

DEFENSE METALS CORP.

(FORMERLY FIRST LEGACY MINING CORP.)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

(All amounts expressed in Canadian dollars, unless otherwise stated)

This Management Discussion and Analysis ("MD&A") presents an analysis of the financial position of Defense Metals Corp. ("Defense" or "DEFN" or the "Company") and future prospects for the six months ended September 30, 2019. The MD&A should be read in conjunction with the September 30, 2019 interim financial statements and March 31, 2019 audited financial statements of the Company and related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in the Canadian dollar.

Management's Responsibility

The Company's management is responsible for the preparation and presentation of the financial statements and the MD&A. The financial statements have been prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

Forward-Looking Statements

This MD&A may contain forward-looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the *forward-looking information*.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, which are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices; governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under "Risks and Uncertainties" as well as in our public filings available at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our

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expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

This MD&A is current as at November 29, 2019.

BACKGROUND

The Company is an exploration stage company engaged in the acquisition and exploration of mineral properties. The Company is currently focusing its exploration activities on rare earth metals in British Columbia. The Company is a British Columbia company. Its primary business objective is to successfully earn into its key mineral project and locate and develop this project into an economically viable mineral property. The Company is primarily a junior exploration company with no revenues from mineral producing operations. The recoverability of amounts shown for the mineral property and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration of the property, and upon future profitable production.

The Company received TSXV regulatory approval to change its name from First Legacy Mining Corp. to its current name effective from December 27, 2018.

MINERAL PROPERTIES

Wicheeda Option

On November 22, 2018, the Company entered into an option agreement to acquire all the issued and outstanding shares of Spectrum Mining Corporation ("Spectrum") which is the beneficial and registered holder of 100% interest in six mining claims located in the Cariboo Mining Division of British Columbia, Canada known as the Wicheeda Rare Earth Element Project. In order to exercise the option, the Company must meet the following requirements:

- a) incur expenditures in respect of the Property totaling \$1,930,000 as follows:
 - i. \$680,000 within 12 months of the date of TSXV approval ("Effective Date")
 - ii. an additional \$625,000 within 24 months of the Effective Date; and
 - iii. an additional \$625,000 within 36 months of the Effective Date
- (b) pay to Spectrum an aggregate of \$370,000 as follows:
 - i. \$25,000 in cash (paid)
 - ii. \$95,000 in cash within five (5) business days of the Effective Date (paid subsequent to the period)
 - iii. \$50,000 in cash on or before the first anniversary of the Effective Date
 - iv. \$100,000 in cash on or before the second anniversary of the Effective Date
 - v. \$100,000 in cash on or before the third anniversary of the Effective Date
- (c) issue to Spectrum:
 - i. 200,000 common shares of the Company on the Effective Date (issued)
 - ii. \$50,000 in common shares of the Company on or before the first anniversary of the Effective Date.

On March 14, 2019, the Company announced initial composite head assay results for the 30 tonne bulk sample collected from its Wicheeda Property. Select head assay results for the 30 tonne bulk sample include 1.77% lanthanum-oxide, 2.34%

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cerium-oxide, 0.52% neodymium-oxide, and 0.18% praseodymium-oxide which the Company considers potentially economically significant, for a total of 4.81% LREO (light rare-earth oxide). The results confirm, in conjunction with previous metallurgical head grades returned from smaller drill core samples, the presence of significant praseodymium values. Praseodymium values are only available for 4 of the 14 previous diamond drill holes that define the Wicheeda deposit.

On June 20, 2019, the Company released the results from the initial 21 of a planned 25 batch flotation tests completed showed progressive improvement from early to late stage testing, culminating in test F21 that achieved:

- 80% recovery of cerium, lanthanum, and neodymium oxides ($Ce_2O_3+La_2O_3+Nd_2O_3$)
- 44% rare earth oxide (REO) concentrate grade
- 9.5 times upgrading ratio from head grade
- 8.4% concentrate mass yield

While additional test work is required to replicate the F21 test results, based on publicly-available research authored by SGS staff¹ and Defense Metals' discussions with experts in the REE industry, the flotation response of the Wicheeda material is considered among the best in its class with relatively high upgrading ratios in comparison with other REE projects. The mass yield to the concentrate is also considered attractive for its potential to reduce acid consumption during the subsequent hydrometallurgical extraction stage. Reduced acid consumption has the potential to positively impact future economic studies for the Wicheeda REE Project by contributing to reduced operating and/or capital costs. It is important to note that the current 2019 bulk sample batch flotation results are representative of the 30 tonne dolomite carbonatite surface bulk sample collected from the Wicheeda REE Deposit. Although the 2019 results are not necessarily representative of potential flotation performance of the deposit as a whole, the current batch flotation test results are in agreement with the 2011 flotation test work, also conducted by SGS, on a composite 2009 drill core sample obtained from seven (7) separate drill holes throughout the deposit.

On July 9, 2019 the Company announced completion of the Initial Inferred Mineral Resource Estimate with respect to the Wicheeda rare earth carbonatite deposit. The Mineral Resources comprises an Inferred Mineral Resource of 11,370,000 tonnes averaging 1.96% LREE (Light Rare Earth Elements) reported at a cut-off grade of 1.0% LREE (sum of cerium, lanthanum, neodymium and samarium percentages). The resource, constrained by applying a conceptual a Lerchs Grossman (LG) pit shell, is provided in Table 1 below, which includes a sensitivity analysis a various higher cut-off grades. The resource is classified according to the CIM "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines" dated November 23rd, 2003 and CIM "Definition Standards for Mineral Resources and Mineral Reserves" dated May 10th, 2014. Mineral Resources are summarized in Table 1-1 and in the Company's technical report having an effective date of June 20, 2019 titled "Wicheeda Rare Earth Element Project, British Columbia, Canada" is available on SEDAR at www.sedar.com.

¹Verbaan, N., Bradley, K., Brown, N., and Mackie, S., 2015 A review of hydrometallurgical flowsheets considered in current REE projects. In: Simandl G.J. and Neetz, M. (Eds.). Symposium on Strategic and Critical Materials Proceedings. November 13-14, 2015, Victoria, British Columbia Ministry of Energy and Mines, British Columbia Geological Survey Paper 2015-3, pp. 147-162

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Management's Discussion and Analysis of Financial Condition and Results of Operations**For the Six Months Ended September 30, 2019****Table Error! No text of specified style in document.: Wicheeda Deposit Inferred Resources for LREE and Sensitivity Analysis**

Cutoff (LREE%)	Tonnes > Cutoff (tonnes)	Grade > Cutoff					
		Ce (%)	La (%)	Nd (%)	Nb (%)	Sm (%)	LREE (%)
1.0	11,370,000	1.14	0.53	0.23	0.04	0.01	1.96
1.5	8,710,000	1.29	0.59	0.26	0.03	0.01	2.17
2.0	5,450,000	1.45	0.65	0.28	0.02	0.01	2.41
2.5	1,740,000	1.71	0.73	0.32	0.02	0.01	2.79
3.0	310,000	2.00	0.80	0.36	0.02	0.01	3.20
3.5	20,000	2.39	0.92	0.40	0.02	0.01	3.74

Notes for Resource Tables:

- This Mineral Resource Estimate was prepared by Gary Giroux, P.Eng. in accordance with CIM Definition Standards and NI 43-101, with an effective date of November 28, 2018.
- Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Inferred Mineral Resources have a high degree of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Resource will ever be upgraded to a higher category.
- Mineral Resources are reported at a cut-off grade of 1.0% LREE (light rare element, sum of Ce, La, Nd and Sm %'s).
- The cut-off grade includes the following considerations:
 - Metal prices of: Ce = US\$6.10/kg; La = US\$5.70; Nd = US\$65.00; Nb = US\$56.00; Sm = US\$15.00;
 - Exchange rate of 0.77 US\$:C\$;
 - Concentrate production grades of: Ce = 21.0%; La = 16.5%; Nd = 4.6%; Nb = 0.5%; Sm = 0.2%;
 - Concentrate payable of 95%;
 - Hydromet refining charges of C\$0.70/kg concentrate;
 - Offsite Transport costs of C\$180/t;
 - No royalties have been applied (A 2% royalty payable to the Vendor adds LREE 0.02% to the cutoff item which is beyond the accuracy of the cutoff item and has no material impact on the resource estimate)
- The resources are constrained an economic pit shell generated using the following inputs:
 - Mining cost of C\$3.25/t;
 - Waste mining costs of C\$3.00/t;
 - Process Costs of C\$35/t (includes \$10/t for transporting from pit to mill);
 - G&A Costs of C\$5/t
 - Process Recoveries: Ce = 82.5%; La = 84.6%; Nd = 83.8%; Nb = 57.0%; Sm = 83.8%
 - Overall pit slope angles of 45°.

Factors that may affect the estimates include: metal price assumptions, changes in interpretations of mineralization geometry and continuity of mineralization zones, changes to kriging assumptions, metallurgical recovery assumptions, operating cost assumptions, confidence in the modifying factors, including assumptions that surface rights to allow mining infrastructure to be constructed will be forthcoming, delays or other issues in reaching agreements with local or regulatory authorities and stakeholders, and changes in land tenure requirements or in permitting requirements.

On August 12, 2019 the Company announced commencement of the 2019 diamond drill program at Wicheeda. Defense Metals expects to complete this 2,000 metre core drilling program in about six weeks. The purpose of the 2019 Wicheeda

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drill program is to further delineate, and potentially expand the Wicheeda REE carbonatite deposit leading to completion of an updated mineral resource estimate.

Mineral Resource Details

The Wicheeda Mineral Resource was estimated by ordinary kriging (OK) of each variable within a three dimensional mineralization envelope (grade shell) modelled from a total of 14 drill holes cored in 2008 and 2009 containing 721 assays for light rare earth elements Cerium (Ce), Lanthanum (La), Neodymium (Nd), and Samarium (Sm) along with assays for Niobium (Nb). A combined 1% light rare earth grade was used to build the grade shell outlining the mineralised carbonatite body. Of the 14 drill holes provided, 12 intersected the mineralized carbonatite body.

Search ellipsoid orientation was based on variography which indicated, in all cases, there was insufficient data to disprove the assumptions of isotropy. A single nested spherical model was fit to all directions for each variable having a short range of 10 m, and long range ranging from 80 to 100 m for grade interpolation into 10 x 10 x 5 m blocks coded with the % below topography and % inside the mineralized solid.

All coefficients of variation for each variable were under 1 indicating no outliers were present and as a result no assay capping was applied. Sample lengths ranged from a low of 0.48 m to a high of 5.95 m with the majority of samples taken at 3 m intervals. With the exception of seven assays all assay lengths were within 3.0 ± 1.5 m and as a result no compositing was done. The average of the nine bulk density samples, 2.96, was applied to the resource, assuming the specific gravity is equivalent to bulk density of t/m³ (tonnes/cubic- meter).

The Wicheeda Deposit Mineral Resources have an effective date of June 20, 2019. The independent qualified person for the estimate is Mr. Gary Giroux, P.Eng., an employee of Giroux Consultants Ltd., who is independent of Defence Metals Corp.

For additional information please refer to the Company's recently filed National Instrument 43-101 Technical Report with respect to the Wicheeda Rare Earth Element Project (Effective Date of June 20, 2019) filed on SEDAR at www.sedar.com.

Methodology and QA/QC

The 30 tonne Wicheeda deposit bulk sample was trucked to SGS Minerals Lakefield, ON facility. Upon receipt at SGS the sample was inventoried (i.e. bag counts and gross weights), then placed in a containment area on a clean concrete pad. The entire sample was jaw crushed to nominal 1 inch, and homogenized/blended via backhoe. A 400 kg sample representative sample was then selected and further homogenized by tumbling and crushed to ½ inch. Half of the 400 kg sample was retained for future testing. The primary 200 kg sample was then crushed to 6 mesh (3.36 mm), homogenized and split into 10 kg charges. Two of the 10 kg charges were combined and split into 2 kg charges, from one of which 150 g was pulverized to 80% passing 75 micron. Major element, and lanthanum and neodymium oxides, and loss on ignition (LOI) were determined by whole rock analysis, via lithium-borate fusion of a 0.5 gram sample analyzed via wavelength dispersion X-ray fluorescence (WD-XRF). The remaining rare earth elements were determined via 0.5 gram sodium-peroxide fusion multi-element ICP-MS.

Batch flotation head grade and concentrate products for lanthanum and neodymium oxides were determined by whole rock analysis, via lithium-borate fusion of a 0.5 gram sample analyzed via wavelength dispersion X-ray fluorescence (WD-XRF). The remaining rare earth elements were determined via 0.5 gram sodium-peroxide fusion multi-element ICP-MS.

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The SGS analysis included a quality assurance / quality control (QA/QC) program including the insertion of standard, blank and duplicate samples. Defense Metals detected no significant QA/QC issues during review of the data. SGS Minerals Lakefield is an ISO/IEC 17025 and ISO9001:2015 accredited. SGS is independent of Defense Metals Corp.

Qualified Person

Kristopher J. Raffle, P.Geo., Principal of APEX Geoscience Ltd. and a Qualified Person as defined by National Instrument 43-101, has reviewed and approved the scientific and technical disclosure relating to the Wicheeda Property exploration program.

Klaproth Project

On November 14, 2018, the Company signed an agreement to acquire two mineral claims totaling 8,129.80 hectares in the Athabasca Basin in Saskatchewan, Canada known as the Klaproth and Klaproth East Claims by issuing 1,800,000 common shares (issued) and by paying \$10,000 in cash (paid). As at March 31, 2019, the Company had no further plans to explore the Klaproth property. Impairment of \$402,750 was recorded to write-off the property.

Geiger North Project

On August 31, 2018, the Company acquired three mineral claims totaling 1,232.851 hectares located in the Athabasca Basin in Saskatchewan, Canada. The Company issued 3,000,000 common shares and paid \$7,500 in cash to the vendor of the property. The Vendors will retain a 2.0% net smelter return royalty ("NSR") which the Company has the right to buy down one-half (50%) of the NSR by paying \$1,000,000, leaving the Vendors with a 1.0% NSR. As at March 31, 2019, the Company had no further plans to explore the Geiger property. Impairment of \$352,000 was recorded to write-off the property.

Lac Burge Project

On January 16, 2017, the Company entered into an option agreement to acquire twenty nine mineral claims located within the Abitibi Greenstone Belt (Northwestern Québec, Canada) in the Township of Duplessis, approximately 215km north-east of Val-d'Or, Quebec. To acquire 100% interest, the Company must meet a series of cash payments, share issuances to the optionor and must meet minimum exploration expenditures as follows:

Date for Completion	Cash Payment	Number of Common Shares to be Issued	Minimum Exploration Expenditures to be Incurred
Within 5 business days following the execution of the Property Option Agreement	\$20,000 (paid)	N/A	N/A
Within 5 business days of the Effective Date	N/A	300,000 (issued)	N/A
On or before fourteen (14) months of the Effective Date*	\$25,000 (paid)	500,000	\$250,000
On or before twenty-eight (28) months of the Effective Date*	N/A	750,000	\$750,000

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TOTAL	\$45,000	1,550,000	\$1,000,000
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*"Effective Date" means the date of the Final Exchange Bulletin giving notice of the approval by the Exchange of the listing of the common shares of the Company on the facilities of the Exchange.

On May 3, 2018 the Company announced completion of a magnetic/VLF EM (Very Low Frequency Electro-Magnetic) program at Lac Burge. A total of 62 line-kms of survey with a spacing of 100m were completed on three zones of interest that were identified in the 2016 soil sampling and backpack drilling program.

In the northern block, a total of 23.8-line kilometers survey were completed. The target in the Northern block is a Beep Mat EM conductor that was tested with backpack drilling and returned 0.475% copper, 1.0 g/t silver (drill hole #100419) and a gold value of 107ppb (drill hole #100425). In the northeastern block, a total of 24-line kilometers of survey were completed. In 2016, a sample with anomalous base metal values, including 632 ppm nickel (rock grab sample #24106) and 206 ppm copper (rock grab sample #24053), was discovered in the northwestern block. In the southwestern block, 14.7-line kilometers of survey were completed to further map a possible regional fault structure.

Subsequent geophysical interpretation identified a series of northeast trending structures, supporting the 2016 geologic mapping. In addition, VLF-EM interpretation identified multiple northwest trending conductors, oblique to regional magnetic trend, that improve the Company's understanding of the structural geologic context of the north zone mineralization, where in 2016 rock grab samples from the northern survey grid returned 0.3% and 0.69% copper (samples #24057 and #24059) and anomalous copper, gold and silver values in shallow backpack drill holes.

During the year ended March 31, 2019, the Company had no further plans to explore this property and impairment of \$226,680 was recorded to write-off the property.

Qualified Person

Kristopher J. Raffle, P.Ge., Principal of APEX Geoscience Ltd. and a Qualified Person as defined by National Instrument 43-101, has reviewed and approved the scientific and technical disclosure relating to the Lac Burge exploration program.

Exploration and Expenditure Detailed Breakdown

	Lac-Burge Project	Geiger North Project	Klaproth Project	Wicheeda Option	Total
	\$	\$	\$	\$	\$
Balance at March 31, 2018	152,192	-	-	-	152,192
Acquisition costs	-	397,500	352,000	164,844	914,344
Geological	74,488	-	-	285,128	359,616
Mapping and reports	-	5,250	-	-	5,250
Impairment	(226,800)	(402,750)	(352,000)	-	(981,430)
Balance at March 31, 2019	-	-	-	449,972	449,972
Camp costs	-	-	-	110,343	110,343
Drilling	-	-	-	266,179	266,179
Geological	-	-	-	279,778	279,778
Survey	-	-	-	68,793	68,793
BC Mining Tax Credit Recovery	-	-	-	(16,855)	(16,855)

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Balance at September 30, 2019	-	-	-	1,158,210	1,158,210
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LIQUIDITY AND CAPITAL RESOURCES

In management's view, given the nature of the Company's operations, which consist of exploration and evaluation of mining properties, the most relevant financial information relates primarily to current liquidity, solvency and planned property expenditures. The Company's financial success will be dependent upon the extent to which it can successfully exercise its option, discover mineralization and the economic viability of developing its properties.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The sales value of any minerals discovered by the Company is largely dependent upon factors beyond the Company's control, including the market value of the metals to be produced. The Company does not expect to receive significant income from any of its properties in the foreseeable future.

At September 30, 2019, the Company had working capital of \$138,306, including cash of \$470,920.

On June 14, 2019, the Company closed a private placement of 3,763,333 units for gross proceeds of \$564,500. Each unit was priced at \$0.15 per share and comprised of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of \$0.30 for a period of 12 months. The Company also closed a private placement of 2,662,500 flow-through common shares at a price of \$0.20 per share for gross proceeds of \$532,500.

The Company's expected cash resources are sufficient to meet its working capital and mineral property requirements for the next year, however the Company has no source of revenue therefore management will continue to seek new sources of capital to maintain its operations and to further the development and acquisition of its mineral properties.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

OUTSTANDING SHARE DATA

The following share capital as of date of this document is:

	Balance
Shares issued and outstanding	30,179,166
Options issued and outstanding	2,766,333
Warrants issued and outstanding	7,755,365

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RESULTS OF OPERATIONS***Three and Six Months Ended September 30, 2019***

The Company incurred a comprehensive loss of \$169,063 and \$507,696 and for the three and six months ended September 30, 2019 compared to \$254,512 and \$295,966 comprehensive loss for the comparable periods. The Company incurred increased overall operating expenses for the six months period over the previous six months period because the Company did not ramp up its operating activity until the latter end of the September 30, 2018 period. The Company's overall net loss dropped for the three month comparable period because the prior period incurred stock-based compensation expense from option grants which did not occur in the current three month period.

SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	\$	\$	\$	\$
Comprehensive loss	(169,063)	(338,633)	(1,238,001)	(313,471)
Basic loss per share	(0.01)	(0.01)	(0.06)	(0.02)
Diluted loss per share	(0.01)	(0.01)	(0.06)	(0.02)

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	\$	\$	\$	\$
Comprehensive loss	(254,512)	(41,454)	(185,259)	(25,132)
Basic loss per share	(0.02)	(0.01)	(0.06)	(0.02)
Diluted loss per share	(0.02)	(0.01)	(0.06)	(0.02)

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	For the year ended March 31, 2019	For the year ended March 31, 2018	October 5, 2016 (date of incorporation) to March 31, 2017
	\$	\$	\$
Income Statement			
Net loss and comprehensive loss	(1,847,438)	(250,677)	(173,207)
Loss per share (basic and diluted)	(0.10)	(0.03)	(0.03)
Balance Sheet			
Total resource properties	449,972	152,192	25,250
Total assets	734,601	672,015	284,806
Total long-term liabilities	-	-	-

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	Level	September 30, 2019	March 31, 2019
		\$	\$
Cash	1	470,920	192,449
Accounts payable and accrued liabilities	2	478,442	57,309

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

Management of Industry and Financial Risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

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Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash is held in corporate bank accounts available on demand. Liquidity risk has been assessed as being high.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

Currency Risk

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk relating to its related party balances.

Price Risk

The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of components of shareholders' equity. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities controlled by the officers and directors of the Company.

September 30,	September 30,
2019	2018

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	\$	\$
Exploration and evaluation	99,749	5,158
Office and administrative	6,000	6,000
Consulting	80,000	21,990

As at September 30, 2019, \$Nil (2019 - \$7,875) was owing to a company controlled by an officer for expenses incurred on behalf of the Company. Balances owing to related parties were unsecured, did not bear interest, and had no fixed terms of payments.

Off-Balance Sheet Transactions

The Company has not entered into any significant off-balance sheet arrangements or commitments.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

The use of 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 readily apparent 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 further periods if the review affects both current and future periods. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include: impairment of exploration and evaluation assets, share-based payments, and determination of functional currency.

i) Impairment

The Company assesses its exploration and evaluation assets at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments may require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and exploration potential.

ii) Share based payments

The Company follows accounting guidelines in determining the fair value of stock-based compensation. The computed amount is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model. The model requires that management make forecasts as to future events, including estimates of: the expected life of options; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Stock-based compensation incorporates an expected forfeiture rate. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length

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transaction, given that there is no market for the options and they are not transferable. It is management's view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

iii) Functional and presentational currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

iv) Basis of measurement

These financial statements have been prepared on a historical cost basis and except for cash flow information, using the accrual basis of accounting.

PROPOSED TRANSACTIONS

None.

RISK AND UNCERTAINTIES

The Company is in the mineral exploration and development business and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. The recovery of the Company's investment in exploration and evaluation assets and the attainment of profitable operations are dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production.
- b) The most likely sources of future funds for further acquisitions and exploration programs undertaken by the Company are the sale of equity capital and the offering by the Company of an interest in its properties to be earned by another interested party carrying out further exploration or development. If such exploration programs are successful, the development of economic ore bodies and commencement of commercial production may require future equity financings by the Company, which are likely to result in substantial dilution to the holdings of existing shareholders.
- c) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.
- d) The prices of metals greatly affect the value and potential value of its exploration and evaluation assets. This, in turn, greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.
- e) The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.

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- f) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue exploration and development activities in the future.
- g) Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such assets may be subject to prior agreements or transfers and title may be affected by such undetected defects.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward looking statement. The development and exploration activities of the Company are subject to various laws governing exploration, development, and labour standards which may affect the operations of the Company as these laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are, or were conducted.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

ADDITIONAL INFORMATION

Additional information relating to the Company, is available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.