



FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
JANUARY 31, 2023**

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute to Chartered Accountants for a review of interim financial statements by an entity's auditors.

DISTRICT COPPER CORP.
INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	As at January 31, 2023	As at October 31, 2022
ASSETS		
Current Assets		
Cash	\$ 245,408	\$ 367,554
GST receivable	5,529	4,354
Marketable securities (Note 5)	112,000	80,000
Prepaid expenses	360,000	458,182
Promissory note (Note 6)	330,000	330,000
Total Current Assets	1,052,937	1,240,090
Non-Current Assets		
Promissory note (Note 6)	330,000	330,000
Exploration and evaluation assets (Note 6)	1,114,346	1,108,069
Total Assets	\$ 2,497,283	\$ 2,678,159
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 46,849	\$ 88,043
Total Liabilities	46,849	88,043
Shareholders' Equity		
Share capital (Note 7)	21,215,277	21,215,277
Share-based payment reserve (Note 7)	196,385	196,385
Deficit	(18,961,228)	(18,821,546)
Total Shareholders' Equity	2,450,434	2,590,116
Total Liabilities and Shareholders' Equity	\$ 2,497,283	\$ 2,678,159

Nature and continuance of operations (Note 1)

These financial statements were approved and authorized for issue by the Board of Directors on March 29, 2023, by:

"Jevin Werbes"

 Chief Executive Officer

"Chris Healey"

 Director

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

DISTRICT COPPER CORP.
INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended January 31, 2023	Three Months Ended January 31, 2022
<u>Operating Expenses</u>		
Advertising and promotion	19,636	-
Consulting fees (Note 8)	131,727	60,000
Director fees (Note 8)	1,500	-
Office	3,120	7,004
Professional fees	724	8,785
Rent	1,800	1,800
Shareholder communications	10,331	2,949
Transfer agent and regulatory	2,844	3,360
Loss Before Non-Operating Items	171,682	83,898
<u>Non-Operating Items</u>		
Fair value adjustment of marketable securities (Note 5)	(32,000)	45,375
Loss and Comprehensive Loss	139,682	129,273
Basic and Diluted Loss per Share	\$ 0.00	\$ 0.00
Weighted Average Number of Shares Outstanding – Basic and Diluted	20,742,928	17,169,162

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

DISTRICT COPPER CORP.
INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Shares	Amount	Share-Based Payment Reserve	Deficit	Total Equity
<u>Balance, November 1, 2021</u>	13,944,161	\$ 20,325,701	\$ -	\$ (18,004,069)	\$ 2,321,632
Shares issued for mineral property	1,500,000	205,000	-	-	205,000
Shares issued for private placement	4,300,000	430,000	-	-	430,000
Share issuance costs	-	(18,803)	-	-	(18,803)
Warrants exercised	1,300,000	195,000	-	-	195,000
Options exercised	250,000	78,379	(38,379)	-	40,000
Share-based compensation	-	-	234,764	-	234,764
Loss for the year	-	-	-	(817,477)	(817,477)
Balance, October 31, 2022	21,294,161	\$ 21,215,277	\$ 196,385	\$ (18,821,546)	\$ 2,590,116
Loss for the period	-	-	-	(139,682)	(139,682)
Balance, January 31, 2023	21,294,161	\$ 21,215,277	\$ 196,385	\$ (18,961,228)	\$ 2,450,434

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

DISTRICT COPPER CORP.
INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended January 31, 2023	Three Months Ended January 31, 2022
<u>Cash Used in Operating Activities</u>		
Loss	\$ (139,682)	\$ (129,273)
<u>Items not affecting cash</u>		
Fair value adjustment of marketable securities	(32,000)	3,375
<u>Changes in non-cash working capital items</u>		
Accounts payable and accrued liabilities	(38,438)	(79,725)
GST receivable	(1,175)	(4,539)
Prepaid expenses	98,182	-
Cash Used in Operating Activities	(113,113)	(168,162)
<u>Cash Used in Investing Activities</u>		
Exploration and evaluation assets ("E&E")	(9,033)	(129,412)
Payment for mineral properties	-	125,000
Cash Used in Investing Activities	(9,033)	(4,412)
<u>Cash Provided by Financing Activities</u>		
Proceeds from share issuances, net	-	411,197
Cash Provided by Financing Activities	-	411,197
Increase (decrease) in cash for the period	(122,146)	238,623
Cash, beginning of year	367,554	174,762
Cash, End of Period	\$ 245,408	\$ 413,385

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

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

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**”).

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 based on 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 three months ended January 31, 2023, the Company had a loss of \$139,682 (January 31, 2022 - \$129,273) and as at January 31, 2023 had an accumulated deficit of \$18,961,228 (October 31, 2022 - \$18,821,546). To date, the operations of the Company have been primarily funded through the issuance of common shares and the sale and option of properties. 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.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic from March 2020, political conflict in other regions, and supply chain disruptions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and its effect on the Company’s business or ability to raise funds.

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (*Unaudited*)

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 March 29, 2023.

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 January 31, 2023, and October 31, 2022, the Company had no cash equivalents.

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

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 reflects 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.

As the Company incurred a loss for the three months ended January 31, 2023, outstanding options and warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive. For the three months ended January 31, 2022, the Company also incurred a loss, so no outstanding options and warrants were included in the diluted loss per share calculation.

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 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;

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) *(Unaudited)*

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- 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.

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) *(Unaudited)*

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 income (loss) and comprehensive income (loss). The Company's estimates of reclamation costs could change because 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 loss and comprehensive loss for the period.

For the years presented, there were no significant decommissioning provisions.

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.

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) *(Unaudited)*

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 using 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 statements of income (loss) and comprehensive income (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.

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 income (loss) and comprehensive income (loss) for the period. Impairment losses recognized in respect of cash-generating units

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Description	Classification
Cash	FVTPL
Marketable securities	FVTPL
Promissory note	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) *(Unaudited)*

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of income (loss) and comprehensive income (loss) in the period in which they arise.

Impairment of financial assets at amortized cost

An “expected credit loss” impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of income (loss) and comprehensive income (loss).

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.

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) *(Unaudited)*

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 income (loss) and comprehensive income (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.

4. USE OF ESTIMATES AND JUDGEMENTS

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.

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

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).

Critical Judgments Used in Applying Accounting Policies

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 statements of income (loss) and comprehensive income (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.

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

5. MARKETABLE SECURITIES

As at January 31, 2023, the Company's marketable securities relates to 1,600,000 (October 31, 2022 – 1,600,000) common shares of K9 Gold Corp. Marketable securities are fair valued at the end of each reporting period. The carrying values are marked to market and the resulting gain or loss from marketable securities are recorded in the statements of loss and comprehensive loss. A continuity of the Company's marketable securities is as follows:

	January 31, 2023
Balance, beginning of year	\$ 80,000
Fair value adjustment of marketable securities	32,000
Balance, End of Period	\$ 112,000

	October 31, 2022
Balance, beginning of year	\$ 15,750
Shares received from sale of mineral property	408,000
Proceeds from sale of marketable securities	(370,618)
Gain on sale of marketable securities	114,868
Fair value adjustment of marketable securities	(88,000)
Balance, End of Year	\$ 80,000

6. EXPLORATION AND EVALUATION ASSETS

Mineral property expenditures for the three months ended January 31, 2023, were:

	Copper Keg Property
Property acquisition costs, as at October 31, 2022	\$ 422,936
Deferred exploration costs, as at October 31, 2022	274,764
Balance as at October 31, 2022	697,700
<u>Additions during the period</u>	
Engineering and consulting	5,775
Transportation	502
Total for the Period	6,277
Balance as at January 31, 2023	\$ 703,977

DISTRICT COPPER CORP.

Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

	Stony Lake Property	
Property acquisition costs, as at October 31, 2022	\$	380,369
Deferred exploration costs, as at October 31, 2022		30,000
Balance as at October 31, 2022		410,369
<u>Additions during the period</u>		
Engineering and consulting		-
Total for the Period		-
Balance as at January 31, 2023	\$	410,369
<hr/>		
Mineral Properties		Amount
Copper Keg property	\$	703,977
Stony Lake property		410,369
Balance of Exploration and Evaluation Assets as at January 31, 2023	\$	1,114,346

Mineral property expenditures for the year ended October 31, 2022, are:

	Copper Keg Property	
Property acquisition costs, as at October 31, 2021	\$	105,752
Deferred exploration costs, as at October 31, 2021		86,971
Balance as at October 31, 2021		192,723
<u>Additions during the year</u>		
Engineering and consulting		28,169
Geophysics		154,975
Mapping		950
Property acquisition payment		317,184
Transportation		3,699
Total for the Year		504,977
Balance as at October 31, 2022	\$	697,700

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

	Stony Lake Property
Property acquisition costs, as at October 31, 2021	\$ 1,063,369
Deferred exploration costs, as at October 31, 2021	-
Balance as at October 31, 2021	1,063,369
<u>Additions/(deductions) during the year</u>	
Cash received for mineral property	(275,000)
Engineering and consulting	30,000
Shares received for mineral property	(408,000)
Total for the Year	(653,000)
Balance as at October 31, 2022	\$ 410,369
<hr/>	
Mineral Properties	Amount
Copper Keg property	\$ 697,700
Stony Lake property	410,369
Balance of Exploration and Evaluation Assets as at October 31, 2022	\$ 1,108,069

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
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6. EXPLORATION AND EVALUATION ASSETS (Continued)

Copper Keg Property

On February 9, 2021, the Company entered into an option agreement to acquire a 100% interest in the Copper Keg property for an aggregate payment of \$105,000, the issuance of 750,000 shares, a 1.0% net smelter return royalty (“NSR”) from production, of which District has retained the right to purchase one half of this NSR for \$500,000 and expenditures spent on the property of no less than \$200,000. The schedule of the payments are as follows:

- \$5,000 non-refundable deposit upon signing of the agreement (paid),
- \$25,000 (paid) and 250,000 shares (issued) within 6 weeks of the TSX:V approval,
- \$75,000 (paid) and 500,000 shares (issued) within 18 months of the TSX:V approval.

In addition, the Company must incur at least \$200,000 in expenditures (spent) on the property within 18 months of the TSX:V approval.

The TSX:V approved this transaction on March 19, 2021.

During the year ended October 31, 2022, the Company completed its commitment and acquired a 100% interest in the Copper Keg Property.

On December 11, 2021, the Company secured an option with a vendor to acquire three mineral claims relating to mineral exploration lands surrounding the Copper Keg project. Consideration for the claims will consist of \$25,000 cash payments, the issuance of 1,500,000 shares, a 1.0% NSR from production, of which District has the right to purchaser half of this NSR for \$500,000. The schedule of the payments are as follows:

- \$5,000 (paid) non-refundable deposit on signing of the option agreement,
- \$10,000 (paid) and 1,000,000 (issued) fully paid and non-assessable common shares within fourteen days after the option agreement is accepted for filing by the TSX:V, and
- \$10,000 (paid) and 500,000 fully paid and non-assessable common shares eighteen months after the date of TSX:V approval.

The TSX:V approved this transaction on December 20, 2021.

Stony Lake Property

On February 8, 2019, the Company acquired the Stony Lake property for:

- 4,000,000 shares, valued at \$1,200,000;
- \$112,407 in licence fees; and,
- \$4,000 in claim fees.

The Stony Lake project is in central Newfoundland. The project is subject to a 2.0% NSR if the price of gold is US \$2,000 per ounce or less and a 3% NSR if the price of gold is above US \$2,000 per ounce.

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
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6. EXPLORATION AND EVALUATION ASSETS (Continued)

On May 29, 2019, District acquired two additional properties. The Duffitt and the Island Pond properties are located contiguous to and within the Stony Lake gold project. The Duffitt Claims were acquired for 30,000 common shares at a value of \$10,500 and a 0.75% NSR from production. The Island Pond claims were acquired for a cash payment of \$4,000, 40,000 common shares at a value of \$14,000 and a 2.0% NSR from production. District has retained the right to purchase one half of this NSR for \$1,000,000.

On April 15, 2020, District Copper received a \$54,673 refund, from the Government of Newfoundland's JEAP relating to qualifying mineral expenditures incurred on the Stony Lake property.

On July 30, 2020 District entered into an arm's length mineral property option agreement with K9 Gold Corp. ("K9"). The Agreement allows K9 to option and earn up to 100% of eight mineral licenses within the Stony Lake property.

On April 19, 2021, District Copper received a \$76,500 refund, from the Government of Newfoundland's JEAP relating to qualifying mineral expenditures incurred on the Stony Lake property.

K9 can exercise the option to earn a 75% interest in the Property according to the following terms:

- Paying District \$75,000 within fifteen business days following the date this Agreement is accepted for filing by the TSX:V (received),
- Issuing District 500,000 fully paid and non-assessable common shares of K9 within fifteen business days following the Approval Date (received),
- Paying District \$125,000 and making exploration expenditures of not less than \$150,000 by or before the 15-month anniversary of the Approval Date (received),
- Issuing District 1,200,000 fully paid and non-assessable common shares of K9 on or before the 15-month anniversary of the Approval Date (received),
- Paying District \$150,000 and making additional exploration expenditures of not less than \$250,000 (for cumulative exploration expenditures of \$400,000) by or before the 2-year anniversary of the Approval Date (received), and
- Issuing District an additional 1,600,000 fully paid and non-assessable common shares of the Purchaser on or before the 2-year anniversary of the Approval Date (received).
- In August 2022, K9 completed its earn in of a 75% interest in the Stony Lake Property.

K9 can exercise the option as to a further 25% interest in the Stony Lake Property (for a total interest of 100% percent) by:

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

- Paying District \$500,000 on or before the 3-year anniversary of the Approval Date, and
- Issuing District 2,000,000 fully paid and non-assessable common shares of K9 on or before the 3-year anniversary of the Approval Date.

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% NSR. 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 of which 1.5% could be purchased by the Company for \$2,000,000.

In July 2014, four mineral tenures were acquired from Copper Fox Metals Inc. ("**Copper Fox**") for \$11,011. The four mineral tenures were subject to a separate 2% NSR payable to the initial vendor of the claims of which one half (1%) of the NSR can be purchased for \$1,000,000.

In March 2015, District amalgamated all mineral tenures making up the Eaglehead Project into one mineral tenure.

On May 8, 2018, District acquired three additional mineral tenures located contiguous to its 100% owned Eaglehead project for \$15,000 and 390,000 shares valued at \$624,000. The vendor retains a 2% NSR on production from the project, with District retaining the right to re-purchase 1.5% of the 2% NSR for \$1,000,000.

During fiscal 2020, the Company received a British Columbia Mining and Exploration Tax Credit ("**BCMETS**") net refund of \$46,626 that has been recorded as a recovery of exploration expenses that were previously written off.

On February 10, 2020, the Company entered into a property sales agreement with Northern Fox Copper Inc. ("**Northern Fox**"), a wholly owned subsidiary of Copper Fox Metals Inc., where District agreed to sell to Northern Fox all of its right, title and interest in the Eaglehead Property.

The sale was subject to the reservation of a 0.5% NSR for District on any future production. Northern Fox has the option to purchase one half of the NSR from District Copper, exercisable from the date of the agreement and up to two years from the date of commencement of production of the project, for \$1,000,000. The consideration due and payable to District for the Eaglehead Property was the total sum of \$1,200,000, plus the assumption by Northern Fox of the reclamation bonds of \$212,000.

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

Under the terms of the agreement, Northern Fox paid a non-refundable deposit of \$50,000 (received) upon signing the agreement. An additional \$150,000 (received) was paid upon the closing of the agreement and the balance of the purchase price in the amount of \$1,000,000 will be payable in three annual installments of \$340,000 (paid), \$330,000 and \$330,000, respectively, on each anniversary of the closing date.

The \$1,000,000 unpaid portion of the purchase price is guaranteed by Copper Fox, in the form of a promissory note, and is secured by a general security agreement registered against the assets and undertaking of Northern Fox. The promissory note is non-interest bearing and is due on April 19, 2023, and 2024.

The sale of the Eaglehead property was finalized on April 19, 2021, at which time Northern Fox assumed the reclamation bonds of \$212,000. The Company received a promissory note of \$1,000,000, of which \$340,000 has been paid and \$330,000 is current, as it is due within 12 months and \$330,000 is long term, as it is due within 24 months.

Whiskey Jack Property

On July 15, 2022, the Company sold its interest in the Whiskey Jack Property for proceeds of \$25,000. As the project was impaired in prior years, the Company recorded a gain on sale of \$24,999.

7. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Issued and Outstanding

During the three months ended January 31, 2023, the Company had the following share issuances:

There were no shares issued during the three months ended January 31, 2023.

During the year ended October 31, 2022, the Company had the following share issuances:

On November 22, 2021, the Company closed a non-brokered private placement for gross proceeds of \$430,000. The private placement consisted of 4,300,000 units at a price of \$0.10 per unit. Each unit was comprised of one common share and one transferrable share purchase warrant with each warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.15 per share for a period of two years following the date of closing. As compensation for the placement of the units, the Company paid share issuance costs of \$18,803.

On December 21, 2021, the Company issued 1,000,000 common shares at a value of \$160,000 for the Copper Keg property (Note 6).

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

7. SHARE CAPITAL (Continued)

On March 31, 2022, 1,300,000 warrants were exercised, and 1,300,000 common shares were issued for proceeds of \$195,000.

On May 17, 2022, 250,000 options were exercised, and 250,000 common shares were issued for proceeds of \$40,000.

On August 15, 2022, the Company issued 500,000 common shares at a value of \$45,000 for the Copper Keg property (Note 6).

Warrants

A summary of changes in share purchase warrants for the three months ended January 31, 2023, and the year ended October 31, 2022, are as follows:

	Three Months Ended January 31, 2023		Year Ended October 31, 2022	
	Number of Warrants Outstanding	Weighted Average Exercise Price	Number of Warrants Outstanding	Weighted Average Exercise Price
<u>Balance, Beginning of Year</u>	3,000,000	\$ 0.10	-	\$ -
Granted	-	-	4,300,000	0.15
Exercised	-	-	(1,300,000)	0.15
Balance, End of Period/Year	3,000,000	\$ 0.10	3,000,000	\$ 0.15

On November 22, 2021, 4,300,000 warrants were issued in the private placement.

On November 3, 2022, the Company amended the exercise price of the warrants from \$0.15 to \$0.10.

The share purchase warrants outstanding and exercisable are as follows:

Number of Warrants Outstanding	Warrant Exercise Price	Exercisable Warrants	Warrant Expiry Date
3,000,000	0.10	3,000,000	November 22, 2023
3,000,000	\$ 0.10	3,000,000	

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.

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

7. SHARE CAPITAL (Continued)

A summary of changes in stock options for the three months ended January 31, 2023, and October 31, 2022, are as follows:

	Three Months Ended January 31, 2023		Year Ended October 31, 2022	
	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price
Balance, Beginning of Year	1,400,000	\$ 0.15	-	\$ -
Issued	-	-	1,650,000	0.15
Exercised	-	-	(250,000)	0.16
Balance, End of Period/Year	1,400,000	\$ 0.15	1,400,000	\$ 0.15

On December 23, 2021, the Company granted 1,400,000 stock options to directors and an officer of the Company. The stock options are exercisable at a price of \$0.16 per share for a period of three years following the date of grant. The Company recorded share-based compensation of \$214,887 using the black-scholes option pricing model with the following assumptions: risk-free rate of 1.27%, dividend yield of nil, expected life of three years, volatility of 121%, and fair value per option of \$0.15.

On July 3, 2022, the Company granted 250,000 stock options to a director and an officer of the Company. The stock options are exercisable at a price of \$0.10 per share for a period of three years following the date of grant. The Company recorded share-based compensation of \$19,877 using the black-scholes option pricing model with the following assumptions: risk-free rate of 2.83%, dividend yield of nil, expected life of three years, volatility of 113%, and fair value per option of \$0.08.

The options outstanding for the purchase of common shares are as follows:

Number of Options Outstanding	Option Exercise Price	Options Exercisable	Option Expiry Date
1,150,000	\$ 0.16	1,150,000	December 23, 2024
250,000	0.10	250,000	July 3, 2025
1,400,000	\$ 0.15	1,400,000	

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) (Unaudited)

8. 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 and officers, as well as entities controlled by such persons.

At January 31, 2023, included in accounts payable and accrued liabilities is \$2,038 (October 31, 2022 – \$15,919) owing to a companies controlled by directors, \$Nil (October 31, 2022 – \$Nil) owing to a company controlled by an officer and \$20,791 (October 31, 2022 - \$20,791) owing to Copper Fox.

As at January 31, 2023, Northern Fox owed the Company \$660,000 (October 31, 2022 – \$660,000) in the form of a promissory note (Note 6).

For the three months ended January 31, 2023, and 2022, the Company incurred the following expenditures for key management personnel and the companies that are directly controlled by them.

	As at January 31, 2023	As at October 31, 2022
<u>Statement of Financial Position Item</u>		
Exploration and evaluation assets	\$ 3,375	\$ 11,250
Total	\$ 3,375	\$ 11,250

	Three Months Ended January 31, 2023	Three Months Ended January 31, 2022
<u>Statement of Income (loss) Item</u>		
Consulting fees	\$ 51,000	\$ 51,000
Director fees	1,500	-
Total	\$ 52,500	\$ 51,000

9. 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 adjusts it, based on the funds available to the Company, 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 in 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. 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.

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
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9. CAPITAL RISK MANAGEMENT (Continued)

There were no changes in the Company's approach to capital management during the three months ended January 31, 2023. 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.

10. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES

Fair Value

The estimated fair value of accounts payables and accrued liabilities and promissory note approximates their carrying value due to the immediate or relatively short period to maturity. Cash and marketable securities are measured at fair value using Level 1 inputs.

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;

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. The credit risk with the Company's promissory note is low since the amount is from a former related and the note is secured.

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
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10. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES (Continued)

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 and or sale of properties to ensure that there is enough capital to meet short term obligations. As at January 31, 2023, the Company has cash totaling \$245,408 (October 31, 2022 - \$367,554) and accounts payable and accrued liabilities of \$46,849 (October 31, 2022 - \$88,043) 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.

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. 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.

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 because of exchange rate changes.

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Notes to the Financial Statements for the Three Months Ended January 31, 2023
(Expressed in Canadian Dollars) *(Unaudited)*

10. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES (Continued)

As at January 31, 2023, 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.