 31, 2021	**March 31, 2020**	**March 31, 2021**	**March 31, 2020**
EXPENSES				
General and administrative costs	**$ 64,369**	$ 37,486	**$ 218,335**	$ 110,665
Marketing and investor relations (Note 8)	**116,046**	5,446	**511,070**	25,126
Consulting fees (Note 8)	**157,818**	47,500	**441,196**	167,750
Property investigation costs	**-**	10,465	**-**	15,646
Stock-based compensation (Notes 7 and 8)	**23,908**	-	**728,022**	205,015
Transfer agent, regulatory and listing fees	**13,642**	14,223	**26,074**	25,168
Foreign exchange (gain) loss	**3,396**	-	**(1,694)**	-
Unrealized gain on investments (Note 4)	**(30,000)**	-	**(30,000)**	-
Write-down (recovery) of mineral property (Note 4)	**(58,601)**	-	**397,936**	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ 290,578**	$ 115,120	**$ 2,290,939**	$ 549,370
Basic and diluted loss per share for the period	**$ 0.00**	$ 0.00	**$ 0.04**	$ 0.02
Weighted average number of common shares outstanding	**75,837,778**	33,073,303	**64,956,487**	33,018,758

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)

	For the Nine months Ended	
	March 31, 2021	March 31, 2020
Cash flows provided from (used in):		
OPERATING ACTIVITIES		
Net loss for the period	$ (2,290,939)	$ (549,370)
Adjustments for items not affecting cash:		
Write-down of mineral property	397,936	-
Stock-based compensation	728,022	205,015
Gain on investment	(30,000)	-
Net changes in non-cash working capital items:		
GST and VAT receivable and prepaid expenses	(76,038)	(15,035)
Accounts payable and accrued liabilities	144,390	(67,575)
Net cash flows used in operating activities	(1,126,629)	(426,965)
INVESTING ACTIVITIES		
Proceeds from sale of exploration and evaluation asset interest	50,000	-
Exploration and evaluation assets	(859,987)	(62,051)
Net cash flows used in investing activities	(809,987)	(62,051)
FINANCING ACTIVITIES		
Proceeds from private placement, net of cash share issuance costs	4,269,392	-
Proceeds from the exercise of stock options	87,100	-
Net cash flows provided by financing activities	4,356,492	-
Net increase (decrease) in cash	2,419,876	(489,016)
Cash and cash equivalents, beginning of period	2,512,091	784,845
Cash and cash equivalents, end of period	$ 4,931,967	$ 295,829
Supplemental cash flow information:		
Advances incurred and reclassified to exploration and evaluation assets	$ 89,593	$ -
Non-cash share issuance for exploration and evaluation assets	121,616	-
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	86,124	-

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

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

	Number of shares	Amount	Reserve	Accumulated deficit	Total
Balance at June 30, 2019	**31,823,303**	**$ 55,496,351**	**$ 585,900**	**$ (55,038,535)**	**$ 1,043,716**
Common shares issued for property payment	1,250,000	200,000	-	-	200,000
Stock-based compensation	-	-	205,015	-	205,015
Net loss for the period	-	-	-	(549,370)	(549,370)
Balance at March 31, 2020	**33,073,303**	**$ 55,696,351**	**$ 790,915**	**$ (55,587,905)**	**$ 899,361**
Balance at June 30, 2020	**59,422,524**	**$ 59,496,635**	**$ 1,100,559**	**$ (56,129,095)**	**$ 4,468,099**
Common shares issued for private placement	15,833,333	4,750,000	-	-	4,750,000
Share issuance costs	-	(995,847)	515,239	-	(480,608)
Common shares issued for property payment	253,366	121,616	-	-	121,616
Common shares issued for stock option exercise	360,000	87,100	-	-	87,100
Fair value reclassification for stock option exercise	-	80,841	(80,841)	-	-
Stock-based compensation	-	-	728,022	-	728,022
Net loss for the period	-	-	-	(2,290,939)	(2,290,939)
Balance at March 31, 2021	**75,869,223**	**$ 63,540,345**	**$ 2,262,979**	**$ (58,420,034)**	**$ 7,383,290**

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

1. NATURE OF OPERATIONS

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 Suite 1200, 200 Burrard Street, Vancouver, BC, V7X 1T2. The Company is listed on the TSX Venture Exchange (the "Exchange") and trades under the symbol "DMX".

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 properties.

2. SIGNIFICANT ACCOUNTING POLICIES

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, 2020 audited annual consolidated financial statements and the notes to such financial statements.

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.

These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors on May 28, 2021 and follow the same accounting policies and methods of computation as the most recent annual financial statements, except for the impact of the changes in accounting policies disclosed below:

a) Functional and presentation currency

Items included in the condensed consolidated interim financial statements of the Company and its wholly owned subsidiary are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and its subsidiary, District Metals AB (Sweden) is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand together with short-term investments, consisting of highly rated and liquid short-term investment certificates that are readily convertible to cash, and are classified and measured as amortized cost.

(Expressed in Canadian Dollars - unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Significant accounting judgments and key sources of estimation uncertainty

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 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.

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.

d) New accounting standard and amendments

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 on the Company's condensed consolidated interim financial statements.

3. CASH AND CASH EQUIVALENTS

At March 31, 2021 and June 30, 2020, the Company's cash and cash equivalents are composed of the following:

		March 31, 2021		**June 30, 2020**
Cash held in bank accounts	$	4,131,967	$	2,512,091
Cash equivalents		800,000		-
Total	**$**	**4,931,967**	**$**	**2,512,091**

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

(Expressed in Canadian Dollars - unaudited)

4. EXPLORATION AND EVALUATION ASSETS

		Tomtebo Property		Bakar Property		Total
Acquisition Costs						
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 5)		121,616		-		121,616
Property interest sale		-		(130,000)		(130,000)
Balance, March 31, 2021	$	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		568,131		1,333		569,464
Exploration (recovery)		352,228		(58,236)		293,992
Balance, March 31, 2021	$	920,359	$	285,350	$	1,205,709
Write-down of mineral property	$	-	$	(397,936)	$	(397,936)
Total						
Balance, June 30, 2020	$	1,499,090	$	617,339	$	2,116,429
Balance, March 31, 2021	$	2,541,065	$	32,500	$	2,573,565

Tomtebo Property

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

To retain the Tomtebo Property, the Company must:

i) incur $1,000,000 of eligible expenditures on the Tomtebo Property within two years of the closing of the Transaction, which was completed subsequent to March 31, 2021; and
ii) complete a minimum of 2,000 m of drilling within three years of completion of the proposed Transaction, which was completed subsequent to March 31, 2021, and an aggregate of 5,000 m within five years of completion of the proposed 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"). During the nine months ended March 31, 2021, 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 nine months ended March 31, 2021, 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.

As at March 31, 2021 $Nil (June 30, 2020 – $89,593) had been advanced for exploration expenditures to be incurred subsequent to period end.

(Expressed in Canadian Dollars - unaudited)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Bakar Property

On December 18, 2020, the Company sold an 80% interest in its 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 Baker 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 nine months ended March 31, 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 three and nine months ended March 31, 2021, the Company received a refund of $58,236 from the Government of Canada related to Mineral Exploration Tax Credit ("METC"), which was recorded as a recovery against exploration expenses on the Bakar Property.

During the three and nine months ended March 31, 2021, the Company recorded an unrealized gain of $30,000 (2020 - $Nil) on its investment in Sherpa II.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At March 31, 2021 and June 30, 2020, the Company's accounts payable and accrued liabilities are composed of the following:

		March 31, 2021		June 30, 2020
Accounts payable	$	95,960	$	132,318
Accrued liabilities		225,053		130,429
Total	**$**	**321,013**	**$**	**262,747**

6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued

On July 12, 2019, the Company issued 1,250,000 common shares with a fair value of $200,000 in accordance with the Bakar Purchase Agreement.

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 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.

(Expressed in Canadian Dollars - unaudited)

6. SHARE CAPITAL (continued)

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 $480,608 were incurred and 850,000 compensation options with a fair value of $515,239 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 4).

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.

7. OPTIONS AND WARRANTS

a) Options

The Black-Scholes option pricing model inputs for options granted and vested during the nine months ended March 31, 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

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 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.

Total stock-based compensation expense recognized during the three and nine months ended March 31, 2021 was $23,908 (2020 - $Nil) and $728,022 (2020 - $205,015), respectively.

(Expressed in Canadian Dollars - unaudited)

7. OPTIONS AND WARRANTS (continued)

a) Options (continued)

A continuity schedule of the Company's outstanding stock options for the nine months ended March 31, 2021 and 2020 are as follows:

	March 31, 2021			March 31, 2020		
	Number outstanding		Weighted average exercise price	Number outstanding		Weighted average exercise price
Outstanding, beginning of period	4,980,000	$	0.24	2,050,000	$	0.30
Granted	1,750,000		0.44	1,065,000		0.20
Exercised	(360,000)		(0.24)	-		-
Outstanding, end of period	6,370,000	$	0.30	3,115,000	$	0.27

At March 31, 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	1,900,000	1,900,000	$	0.30	0.28
August 12, 2024	865,000	865,000	$	0.20	3.37
June 2, 2025	1,855,000	1,855,000	$	0.21	4.18
October 7, 2025	300,000	300,000	$	0.33	4.52
December 30, 2025	1,400,000	1,400,000	$	0.46	4.75
January 18, 2026	50,000	50,000	$	0.45	4.81
	6,370,000	6,370,000	$	0.30	3.05

b) Warrants

On December 30, 2020, the Company issued 7,916,666 warrants in accordance with the closing of a brokered private placement. Each warrant is exercisable at $0.42 per share until December 30, 2022. The Company uses the residual value method to value warrants issued as part of private placements. No value was assigned to the warrants issued during the nine months ended March 31, 2021.

A continuity schedule of the Company's outstanding warrants for the nine months ended March 31, 2021 and 2020 are as follows:

	March 31, 2021			March 31, 2020		
	Number outstanding		Weighted average exercise price	Number outstanding		Weighted average exercise price
Outstanding, beginning of period	**-**	**$**	**-**	**-**	**$**	**-**
Granted	7,916,666		0.42	-		-
Outstanding, end of period	7,916,666	$	0.42	-	$	-

(Expressed in Canadian Dollars - unaudited)

7. OPTIONS AND WARRANTS (continued)

b) Warrants (continued)

At March 31, 2021, the Company had outstanding warrants exercisable to acquire common shares of the Company as follows:

Expiry date	Warrants outstanding	Warrants exercisable	Exercise price	Weighted average remaining contractual life (in years)
December 30, 2022	7,916,666	7,916,666	$ 0. 42	1.75

c) Compensation options

A continuity schedule of the Company's outstanding compensation options for the nine months ended March 31, 2021 and 2020 are as follows:

	March 31, 2021		March 31, 2020	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	**-**	**$ -**	**-**	**$ -**
Granted	850,000	0.30[(1)]/ 0.42[(2)]	-	-
Outstanding, end of period	850,000	$ 0.30 / 0.42	-	$ -

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

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

Subsequent to March 31, 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.

8. 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.

Key management compensation included in management and consulting fees for the nine months ended March 31, 2021 and 2020 were as follows:

(a)

	For the Nine months Ended March 31, 2021	March 31, 2020
Salary	$ 266,832	$ -
Short-term benefits	$ 36,550	$ 60,000

(Expressed in Canadian Dollars - unaudited)

8. 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 $266,832 to the CEO during the nine months ended March 31, 2021, recorded in management fees. During the nine months ended March 31, 2021 and 2020, the Company incurred consulting fees of $25,550 and $60,000, respectively, for services provided by the CEO, CFO, a director and the Vice President of Exploration and Development.

(c) During the nine months ended March 31, 2021 and 2020, the Company incurred stock-based compensation expense of $575,737 and $205,015, respectively, related to stock options granted to officers and directors of the Company.

(d) During the nine months ended March 31, 2021 and 2020, the Company incurred director's fees of $11,000 and $Nil, respectively, recorded in management fees, to directors of the Company.

(e) At March 31, 2021, the Company had $5,828 (June 30, 2020 - $87,183) owing to related parties. These amounts are non-interest bearing and have no fixed term of repayment.

9. 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 their capital management approach during the period ended March 31, 2021.

The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements.

10. FINANCIAL INSTRUMENTS

a) Categories of financial instruments and fair value measurements

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

		March 31, 2021		June 30, 2020
Financial assets:				
Fair value through profit and loss				
Cash and cash equivalents	$	4,931,967	$	2,512,091
Marketable securities		110,000		-
Financial liabilities:				
Other financial liabilities				
Accounts payable and accrued liabilities	$	321,013	$	262,747

Accounts payable and accrued liabilities includes amounts due to related parties.

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.

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of inputs used in measuring fair value as follows:

10. FINANCIAL INSTRUMENTS (continued)

b) Management of financial risks (continued)

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).

Marketable securities represent 1,000,000 common shares of Sherpa II received in connection with the sale of the Bakar property (Note 4) and are measured at Level 1 of the fair value hierarchy.

At March 31, 2021 and June 30, 2020, 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.

b) 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 March 31, 2021, the Company was exposed to credit risk on its cash and cash equivalents.

The Company's cash and cash equivalents are held with high credit quality financial institutions in Canada and Sweden. As at March 31, 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 March 31, 2021, the Company had cash and cash equivalents of $4,931,967 (June 30, 2020 - $2,512,091) and accounts payable and accrued liabilities of $321,013 (June 30, 2020 - $262,747) with contractual maturities of less than one year. The Company had sufficient cash to meet its current liabilities at March 31, 2021. The Company assessed its liquidity risk as low as at March 31, 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 at March 31, 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 March 31, 2021, 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.

(Expressed in Canadian Dollars - unaudited)

11. 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:

		Sweden		Canada		Total
As at March 31, 2021						
Current Assets	$	202,549	$	4,928,189	$	5,130,738
Exploration and evaluation assets		2,541,065		32,500		2,573,565
	$	2,743,614	$	4,960,689	$	7,704,303
As at June 30, 2020						
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

12. SUBSEQUENT EVENTS

Subsequent to March 31, 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.

Subsequent to March 31, 2021, 200,000 stock options were granted to employees and consultants of the Company. The stock options are exercisable at $0.40 per share for five years and vested on the grant date.

Subsequent to March 31, 2021, 20,000 stock options were cancelled unexercised.