



District Executes Agreement to Sell 80% of the Bakar Property on Northern Vancouver Island, British Columbia

Vancouver, B.C.

August 18, 2020

August 18, 2020 – District Metals Corp. (TSX-V: DMX) (FRA: DFPP); ("District" or the "Company") is pleased to announce the execution of a definitive purchase agreement (the "Agreement") dated August 17, 2020 for District's high grade copper-silver Bakar Property ("Bakar" or the "Property") located on northern Vancouver Island in British Columbia with Sherpa II Holdings Corp. ("Sherpa II") (TSX-V: SHRP.P).

Transaction Highlights

Under the Agreement Sherpa II will acquire an 80% interest in the Bakar Property by cash payment, the issuance of shares to District, and work expenditures, as described below. The cash payment and common shares of Sherpa II will be transferred to District upon closing of the transaction on or before September 17, 2020, and the work expenditures are scheduled to be completed within six months from the closing.

- \$50,000 cash payment.
- 1,000,000 common shares of Sherpa II.
- \$200,000 in work expenditures.
- Carry over of the 2.0% NSR from the royalty agreement dated July 12, 2019 between District and Longford Capital Corp. on one of the eight mineral claims that comprises Bakar, which covers 1,352 hectares (ha) out of the 15,687 ha Property. The 2.0% NSR may be repurchased entirely for \$6.5M.

Overview of the Bakar Property

The Bakar Property comprises 15,687 ha, and is located on northern Vancouver Island with excellent access and infrastructure. The area covered by the Property is within a copper-rich geological domain that hosts the past producing Island Copper Mine, the Hushamu Deposit, and the Red Dog Deposit. The Island Copper Mine was operated by BHP from 1971 to 1995, and produced 345 million metric tonnes of ore with average grades of 0.41% copper, 0.017% molybdenum, 0.19 g/t gold and 1.4 g/t silver¹.

The geological setting (i.e. within the sub-aerial Karmutsen volcanic and sedimentary sequence) and high grade copper-silver mineralogy assemblages and styles observed at Bakar make the

primary exploration targets copper-silver redbed, copper-molybdenum-gold-silver porphyry, and polymetallic skarn deposits.

Seven outcrop chip samples from December 2018 recovered at the Millington showing on Bakar returned high grade copper (0.01 to 38.7% Cu) and silver (<0.10 to 221.0 g/t Ag) values confirming the presence of redbed-type mineralization. Additionally, disseminated, stringer, and fracture-hosted sulphide mineralization (chalcocite, bornite, and chalcopyrite) was observed to emanate from high grade copper-silver lenses and veins hosted within a stratabound volcanic sequence with an apparent thickness of over 30 m and a northwest-southeast strike length of over 200 m (see news release dated May 2, 2019).

A helicopter-borne VTEM (versatile time-domain electromagnetic) survey was flown over much of Bakar in May 2019, which identified three targets zones for potential copper-silver redbed mineralization based on coincident magnetic and conductive signatures that remain undrilled (see news release September 19, 2019).

Geological mapping and geochemical sampling were completed during the summer of 2019, which was largely focused on the Millington showing. Channel sampling was highlighted by BK19-C04 that returned 10.0 m at 4.92% Cu and 27.7 g/t Ag along the strike of a mineralized stratabound horizon with an approximate true thickness of at least 2.75 m. Stream sediment and soil sampling also showed positive results that require follow up (see news release October 7, 2019).

Exploration fieldwork planning is well underway for Bakar as part of the required transaction work expenditures, and further information will be released in due course.

References

¹ Perelló, J., Fleming, J.A., O’Kane, K.P., Burt, P.D., Clarke, G.A., Himes, M.D., and Reeves, A.T., (1995): Porphyry Copper-Gold-Molybdenum Deposits in the Island Copper Cluster, Northern Vancouver Island, British Columbia, Porphyry Deposits of the Northwest Cordillera of North America, CIM Special Volume 46, pp. 214-238..

Technical Information

All scientific and technical information in this news release has been prepared by, or approved by Garrett Ainsworth, PGeo, President and CEO of the Company. Mr. Ainsworth is a qualified person for the purposes of National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

Mr. Ainsworth has not verified any of the information regarding any of the properties or projects referred to herein other than the Bakar Property and mineralization at those other properties or projects is not necessarily indicative of mineralization on the Bakar Property.

About District Metals Corp.

District Metals Corp. is led by industry professionals with a track record of success in the mining industry. The Company's mandate is to seek out, explore, and develop prospective mineral properties through a disciplined science-based approach to create shareholder value and benefit other stakeholders.

The advanced exploration stage Tomtebo Property is located in the Bergslagen Mining District of south-central Sweden is the Company's main focus. Tomtebo comprises 5,144 ha, and is situated between the historic Falun Mine and Boliden's Garpenberg Mine that are located 25 km to the northwest and southeast, respectively. Two historic polymetallic mines and numerous polymetallic showings are located on the Tomtebo Property along an approximate 17 km trend that exhibits similar geology, structure, alteration and VMS/SedEx style mineralization as other significant mines within the district. Mineralization that is open at depth and along strike at the historic mines on the Tomtebo Property has not been followed up on, and modern systematic exploration has never been conducted on the Property.

On Behalf of the Board of Directors

"Garrett Ainsworth"

President and Chief Executive Officer

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Cautionary Statement Regarding "Forward-Looking" Information.

This news release contains certain statements that may be considered "forward-looking statements" within the meaning of applicable securities laws. In some cases, but not necessarily in all cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "is positioned", "estimates", "intends", "assumes", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved" and other similar expressions. In addition, statements in this news release that not historical facts are forward looking statements including statements regarding completion of the proposed transaction.

These statements and other forward-looking information are based on assumptions and estimates that the Company believes are appropriate and reasonable in the circumstances, including, without limitation, assumptions about the satisfaction of any conditions to closing including receipt of regulatory approvals, s.

There can be no assurance that such statements will prove to be accurate and actual results, and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations include; the risk that the proposed transaction is not completed for any reason. The Company does not undertake to update or revise any forward-looking statements, except in accordance with applicable law. Readers are cautioned not to put undue reliance on these forward-looking statements.