

Defense Metals Corp.
(formerly First Legacy Mining Corp.)

Interim Financial Statements

For the Six Months Ended September 30, 2019

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**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

DEFENSE METALS CORP.
(FORMERLY FIRST LEGACY MINING CORP.)
STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian Dollars

	Note	September 30, 2019	March 31, 2019
ASSETS		\$	\$
Current assets			
Cash		470,920	192,449
Other receivables		88,138	28,047
Prepaid expenses		57,690	64,133
		616,748	284,629
Non-current assets			
Exploration and evaluation assets	5	1,158,210	449,972
TOTAL ASSETS		1,774,958	734,601
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	478,442	57,309
SHAREHOLDERS' EQUITY			
Share capital	6	3,686,034	2,641,114
Reserves	6	389,500	307,500
Accumulated deficit		(2,779,018)	(2,271,322)
		1,296,516	677,292
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,774,958	734,601

The accompanying notes are integral to these interim financial statements.

Note 1 – Nature of Operations

Approved on Behalf of the Board of Directors:

/s/ Max Sali
Director

/s/ Craig Taylor
Director

DEFENSE METALS CORP.
(FORMERLY FIRST LEGACY MINING CORP.)
STATEMENT OF CHANGES IN EQUITY
Expressed in Canadian Dollars

	Share Capital		Reserves		
	Number of Shares	Amount \$	Options \$	Accumulated Deficit \$	Total \$
Balance, March 31, 2018	13,250,000	936,400	123,000	(423,884)	635,516
Private placements	3,823,333	573,500	-	-	573,500
Share issuance costs	-	(3,798)	-	-	(3,798)
Subscription receivable	-	(225,000)	-	-	(225,000)
Stock-based compensation	-	-	114,000	-	114,000
Shares issued for mineral property	3,000,000	390,000	-	-	390,000
Net loss for the period	-	-	-	(295,966)	(295,966)
Balance, September 30, 2018	20,073,333	1,671,102	237,000	(719,850)	1,188,252
Balance, March 31, 2019	23,753,333	2,641,114	307,500	(2,271,322)	677,292
Private placements	6,425,833	1,097,000	-	-	1,097,000
Finder's fees	-	(25,455)	14,000	-	(11,455)
Flow through share premium	-	(26,625)	-	-	(26,625)
Stock-based compensation	-	-	68,000	-	68,000
Net and comprehensive loss for the period	-	-	-	(507,696)	(507,696)
Balance, September 30, 2019	30,179,166	3,686,034	389,500	(2,779,018)	1,296,516

The accompanying notes are integral to these interim financial statements.

DEFENSE METALS CORP.
(FORMERLY FIRST LEGACY MINING CORP.)
STATEMENTS OF COMPREHENSIVE LOSS
Expressed in Canadian Dollars

		For the Three Months ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Six Months ended September 30, 2019	For the Six Months Ended September 30, 2018
	Note	\$	\$	\$	\$
EXPENSES					
Consulting	7	85,569	55,91	217,464	71,663
Marketing and investor relations		47,868	49,079	174,080	49,079
Office and administrative		19,221	15,337	38,371	31,413
Professional		11,644	10,777	22,666	12,400
Regulatory and filing		4,761	9,406	13,740	17,411
Stock-based compensation	6	-	114,000	68,000	114,000
Loss before other items		(169,063)	(254,512)	(534,321)	(295,966)
Other items:					
Flow-through share premium		-	-	26,625	-
Comprehensive loss		(169,063)	(254,512)	(507,696)	(295,966)
Basic and Diluted Loss Per Share		(0.01)	(0.02)	(0.02)	(0.02)
Weighted Average Number of Shares Outstanding		30,179,166	13,825,373	27,545,628	14,394,493

The accompanying notes are integral to these interim financial statements.

DEFENSE METALS CORP.
(FORMERLY FIRST LEGACY MINING CORP.)
STATEMENTS OF CASH FLOW
Expressed in Canadian Dollars

	For the Six Months ended September 30, 2019	For the Six Months Ended September 30, 2018
	\$	\$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Loss for the period	(507,696)	(295,966)
Non-cash items:		
Stock-based compensation	68,000	114,000
Flow-through share premium	(26,625)	-
Changes in non-cash working capital items:		
Other receivables	(60,091)	(4,143)
Prepaid expenses	6,443	-
Accounts payable and accrued liabilities	(30,939)	(30,249)
	(550,908)	(216,358)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of mineral properties	-	(7,500)
Exploration and evaluation assets	(256,166)	(62,398)
	(256,166)	(69,898)
CASH FLOWS FROM (USED IN) IN FINANCING ACTIVITIES		
Private placement proceeds	1,097,000	348,500
Share issuance costs	(11,455)	(3,798)
	1,085,545	344,702
Net change in cash	278,471	58,446
Cash, beginning of the period	192,449	519,824
Cash, end of the period	470,920	578,270

The accompanying notes are integral to these interim financial statements.

DEFENSE METALS CORP.
(FORMERLY FIRST LEGACY MINING CORP.)
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
Expressed in Canadian Dollars

1. NATURE OF OPERATIONS

Defense Metals Corp. (formerly First Legacy Mining Corp) (the "Company") is a British Columbia company listed on the TSX Venture Exchange trading under the symbol DEFN. The Company is engaged primarily in mineral exploration activity in Canada. The Company received TSX regulatory approval to change its name from First Legacy Mining Corp. to its current name effective from December 27, 2018.

The head office and the principal address of the Company are located at 605 – 815 Hornby Street, Vancouver, BC V6Z 2E6, Canada.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2019, the Company had a working capital balance of \$138,306 (March 31, 2019: \$227,320), had not advanced its mineral properties to commercial production and is not able to finance day to day activities through operations. For the period ended September 30, 2019, the Company reported a comprehensive loss of \$507,696 (2018: \$41,454 loss) and has incurred accumulated losses of \$2,779,018 (March 31, 2019: \$2,044,642) since inception.

The Company's continuation as a going concern is dependent upon the successful exercise of its mineral property option agreements, results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations and ongoing operating losses. These uncertainties cast a significant doubt on the ability of the Company to continue operations as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors, private placement of common shares and/or the sale of mineral property interests. These financial statements do not include any adjustments that might result from this uncertainty.

2. BASIS OF PRESENTATION

Statement of compliance with International Financial Reporting Standards

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of November 29, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending June 30, 2020 could result in restatement of these unaudited condensed consolidated interim financial statements.

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgements

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Shares issued for non-cash consideration

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration, specifically relating to shares issued for services and for exploration and evaluation properties. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the good or service. When no market price is available, a valuation technique is used to determine what price the equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. In the case of the Company, the fair value of the shares issued was estimated with reference to private placements with arm's length parties.

Deferred tax assets & liabilities

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluations assets and equipment

i) Exploration and evaluation expenditures

The Company may hold interests in mineral property interests in various forms, including prospecting licenses, exploration and exploitation concessions, mineral leases and surface rights, and property options. The Company capitalizes payments made in the process of acquiring legal title to these properties. Given the uncertainties surrounding the fair value of the Company's mineral properties, share-based acquisition payments were valued at the fair value of the instruments issued. Mineral property interest acquisition costs are recorded at historical cost. Exploration and evaluation expenditures incurred on properties prior to obtaining legal rights to explore the specific area are charged to operations as incurred.

The carrying values of 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. The carrying value of equipment is reviewed for indications of impairment at each reporting date. When impairment indicators exist, the asset's recoverable amount is estimated. If it is determined that the estimated recoverable amount is less than the carrying value of an asset, then a write-down is made with a charge to operations.

An impairment loss is reversed if there is 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 amortization, if no impairment loss had been recognized.

ii) Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Estimates of residual values, useful lives and methods of amortization are reviewed each reporting period and adjusted prospectively if appropriate.

Income taxes

Current income tax:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates 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 restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. The Company currently has no measurable obligations for restoration and environmental costs.

Share-based payments

The Company grants stock options to buy common shares of the Company through its stock option plan. The Company accounts for share-based payments using the fair value method. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. Expected volatility in the Black Scholes Pricing Model was based on the historical volatility of similar companies operating in the same industry as the Company. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company grants stock options that are subject to various vesting terms. Under IFRS, the fair value of each instalment of the award is considered a separate grant based on the vesting period with the fair value of each instalment determined separately and recognized as compensation expense over the term of its respective vesting period.

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(FORMERLY FIRST LEGACY MINING CORP.)
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

The Company adopted IFRS 9 in its consolidated financial statements on April 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit balance on April 1, 2018. The impact on the classification and measurement of its financial instruments is set out below:

Financial Instrument	Original classification – IAS 39	New Classification – IFRS 9
Cash	Loans and receivables	FVTPL
Accounts payable and accrued liabilities	Other payables	Amortized cost

Financial assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income (“FVTOCI”) or measured at fair value through profit or loss (“FVTPL”).

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company’s business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Financial assets measured at FVTPL

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company’s investments at fair value are FVTPL financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

(iii) Financial assets measured at FVTOCI

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as “financial asset at fair value through other comprehensive income” in other comprehensive income.

(c) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of comprehensive loss.

However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company’s accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

(ii) Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company does not have any liabilities classified as financial liabilities measured at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of comprehensive loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Income (Loss) per share

Basic income (loss) per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. The diluted earnings per share are calculated based on the weighted average number of common shares outstanding during the period, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period.

Future Accounting Policy Changes

New Standard IFRS 16 "Leases"

IFRS 16, Leases, new standard contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019. The adoption of this standard will not have a significant effect on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

DEFENSE METALS CORP.
(FORMERLY FIRST LEGACY MINING CORP.)
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
Expressed in Canadian Dollars

4. FINANCIAL AND CAPITAL 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

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. Sales tax receivable comprise sales tax refunds from the Canadian federal government.

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 (Note 7).

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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
Expressed in Canadian Dollars

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

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.

5. EXPLORATION AND EVALUATION ASSETS

	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)
Balance at September 30, 2019	-	-	-	1,158,210	1,158,210

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") (fully incurred)
 - 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

4. EXPLORATION AND EVALUATION ASSETS (continued)

Wicheeda Option (continued)

(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)
- 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. 500,000 in common shares of the Company on or before the first anniversary of the Effective Date.

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:

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5. EXPLORATION AND EVALUATION ASSETS (continued)

Lac-Burge Project (continued)

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
TOTAL	\$45,000	1,550,000	\$1,000,000

*"Effective Date" meant the date of the Final Exchange Bulletin giving notice of the approval by the Exchange of the listing of the common shares of the Corporation on the facilities of the Exchange.

6. EQUITY

Share Capital

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

For the period ended September 30, 2019

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.

On June 14 2019, 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.

For the year ended March 31, 2019

On December 27, 2018, 400,000 common shares were issued to a third party as a finder's fee for mineral property acquisitions. The fair market value of these shares was \$88,000 and has been included in consulting expense.

On December 24, 2018, the Company closed a non-brokered private placement of 1,280,000 flow-through common shares for total gross proceeds of \$320,000.

On September 27, 2018, the Company closed a non-brokered private placement of 3,823,333 Units for total gross proceeds of \$573,500. Each Unit comprised one common shares and one share purchase warrant exercisable at \$0.30per share for two years.

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6. EQUITY (continued)

See Note 5 for various issuances of shares for mineral property acquisitions.

Escrow shares

2,700,000 shares were held in escrow as at March 31, 2019, with 4,500,000 shares initially deposited in escrow. 10% of escrowed securities were released from escrow on the Company's listing date. An additional 15% was to be released every six month interval thereafter over a period of 36 months.

Options

On May 29, 2019, 400,000 stock options were granted to officers, directors and consultants. The options have a term of five years and are exercisable at a price of \$0.20 per share. These options had a fair value of \$68,000 using the Black Scholes model with the following inputs: i) exercise price: \$0.20; ii) share price: \$0.22; iii) term: 5 years; iv) volatility: 102%; v) discount rate: 2.04%.

On January 23, 2019, the Company granted 371,333 options to consultants of the Company. All options vest at the date of grant and are exercisable at \$0.25 per share for a period of five years. These options had a fair value of \$70,500 using the Black Scholes model with the following inputs: i) exercise price: \$0.25; ii) share price: \$0.25; iii) term: 5 years; iv) volatility: 102%; v) discount rate: 2.04%.

On September 28, 2018, the Company granted 750,000 options to officers and consultants of the Company. The options vest at the date of grant and are exercisable at \$0.20 per share for a period of five years. These options had a fair value of \$114,000 using the Black Scholes model with the following inputs: i) exercise price: \$0.20; ii) share price: \$0.20; iii) term: 5 years; iv) volatility: 102%; v) discount rate: 2.04%.

On January 19, 2018, the Company granted 400,000 agent's options exercisable at \$0.25 per agent's option and expiring on January 19, 2020 as part of its initial public offering of 4,000,000 common shares. These options had a fair value of \$53,000 using the Black Scholes model with the following inputs: i) exercise price: \$0.25; ii) share price: \$0.25; iii) term: 2 years; iv) volatility: 100%; v) discount rate: 1.43%. The value of these options was included in reserves and share capital for the year ended March 31, 2018.

On February 12, 2018, the Company granted 1,254,000 stock options exercisable at \$0.15 expiring on February 12, 2020. These options had a fair value of \$99,000 using the Black Scholes model with the following inputs: i) exercise price: \$0.25; ii) share price: \$0.25; iii) term: 2 years; iv) volatility: 100%; v) discount rate: 1.43%. The value of these options was included in reserves and share capital for the year ended March 31, 2018.

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6. EQUITY (continued)

The Company granted the following incentive stock options to officers, directors, and consultants:

	Number of Options	Weight Average Exercise Price	Weighted Average Life (years)
Balance, March 31, 2018	1,654,000	0.17	1.86
Options granted	1,121,333	0.20	1.56
Expired	(409,000)	0.15	-
Balance, March 31, 2019	2,366,333	0.20	2.40
Options granted	400,000	0.20	5.00
Balance, September 30, 2019	2,766,333	0.20	2.30

The following stock options were outstanding and exercisable at September 30, 2019:

Number	Exercise Price	Expiry Date
400,000	\$0.25	January 19, 2020
995,000	\$0.15	February 12, 2020
600,000	\$0.20	September 28, 2023
371,333	\$0.25	January 23, 2024
400,000	\$0.20	May 29, 2024
2,766,333		

Warrants

The Company granted the following warrants:

	Number of Options	Weight Average Exercise Price	Weighted Average Life (years)
Balance, March 31, 2018	-	-	-
Warrants granted	3,823,333	0.30	2.00
Expired	-	-	-
Balance, March 31, 2019	3,823,333	0.30	2.00
Warrants granted	3,932,032	0.30	2.00
Balance, September 30, 2019	7,755,365	0.30	0.85

The following warrants were outstanding and exercisable at September 30, 2019:

Number	Exercise Price	Expiry Date
3,823,333	\$0.30	September 27, 2020
3,763,333	\$0.30	June 14, 2020
168,699	\$0.30	June 14, 2020
7,755,365		

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7. 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. The Company has identified its directors and officers as its key management personnel.

	September 30, 2019	September 30, 2018
	\$	\$
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.