DISTRICT COPPER

(formerly Carmax Mining Corp.)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
OCTOBER 31, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
District Copper Corp. (formerly Carmax Mining Corp.)

We have audited the accompanying financial statements of District Copper Corp. (formerly Carmax Mining Corp.), which comprise the statements of financial position as at October 31, 2018 and 2017 and the statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of District Copper Corp. (formerly Carmax Mining Corp.) as at October 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about District Copper Corp. (formerly Carmax Mining Corp.)'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

January 24, 2018

DISTRICT COPPER CORP. (formerly Carmax Mining Corp.)

STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	As at October 31, 2018	As at October 31, 2017
ASSETS		
Current Assets		
Cash	$ **373,434**	$ 72,048
GST receivable	**12,406**	3,730
Total Current Assets	**385,840**	75,778
Reclamation Deposits (Note 5)	**212,000**	180,000
Exploration and Evaluation Assets (Note 6)	**12,079,631**	10,591,427
Total Assets	$ **12,677,471**	$ 10,847,205
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ **158,194**	$ 118,851
Flow-through premium liability (Note 8)	**43,484**	-
Loan payable (Note 11)	**-**	25,000
Total Current Liabilities	**201,678**	143,851
Decommissioning Provision (Note 7)	**235,327**	36,123
Promissory Note (Note 11)	**-**	102,010
Total Liabilities	**437,005**	281,984
Shareholders' Equity		
Share capital (Note 8)	**18,581,403**	16,236,603
Share-based payment reserve	**247,970**	247,970
Deficit	**(6,588,907)**	(5,919,352)
Total Shareholders' Equity	**12,240,466**	10,565,221
Total Liabilities and Shareholders' Equity	$ **12,677,471**	$ 10,847,205

Nature and continuance of operations (Note 1)
Subsequent event (Note 14)

These financial statements were approved and authorized for issue by the Board of Directors on January 24, 2019 by:

"Jevin Werbes"	"Chris Healey"
Chief Executive Officer	Director

The accompanying notes are an integral part of these financial statements.

DISTRICT COPPER CORP. (formerly Carmax Mining Corp.)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

		Year Ended October 31, 2018		Year Ended October 31, 2017
Operating Expenses				
Accretion (Note 7)	**$**	**92**	$	92
Consulting (Note 11)		**588,936**		163,575
Director fees (Note 11)		**20,000**		20,000
Interest		**-**		1,010
Office		**21,250**		8,219
Professional fees		**31,044**		32,714
Promotion and entertainment		**10,593**		2,335
Rent (Note 11)		**21,000**		17,000
Shareholder communications		**26,919**		8,264
Transfer agent and regulatory fees		**47,487**		15,207
Travel		**21,593**		1,790
Loss Before Non-Operating Items		**788,914**		270,206
Non-Operating Items				
Flow-through premium income (Note 8)		**(118,275)**		-
Interest income		**(1,084)**		(1,220)
Loss on sale of investment		**-**		19,000
Net Loss		**669,555**		287,986
Other Comprehensive Loss				
Unrealized gain on reversal on AFS investment		**-**		(18,500)
Comprehensive Loss	**$**	**669,555**	$	269,486
Basic and Diluted Loss per Share	**$**	**0.01**	$	0.01
Weighted Average Number of Shares Outstanding – Basic and Diluted		**70,065,400**		51,616,468

The accompanying notes are an integral part of these financial statements.

DISTRICT COPPER CORP. (formerly Carmax Mining Corp.)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Shares	Amount	Share-Based Payment Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance, November 1, 2016:	50,871,266	$ 15,992,459	$ 247,970	$ (18,500)	$ (5,631,366)	$ 10,590,563
Accumulated other comprehensive loss	-	-	-	18,500	-	18,500
Shares issued for cash	4,250,000	255,000	-	-	-	255,000
Share issuance costs	-	(10,856)	-	-	-	(10,856)
Net loss for the year	-	-	-	-	(287,986)	(287,986)
Balance, October 31, 2017	**55,121,266**	**$ 16,236,603**	**$ 247,970**	**$ -**	**$ (5,919,352)**	**$ 10,565,221**
Shares issued for cash	25,220,352	2,049,980	-	-	-	2,049,980
Flow-through premium liability	-	(161,759)	-	-	-	(161,759)
Shares issued for property	3,900,000	624,000	-	-	-	624,000
Share issuance costs	-	(167,421)	-	-	-	(167,421)
Net loss for the year	-	-	-	-	(669,555)	(669,555)
Balance, October 31, 2018	**84,241,618**	**$ 18,581,403**	**$ 247,970**	**$ -**	**$ (6,588,907)**	**$ 12,240,466**

The accompanying notes are an integral part of these financial statements.

DISTRICT COPPER CORP. (formerly Carmax Mining Corp.)

STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

		Year Ended October 31, 2018		Year Ended October 31, 2017
Cash Used in Operating Activities				
Net loss	**$**	**(669,555)**	$	(287,986)
Items not affecting cash:				
Accretion		**92**		92
Accrued interest		**-**		1,010
Flow-through premium income		**(118,275)**		-
Loss on sale of investment		**-**		19,000
Changes in non-cash working capital items:				
Accounts payable and accrued liabilities		**16,729**		17,939
GST receivable		**(8,676)**		26,252
Cash Used in Operating Activities		**(779,685)**		(223,693)
Cash Used in Investing Activities				
Exploration and evaluation assets (**"E&E"**)		**(642,478)**		(109,633)
Investments		**-**		5,500
Reclamation deposit		**(32,000)**		-
Cash Used in Investing Activities		**(674,478)**		(104,133)
Cash Provided by Financing Activities				
Proceeds from share issuances, net		**1,882,559**		244,144
Proceeds from loan		**-**		25,000
Repayment of loans		**(127,010)**		**-**
Cash Provided by Financing Activities		**1,755,549**		269,144
Increase/(decrease) in cash for the year		**301,386**		(58,682)
Cash, beginning of year		**72,048**		130,730
Cash, End of Year	**$**	**373,434**	$	72,048

Disclosure of Non-Cash Transactions

E&E assets in accounts payables	**$**	**109,432**	$	86,818
E&E costs from reclamation obligation		**199,112**		-
Shares issued for E&E assets		**624,000**		-

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

a) *Nature of Operations*

District Copper Corp. (**"District"** or the **"Company"**) was incorporated under the Canada Business Corporations Act on June 16, 2000 and is listed on the TSX Venture Exchange (**"TSX:V"**).

On July 3, 2018, the Company changed its name from Carmax Mining Corp. to District Copper Corp.

The Company maintains its head office at 142-1146 Pacific Blvd., Vancouver, British Columbia, Canada, V6Z 2X7.

The Company's principal business activity is the acquisition and exploration of mineral properties. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

b) *Continuance of Operations*

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

During the year ended October 31, 2018, the Company incurred a net loss of $669,555 (October 31, 2017 - $287,986) and as at October 31, 2018 had an accumulated deficit of $6,588,907 (October 31, 2017 - $5,919,352). To date, the operations of the Company have been primarily funded through the issuance of common shares. The Company will require additional funding to maintain its operations for the upcoming fiscal year. If the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the statement of financial position. Due to many external factors, including commodity prices and equity market conditions, it is not possible to predict whether future financings will be successful or available at all. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

a) *Statement of Compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**) and interpretations of the International Financial Reporting Interpretations Committee (**"IFRIC"**). These financial statements were authorized for issue by the Board on January 23, 2019.

2. BASIS OF PRESENTATION (Continued)

b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is the Canadian dollar, being the currency of the economic environment of the Company's operations. The functional currency is also the presentation currency.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not clear from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. See Note 4 for Critical Accounting Estimates and Judgments made by management in the application of IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements set out below have been applied consistently in all material respects.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. As of October 31, 2018 and 2017, the Company had no cash equivalents.

Short Term Investments

Short term investments include investments that are convertible to known amounts of cash and have a maturity of one year or less. As at October 31, 2018 and 2017, the Company had no short term investments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflect the potential dilution that could occur if dilutive securities were exercised or converted into common stock. The dilutive effect of options and warrants and their equivalent are computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred. Until there is a legal right to explore a property through an underlying agreement, the costs incurred examining the property before the agreement is signed will not be capitalized.

Exploration and evaluation costs for mineral properties

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized. Mineral exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extraction of the mineral resources has been determined, the property is considered to be a property under development and is reclassified as such. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

Facts and circumstances that indicate a test for impairment as defined in *IFRS 6 Exploration and Evaluation Assets* include the following:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The recoverability of the amounts capitalized for the undeveloped mineral property is dependent upon the determination of economically recoverable mineral resources, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, the title to its properties are in good standing.

Management's capitalization of exploration and evaluation costs and assumptions regarding the future recoverability of such costs are subject to significant estimation uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral resources which are supported by geological estimates, estimated commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

Mining Tax Credits

Mining tax credits are recorded in the financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration and evaluation assets.

Equipment

Exploration equipment is recorded at cost and depreciated over its estimated useful life at 30% straight line per annum.

The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

Share-Based Payments

Equity-settled share based payments for directors, officers, employees and consultants are measured at fair value using the Black-Scholes option valuation model at the stock option grant date and recorded as an expense in the financial statements with a corresponding increase in the share-based payment reserve. The fair value determined at the grant date of the equity-settled share based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of the number of shares that will eventually vest. Consideration paid by optionees on exercise of stock options together with their fair values is credited to share capital. The fair values of expired, forfeited and cancelled options are removed from the share-based payment reserve and credited to deficit.

Compensation expense on stock options granted to consultants is measured at the earlier of the completion of performance and the date the options are vested at the fair value of the goods and services received and are recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Income Taxes

Income tax expense comprises of current and deferred tax. Current and deferred tax is recognized in the statement of operations and comprehensive loss except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive loss.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-lived Assets

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of operations and comprehensive loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Financial assets are classified into one of four categories: Financial assets at fair value through profit or loss ("**FVTPL**"), held-to-maturity investments, available for sale ("**AFS**") financial assets and loans and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has classified cash as FVTPL and reclamation deposits and other receivables as loans and receivable, which are recorded at amortized cost.

The Company classifies its investment as AFS. AFS financial assets are measured at their fair value, with unrealized gains and losses recorded in other comprehensive income or loss until the asset is realized, at which time they will be recorded in net income or loss.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations and comprehensive loss.

Impairment losses on loans and receivables carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's other financial liabilities include accounts payables and accrued liabilities, a loan payable and a promissory note. Subsequent to initial recognition, accounts payable and accrued financial liabilities are measured at amortized cost using the effective interest method.

Decommissioning Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the decommissioning provision in the period incurred. Provisions are determined by discounting the risk-adjusted expected future cash flows to take into consideration

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

risks and uncertainties involving the transaction. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The decommissioning cost is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognition in the statement of operations and comprehensive loss. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures.

These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of operations and comprehensive loss for the period.

Translation of Foreign Currencies

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined and are not subsequently retranslated. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

Share Capital

Share issue costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are charged to operations.

Value of warrants

Proceeds from unit placements are allocated between shares and warrants using the residual value method whereby the shares are recorded at fair value and any residual is allocated to the warrant. The value of warrants issued to brokers is determined using the Black-Scholes model.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Flow-through shares

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The increase to share capital when flow-through shares are issued is measured based on the current market price of the common shares. Any premium, being the excess of the proceeds over the market value of the common shares, is recorded as a liability. At the later of the renouncing and the incurrence of the expenditure, the Company de-recognizes the liability, and the premium amount is recognized in the statement of operations and comprehensive loss. The Company may be subject to a Part XII.6 tax on flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Accounting Standards Issued But Not Yet Applied

IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments, is replacing IAS 39, Financial Measurements: Recognition and Measurements. IFRS 9 retains but simplifies the mixed measure model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is tentatively effective for the Company's fiscal period beginning November 1, 2018. The Company does not anticipate a material impact from adoption of this new standard.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is a new standard to establish principles for reporting the nature amount timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service. The Company does not anticipate that the application of IFRS 15 in the future will have a material impact on the amounts reported and disclosures made in the Company's financial statements.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019. The Company does not anticipate that the application of IFRS 16 in the future will have a material impact on the amounts reported and disclosures made in the Company's financial statements.

4. USE OF ESTIMATES AND JUDGEMENTS

Recently Adopted Accounting Pronouncements

There have been no new accounting policies adopted by the Company that have had a significant impact on the financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Critical Accounting Estimates

The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Impairment

Assets, especially exploration and evaluation assets; are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the recoverable amount requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects (see Note 6).

Decommissioning Provisions

Management's best estimates regarding the decommissioning provisions are based on the current economic environment and future cash flows. Changes in estimates of contamination, restoration standards and restoration activities result in changes to provisions from period to period. Actual decommissioning provisions will ultimately depend on future prices and conditions.

4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

Critical Judgments Used in Applying Accounting Policies

Going Concern

Financial statements are prepared on a going concern basis, unless management either intends to liquidate the Company or to cease trading, or has no realistic alternative to do so. Assessment of the Company's ability to continue as a going concern requires the consideration of all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This information includes estimates of future cash flows and other factors, the outcomes of which are uncertain. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, those uncertainties are disclosed.

Exploration and Evaluation Expenditures

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, which is based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is impaired in the statement of operations and comprehensive loss during the period the new information becomes available.

Income taxes

Significant judgment is required in determining the provision for future income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

(Expressed in Canadian Dollars)

5. RECLAMATION DEPOSITS

The Company is required to post three bonds and two deposits with the Minister of Mines totalling $212,000 (October 31, 2017 - $180,000), relating to the on-going and future exploration of the Eaglehead Property in British Columbia. The deposits will be refunded to the Company upon completion of reclamation to the satisfaction of the British Columbia Inspector of Mines. The reclamation bonds are being held in term GIC deposits at various interest rates.

6. EXPLORATION AND EVALUATION ASSETS

Mineral property expenditures for the year ended October 31, 2018 are:

		Eaglehead Property
Property acquisition costs, as at October 31, 2017	$	622,512
Deferred exploration costs, as at October 31, 2017		9,968,915
Balance as at October 31, 2017		**10,591,427**
Additions during the year:		
Assays		40,194
Camp costs		48,801
Engineering and consulting		366,689
Property acquisition		639,000
Reclamation obligation		199,112
Storage		6,370
Supplies		3,871
Surveys		25,235
Transportation		7,438
Travel		109,337
Wages		42,157
Total for the Year		**1,488,204**
Balance as at October 31, 2018	**$**	**12,079,631**

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Mineral property expenditures for the year ended October 31, 2017 were:

		Eaglehead Property
Property acquisition costs, as at October 31, 2016	$	622,512
Deferred exploration costs, as at October 31, 2016		9,901,070
Balance as at October 31, 2016		**10,523,582**
Additions during the year:		
Assays		5,275
Camp costs		6,046
Engineering and consulting		43,248
Reclamation work		7,964
Storage		1,600
Supplies		215
Travel		3,497
Total for the Year		**67,845**
Balance as at October 31, 2017	**$**	**10,591,427**

Eaglehead Property

The Company entered into an agreement, effective October 31, 2005, with two former directors of the Company to acquire a 100% interest in the Eaglehead Property, subject to a 2.5% net smelter return ("**NSR**") royalty. The Eaglehead property is located near the Dease Lake area of north central British Columbia. The Earn-in Option was fulfilled by the Company in 2011 as a result of which the claims became 100% owned and controlled by the Company subject to a 2.5% NSR royalty of which 1.5% can be purchased by the Company for $2,000,000.

The Eaglehead property, as originally acquired, and four mineral tenures acquired from Copper Fox Metals Inc. ("**Copper Fox**"), for $11,011, were consolidated into one mineral tenure.

A portion of the Eaglehead property is also subject to a separate 2% NSR royalty payable to an arm's length third party, one-half (1%) of which may be purchased for $1,000,000.

On May 8, 2018, District acquired additional mineral tenures located contiguous to its 100% owned Eaglehead project.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Highlights of the transaction were:

- 3 mineral tenures located contiguous to the northern boundary of the Eaglehead project,
- Purchase price consisted of $15,000 **(paid)** and 3,900,000 shares **(issued)** of District,
- The vendor will retain a 2% NSR on production from the project;
- District retains the right to re-purchase up to 1.5% of the 2% NSR for a purchase price of $1,000,000.

7. DECOMMISSIONING PROVISION

The decommissioning provision for the Eaglehead exploration and evaluation asset was estimated by management based on the Company's ownership interest, the estimated timing of the costs to be incurred in future periods, the Company's risk free interest rate of 2.41% as at October 31, 2018 (October 31, 2017 – 2.00%) and a rate of inflation of 1.60% as at October 31, 2018 (October 31, 2017 – 0.87%).

The Company has estimated the net present value of this provision at October 31, 2018 to be $235,327. (October 31, 2017 - $36,123) based on a total undiscounted liability of $241,000 (October 31, 2017 - $36,500).

		October 31, 2018		October 31, 2017
Balance, Beginning of Year	**$**	**36,123**	$	36,031
Accretion		**92**		92
Revision of estimate		**199,112**		-
Balance, End of Year	**$**	**235,327**	$	36,123

8. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Issued and Outstanding

During the year ended October 31, 2018, the Company incurred the following share issuances:

- On March 29, 2018, the Company issued 18,750,000 units at $0.08 per unit, pursuant to a private placement, for gross proceeds of $1,500,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at $0.12 until March 29, 2020.

8. SHARE CAPITAL (continued)

The warrants have an early acceleration provision wherein the warrants will become callable on 21 days' notice in the event the Company's shares trade at a price of $0.25 per share or greater for a 30 day trading period.

Finders' fees of $48,048, filing fees of $7,500 and legal fees of $47,608 were paid with respect to this financing.

- On May 8, 2018, the Company issued 3,900,000 common shares at a value of $624,000 for contiguous mineral tenures at the Eaglehead property.

- On July 12, 2018 the Company issued 6,470,352 flow-through shares, pursuant to a private placement, for gross proceeds of $549,980.

  Finders' fees of $30,000, filing fees of $1,382, legal fees of $32,883 and the issuance of 352,942 finders' warrants were paid with respect to this financing. The fair value of the finders' warrants was immaterial.

  Each finders' warrant is exercisable into one common share at $0.085 until July 12, 2020.

  In connection with this placement, a $161,759 flow-through premium liability was incurred as a result of there being a $0.025 premium per share sold. The liability will be extinguished once all the flow-through money raised has been spent on the Eaglehead project. As of

  October 31, 2018, the remaining flow-through premium liability was $43,484, with the reduction of $118,275 recorded as flow-through premium income.

During the year ended October 31, 2017, the Company incurred the following share issuances:

- On August 28, 2017, the Company issued 4,250,000 post-consolidation units at $0.06 per unit, pursuant to a private placement, for gross proceeds of $255,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at $0.10 until February 28, 2019.

  Finders' fees of $800, filing fees of $1,275 and legal fees of $8,781 were paid with respect to this financing.

- On November 17, 2017, the Company consolidated its share capital based on one post consolidated common share for every two pre-consolidated common shares. All common share and per common share amounts, including options and warrants, in these financial statements have been adjusted to give retroactive effect to the share consolidation.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

c) Warrants

A summary of changes in share purchase warrants for the year ended October 31, 2018 and the year ended October 31, 2017 is as follows:

	Year Ended October 31, 2018			Year Ended October 31, 2017		
	Number of Warrants Outstanding		**Weighted Average Exercise Price**	Number of Warrants Outstanding		Weighted Average Exercise Price
Balance, Beginning of Year	**4,250,000**	**$**	**0.100**	8,090,225	$	0.166
Expired	**-**		**-**	(8,090,225)		(0.166)
Issued	**19,102,942**		**0.119**	4,250,000		0.100
Balance, End of Year	**23,352,942**	**$**	**0.116**	4,250,000	$	0.100

As at October 31, 2018 share purchase warrants outstanding and exercisable are as follows:

Number of Warrants Outstanding		**Warrant Exercise Price**	**Warrants Exercisable as of October 31, 2018**	**Warrant Expiry Date**
4,250,000	$	0.100	4,250,000	February 28, 2019
18,750,000		0.120	18,750,000	March 29, 2020
352,942		0.085	352,942	July 12, 2020
23,352,942	**$**	**0.116**	**23,352,942**	

As at October 31, 2018, the weighted average remaining contractual life of the share purchase warrants was 1.218 years (October 31, 2017 – 1.33 years) and the weighted average exercise price was $0.116 (October 31, 2017 - $0.100).

(Expressed in Canadian Dollars)

9. SHARE BASED PAYMENTS

Stock Options

The Company has a fixed stock option plan which follows the policies of the TSX:V regarding stock option awards granted to directors, officers, employees and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan.

A summary of changes in stock options for the year ended October 31, 2018 and the year ended October 31, 2017 is as follows:

	Year Ended October 31, 2018		Year Ended October 31, 2017	
	Number of Options Outstanding	**Weighted Average Exercise Price**	Number of Options Outstanding	Weighted Average Exercise Price
Balance, Beginning of Year:	**2,350,000**	**$ 0.13**	2,350,000	$ 0.13
Expired	**-**	**-**	-	-
Balance, End of Year	**2,350,000**	**$ 0.13**	2,350,000	$ 0.13

As at October 31, 2018, options outstanding for the purchase of common shares are as follows:

Number of Options Outstanding		**Option Exercise Price**	**Options Exercisable as of October 31, 2018**	**Option Expiry Date**
1,725,000	$	0.14	1,725,000	July 9, 2019
450,000	$	0.10	450,000	April 29, 2020
175,000	$	0.10	175,000	October 16, 2020
2,350,000	**$**	**0.13**	**2,350,000**	

As at October 31, 2018, the weighted average remaining contractual life of the options was 0.94 years (October 31, 2017 – 1.94 years) and the weighted average exercise price was $0.13 (October 31, 2017 - $0.13).

Compensation costs attributable to the granting and vesting of share options are measured at fair value and expensed with a corresponding increase to share-based payment reserve. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital. Upon expiry, the amounts recorded for share-based compensation are transferred to deficit from the share-based payment reserve.

(Expressed in Canadian Dollars)

9. SHARE BASED PAYMENTS (continued)

Options Issued to Employees

The fair value measured at the grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, expected forfeitures, the term of the option, the share price at grant date, the expected volatility of the underlying share, the dividend yield and the risk free interest rate of the option.

During the years ended October 31, 2018 and 2017, the Company did not issue any options to employees.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

During the years ended October 31, 2018 and 2017, the Company did not issue any options to non-employees.

10. INCOME TAXES

A reconciliation of the Company's effective income tax expense at statutory tax rates is as follows:

	Year Ended October 31, 2018	Year Ended October 31, 2017
Statutory tax rate	**27%**	**26%**
Loss before income taxes	**$ 669,555**	$ 287,986
Expected tax recovery	**$ (181,000)**	$ (75,000)
Change in rates and other	**(21,000)**	9,000
Permanent differences	**(31,000)**	-
Impact of flow-through shares	**114,000**	-
Share issuance costs	**(45,000)**	(3,000)
Adjustment to prior years provision and expiry of non-capital losses	**(116,000)**	151,000
Change in deferred tax assets not recognized	**280,000**	(82,000)
Deferred Income Tax Expense (Recovery)	**$ -**	**$ -**

(Expressed in Canadian Dollars)

10. INCOME TAXES (continued)

The significant components of the Company's deferred income tax assets are as follows:

		October 31, 2018		October 31, 2017
Non-capital losses carried forward	**$**	**1,669,000**	$	1,277,000
Asset retirement obligation		**64,000**		9,000
Equipment		**11,000**		11,000
Allowable capital losses		**3,000**		2,000
Share issuance costs deductible in future periods		**57,000**		11,000
Deferred Income Tax Assets		**1,804,000**		1,310,000

Excess of book value over tax value:

Resources Properties and Deferred Exploration Expenditures		**(1,294,000)**		**(1,080,000)**
Net deferred income tax assets		**510,000**		230,000
Deferred tax assets not recognized		**(510,000)**		(230,000)
Total	**$**	**-**	**$**	**-**

The Company has Canadian non-capital losses carried forward of approximately $6,183,000 (October 31, 2017 - $4,912,000) that have an expiry date range of 2026 to 2038. The potential tax benefits of these losses have not been recognized as realization is not considered more likely than not.

11. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling of the Company's activities, and include executive directors, as well as entities controlled by such persons.

At October 31, 2018, included in accounts payable and accrued liabilities is $3,125 (October 31, 2017 – $400) owing to a company controlled by a director, $4,725 (October 31, 2017 – $Nil) owing to a company controlled by an officer, $19,275 (October 31, 2017 - $15,000) owing to an officer and a director of the Company and $43,053 (October 31, 2017 - $79,247) owing to Copper Fox.

For the year ended October 31, 2018, $Nil (October 31, 2017 - $2,500) was paid in rent to a company controlled by an officer of District. In addition, $6,250 (October 31, 2017 - $12,000) was paid and capitalized to Eaglehead for services rendered by a company which is controlled by a director.

As at October 31, 2018 and October 31, 2017, coupled with the years ended October 31, 2018 and 2017, the Company incurred the following capitalizations and expenditures for key management personnel and the companies that are directly controlled by them.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (Continued)

		As at October 31, 2018		As at October 31, 2017
Statement of Financial Position Item:				
Exploration and evaluation assets	**$**	**6,250**	$	12,000
Total	**$**	**6,250**	$	12,000

		Year Ended October 31, 2018		Year Ended October 31, 2017
Statement of Operations Items:				
Consulting fees	**$**	**163,417**	$	142,000
Director fees		**20,000**		20,000
Rent		**-**		2,500
Total	**$**	**183,417**	$	164,500

Promissory Note

On October 28, 2015 District entered into a promissory note loan (the **"Loan"**) with Copper Fox, whereas Copper Fox agreed to lend District up to $400,000, in minimum increments of $50,000, for working capital purposes, as needed. District shall pay interest on the principle, from the disbursement date to the due date, November 30, 2019, at a rate of 1% per annum, compounded annually.

At any time during the term of the Loan, Copper Fox, at its sole discretion, can convert a portion or the entire loan outstanding, including unpaid interest, into free trading shares of District at a price equal to the greater of $0.10 or the trading price, subject to the prior approval of the exchange.

For accounting purposes, the promissory note is considered a liability since the conversion feature is not "fixed for fixed" and is therefore considered an embedded derivative. However, the embedded derivative liability has no value as the conversion price is set at the market price on the date of the conversion. Therefore, the full value of the promissory note is classified as a liability.

On April 2, 2018, District repaid the promissory note outstanding and accrued interest in full to Copper Fox.

Loan Payable

During the year ended October 31, 2017, the Company received a $25,000 non-interest bearing working capital loan from Copper Fox.

On April 2, 2018, District repaid the loan payable outstanding in full to Copper Fox.

(Expressed in Canadian Dollars)

12. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, share options and warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management.

The mineral properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. Additional sources of funding, which may not be available on favourable terms, if at all, include: share equity and debt financings; equity, debt or property level joint ventures; and sale of interests in existing assets. In order to carry out the planned exploration and development and pay for operating expenses, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended October 31, 2018. The Company is not subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments; all held within major Canadian financial institutions.

13. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES

The Company's financial assets, measured at fair value, are as follows:

		As at October 31, 2018		As at October 31, 2017	
	Input Level	**Carrying Amount**	**Estimated Fair value**	Carrying Amount	Estimated Fair Value
Financial Assets:					
Cash	**1**	**$ 373,434**	**$ 373,434**	$ 72,048	$ 72,048
Total		**$ 373,434**	**$ 373,434**	$ 72,048	$ 72,048

Fair Value

The estimated fair values of accounts payables, loan payable and promissory note approximate their respective carrying values due to the immediate or relatively short period to maturity.

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets;

13. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES (Continued)

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - Significant unobservable (no market data available) inputs which are supported by little or no market activity.

Risk Management

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are as follows:

a) Credit Risk

The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation. The Company does not have any asset-backed commercial instruments. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places cash with the high credit quality financial institutions. The Company considers its exposure to credit risk to be insignificant.

b) Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations. The Company manages liquidity risk and requirements by maintaining sufficient cash balances and or through additional financings to ensure that there is sufficient capital in order to meet short term obligations. As at October 31, 2018, the Company has cash aggregating $373,434 (October 31, 2017 - $72,048) and current financial liabilities of $158,194 (October 31, 2017 - $143,851) which have contractual maturities of 30 days or less. The Company will require additional sources of equity, joint venture partnership or debt financing to fund ongoing operations and the exploration and development of its mineral properties.

In the event that the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the statement of financial position. It is not possible to predict, due to many external factors including commodity prices and equity market conditions, as to whether future financing will be successful or available at all.

13. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES (Continued)

c) Market Risk

i) Interest Rate Risk

The Company manages its interest rate risk by obtaining commercial deposit interest rates available in the market by the major Canadian financial institutions on its cash and short term investments.

ii) *Foreign Exchange Risk*

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes.

As at October 31, 2018, the Company held no financial assets or liabilities which were denominated in currencies other than the Canadian dollar.

iii) *Commodity Price Risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

14. SUBSEQUENT EVENT

On August 15, 2018, the Company executed an agreement with an arm's length third party to acquire, subject to the TSX:V approval, a 100% interest in the Stoney Lake East Project. To acquire the project, the Company will issue 40,000,000 of its common shares to the current owners. The Project is subject to a 2% NSR, if the price of gold is US $2,000/oz. or less and a 3% NSR if the price of gold is above US $2,000/oz.

14. SUBSEQUENT EVENT (continued)

On December 14, 2018, District Copper received conditional TSX:V approval for its proposed acquisition of the Stony Lake East Property. The conditional approval requires that District Copper raises, by way of a private placement, no less than $400,000 in order to fund the first phase of the exploration program.