

Defense Metals Corp.

Condensed Interim Financial Statements

For the Six Months Ended September 30, 2020

(unaudited)

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DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian Dollars

	Note	September 30, 2020	March 31, 2020
ASSETS		\$	\$
Current assets			
Cash		386,539	166,184
Sales tax receivable		49,260	9,568
Mining tax credit receivable	5	279,132	-
Prepaid expenses		3,875	33,142
		718,806	208,894
Non-current assets			
Exploration and evaluation assets	5	2,235,951	1,834,842
TOTAL ASSETS		2,954,757	2,043,736
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	22,962	184,620
Flow-through obligation	8	22,687	22,687
		45,649	207,307
SHAREHOLDERS' EQUITY			
Share capital	6	6,115,225	4,720,614
Reserves	6	860,248	618,726
Accumulated deficit		(4,066,365)	(3,502,911)
		2,909,108	1,836,429
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,954,757	2,043,736

The accompanying notes are integral to these condensed 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.**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

Expressed in Canadian Dollars

	Share Capital				
	Number of	Amount	Reserves	Accumulated	Total
	Shares			Deficit	
		\$	\$	\$	\$
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
Balance, March 31, 2020	39,708,133	4,720,614	618,726	(3,502,911)	1,836,429
Private placements	10,975,000	1,712,800	-	-	1,712,800
Finder's fees – cash	-	(62,510)	-	-	(62,510)
Finder's fees - warrants	-	(36,900)	36,900	-	-
Other share issuance costs	-	(39,379)	-	-	(39,379)
Flow through share premium	-	(179,400)	-	-	(179,400)
Stock-based compensation	-	-	204,622	-	204,622
Comprehensive loss for the period	-	-	-	(563,454)	(563,454)
Balance, September 30, 2020	50,683,133	6,115,225	860,248	(4,066,365)	2,909,108

The accompanying notes are integral to these condensed interim financial statements.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

Expressed in Canadian Dollars

		For the Three Months Ended September 30, 2020	For the Three Months ended September 30, 2019	For the Six Months Ended September 30, 2020	For the Six Months ended September 30, 2019
	Note	2020	2019	2020	2019
		\$	\$	\$	\$
EXPENSES					
Consulting	7	33,311	48,592	75,653	266,056
Marketing and investor relations		184,125	71,927	307,208	246,007
Office and administrative		17,865	12,470	42,477	50,839
Professional		36,026	13,063	71,346	35,729
Regulatory and filing		8,049	16,012	41,549	29,752
Stock-based compensation	6	93,683	125,353	204,622	193,353
Loss before other items		(373,057)	(287,417)	(742,855)	(821,736)
Other items:					
Flow-through share premium		6,400	-	179,400	26,625
Comprehensive loss		(366,659)	(287,417)	(563,455)	(795,111)
Basic and Diluted Loss Per Share		(0.01)	(0.01)	(0.01)	(0.02)
Weighted Average Number of Shares Outstanding		50,653,785	30,546,628	47,769,936	28,794,128

The accompanying notes are integral to these condensed interim financial statements.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW
Expressed in Canadian Dollars

	For the Six Months Ended September 30, 2020	For the Six Months Ended September 30, 2019
	\$	\$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Loss for the period	(563,455)	(507,696)
Non-cash items:		
Stock-based compensation	204,622	68,000
Flow-through share premium	(179,400)	(26,625)
Changes in non-cash working capital items:		
Sales and mining tax receivables	(318,824)	(60,091)
Prepaid expenses	29,267	6,443
Accounts payable and accrued liabilities	(161,657)	(30,939)
	<u>(989,447)</u>	<u>(550,908)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation assets	(401,109)	(256,166)
	<u>(401,109)</u>	<u>(256,166)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Private placement proceeds	1,712,800	1,097,000
Finders fees paid	(62,510)	(11,455)
Other share issuance costs	(39,379)	1,085,545
	<u>1,610,911</u>	<u>278,471</u>
Net change in cash	220,355	192,449
Cash, beginning of the period	166,184	470,920
Cash, end of the period	<u>386,539</u>	<u>(256,166)</u>

The accompanying notes are integral to these condensed interim financial statements.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

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 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, 2020, the Company had a working capital balance of \$673,157 (March 31, 2020: \$1,588) and 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, 2020, the Company reported a comprehensive loss of \$563,455 (September 30, 2019: \$795,111 net loss) and has incurred accumulated losses of \$4,066,365 (March 31, 2020: \$3,502,911) 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.

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

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 27, 2020, 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 March 31, 2020 except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending March 31, 2021 could result in the restatement of these condensed 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.

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.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

2. BASIS OF PRESENTATION (continued)

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.

Flow-through share premium

The Company's flow-through share premium estimate is based on the price of flow-through shares in relation to the price of ordinary shares.

3. RECENTLY ADOPTED ACCOUNTING POLICY CHANGES

New Standard IFRS 16 "Leases"

Effective for annual periods beginning on January 1, 2019

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The adoption of this standard did not have a material impact on the Company's financial statements.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

4. FINANCIAL AND CAPITAL RISK MANAGEMENT

	Level	September 30, 2020	March 31, 2020
Cash	1	\$ 386,539	\$ 166,184
Accounts payable and accrued liabilities	2	22,962	184,620

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).

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

3. 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

	Wicheeda Option
	\$
Balance at March 31, 2019	449,972
Acquisition costs	112,000
Field and camp costs	114,816
Drilling	362,245
Geological	440,030
Geochemical	307,117
Survey	65,517
BC Mining Tax Credit Recovery	(16,855)
Balance at March 31, 2020	1,834,842
Environmental	60,271
Field and camp costs	13,376
Geological	73,416
Geochemical	465,256
Management and admin	67,922
BC Mining Tax Credit Recovery	(279,132)
Balance at September 30, 2020	2,235,951

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 (fully incurred); and
 - iii. an additional \$625,000 within 36 months of the Effective Date.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

5. EXPLORATION AND EVALUATION ASSETS (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 (paid)
- 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. 400,000 in common shares of the Company on or before the first anniversary of the Effective Date (issued)

Once all of the requirements have been met, the Company may exercise its option through the following:

- (d) Issue common shares to the shareholders of Spectrum equal to 49% of the issued and outstanding shares of the Company at the time of the issuance; and
- (e) Pay \$100,000 in cash.

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, 2020

On April 29, 2020, the Company closed a non-brokered private placement of 5,980,000 units (each a "Unit") for gross proceeds of \$598,000 (the "Private Placement"). As previously disclosed, each Unit was priced at \$0.10 and is comprised of one common share and one transferable common share purchase warrant ("Warrant"). Each Warrant is exercisable to purchase one common share of the Company at a price of \$0.15 per share for a period of 24 months from the date of closing the Private Placement. The Company paid aggregate cash finder's fees of \$16,310 and issued 163,100 non-transferable finder warrants to certain brokers on a portion of the Private Placement. The finder warrants otherwise have the same terms as the Warrants.

On May 27, 2020, the Company closed a non-brokered private placement of 680,000 units (each a "Unit") for gross proceeds of \$74,800. Each Unit was priced at \$0.11 and is comprised of one common share and one transferable common share purchase warrant ("Warrant"). Each Warrant is exercisable to purchase one common share of the Company at a price of \$0.15 per share for a period of 24 months from the date of closing the private placement.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

6. EQUITY (continued)

On June 15, 2020, the Company closed the first tranche of a non-brokered private comprising 3,460,000 flow-through units ("FT Unit") at a price of \$0.25 per FT Unit for gross proceeds of \$865,000. Each FT Unit is comprised of one flow-through share and one common share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.35 per share for a period of twenty-four (24) months from the date of closing. In addition, the Company also closed the first tranche of a non-brokered private placement comprising 675,000 Units ("Unit") at a price of \$0.20 per Unit for gross proceeds of \$135,000. Each Unit comprises of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.30 per share for a period of twenty-four (24) months from the date of closing the Private Placement. The Company paid aggregate cash finder's fees of \$46,200 and issued 190,050 non-transferable finder warrants to certain brokers. The finder warrants otherwise have the same terms as the warrants.

On July 15, 2020, the Company closed the second and final tranche of a non-brokered private comprising 80,000 flow-through units ("FT Unit") at a price of \$0.25 per FT Unit for gross proceeds of \$20,000. Each FT Unit is comprised of one flow-through share and one common share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.35 per share for a period of twenty-four (24) months from the date of closing. In addition, the Company also closed the second and final tranche of a non-brokered private placement comprising 100,000 Units ("Unit") at a price of \$0.20 per Unit for gross proceeds of \$20,000. Each Unit comprises of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.30 per share for a period of twenty-four (24) months from the date of closing the Private Placement.

For the year ended March 31, 2020

On December 24, 2019, the Company issued 400,000 common shares for the Company's Wicheeda option (Note 5)

On December 20, 2019, the Company closed private placement of 6,615,000 units for gross proceeds of \$661,500. Each unit was priced at \$0.10 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 \$0.20 for a period of 12 months.

On December 20, 2019, the Company closed private placement of 2,280,634 flow through shares for gross proceeds of \$342,095. Each unit was priced at \$0.15 per share. On December 31, 2019, the Company closed the latter portion of this private placement by issuing 233,333 flow through shares for gross proceeds of \$34,950.

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.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

6. EQUITY (continued)

Escrow shares

As of March 31, 2020, 1,350,000 shares were held in escrow (2019 – 2,700,000), 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

For the period ended September 30, 2020

On April 7, 2020, the Company granted 325,000 options to consultants of the Company. These options had a fair value of \$39,000 using the Black Scholes model with the following inputs: i) exercise price: \$0.15; ii) share price: \$0.12; iii) term: 5 years; iv) volatility: 119%; v) discount rate: 0.68%.

On April 29, 2020, the Company granted 550,000 options to officers and consultants of the Company. Of these options granted, 75,000 were granted to a third-party investor relations company and vest over period of twelve months in equal portions every three months starting on the date of grant. These options had a fair value of \$71,000 using the Black Scholes model with the following inputs: i) exercise price: \$0.17; ii) share price: \$0.16; iii) term: 5 years; iv) volatility: 118%; v) discount rate: 0.41%.

On July 21, 2020, the Company granted 400,000 options to consultants of the Company which vest over period of twelve months in equal portions every three months starting on the date of grant. These options had a fair value of \$39,000 using the Black Scholes model with the following inputs: i) exercise price: \$0.20; ii) share price: \$0.175; iii) term: 2 years; iv) volatility: 114%; v) discount rate: 0.25%.

For the year ended March 31, 2020

On February 13, 2020, the Company granted 700,000 options to officers and consultants of the Company. 600,000 options vest at the date of grant and are exercisable at \$0.18 per share for a period of five years. These options had a fair value of \$96,000 using the Black Scholes model with the following inputs: i) exercise price: \$0.18; ii) share price: \$0.175; iii) term: 5 years; iv) volatility: 110%; v) discount rate: 1.40%. 100,000 options granted to a third party investor relations consultant will vest in stages over a period of twelve months in equal portions every three months starting on the date of grant.

On December 24, 2019, 1,250,000 stock options were granted to officers, directors and consultants. The options have a term of five years and are exercisable at a price of \$0.16 per share. These options had a fair value of \$133,000 using the Black Scholes model with the following inputs: i) exercise price: \$0.16; ii) share price: \$0.155; iii) term: 5 years; iv) volatility: 88.56%; v) discount rate: 1.56%. \$125,353 stock option expense has been recognized for the period ended December 31, 2019 with the remainder to be recognized based on a twelve month vesting schedule.

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%.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

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, 2019	2,366,333	0.20	2.40
Options granted	2,350,000	0.17	5.00
Expired	(1,495,000)	-	-
Balance, March 31, 2020	3,221,333	0.18	4.40
Options granted	1,275,000	0.18	3.75
Balance, September 30, 2020	4,496,333	0.18	3.75

The following stock options were outstanding and exercisable at September 30, 2020

Number	Exercise Price	Expiry Date
500,000	\$0.20	September 28, 2023
371,333	\$0.25	January 23, 2024
400,000	\$0.20	May 29, 2024
1,250,000	\$0.16	December 24, 2024
700,000	\$0.18	February 13, 2025
325,000	\$0.15	April 7, 2025
550,000	\$0.17	April 29, 2025
400,000	\$0.20	July 21, 2021
4,496,333		

Warrants

The Company granted the following warrants:

	Number of Options	Weight Average Exercise Price	Weighted Average Life (years)
Balance, March 31, 2019 and 2018	3,823,333	0.30	2.00
Granted	10,778,775	0.24	1.00
Balance, March 31, 2020	14,602,108	0.25	0.53
Expired	(3,942,032)	0.30	n/a
Warrants granted	11,328,150	0.23	2.00
Balance, September 30, 2020	21,988,226	0.23	0.91

During the period ended September 30, 2020, the Company granted 353,150 broker warrants related to various private placement closings. The broker warrants have a term of two years and are exercisable at \$0.15 and \$0.30 per share. These warrants had an aggregate fair value of \$36,900 using the Black Scholes model with the following inputs: i) exercise price: \$0.20 and \$0.30 per share; ii) share price: \$0.155 to \$0.19; iii) term: 2 years; iv) volatility: 117.60% to 119.13%; v) discount rate: 0.27% to 0.68%.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

6. EQUITY (continued)

During the year ended March 31, 2020, the Company granted 400,442 broker warrants related to various private placement closings. The broker warrants have a term of one year and are exercisable at \$0.20 and \$0.30 per share. These options had a fair value of \$23,300 using the Black Scholes model with the following inputs: i) exercise price: \$0.20 and \$0.30 per share; ii) share price: \$0.155 to \$0.19; iii) term: 1 year; iv) volatility: 88.56%; v) discount rate: 1.56%.

The following warrants were outstanding and exercisable at September 30, 2020:

Number	Exercise Price	Expiry Date
3,823,333	\$0.30	September 27, 2020
6,615,000	\$0.20	December 21, 2020
204,410	\$0.20	December 21, 2020
17,333	\$0.20	December 31, 2020
5,980,000	\$0.15	April 28, 2022
163,100	\$0.15	April 28, 2022
680,000	\$0.15	May 27, 2022
3,460,000	\$0.35	June 12, 2022
675,000	\$0.30	June 12, 2022
190,050	\$0.30	June 12, 2022
80,000	\$0.35	July 14, 2022
100,000	\$0.35	July 14, 2022
21,988,226		

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 directors, officers and corporate entities controlled by these individuals. The table summarizes related party compensation for various services received by the Company:

	September 30, 2020	September 30, 2019
	\$	\$
Exploration and evaluation	115,246	99,749
Office and administrative	6,000	6,000
Consulting	40,000	80,000
Professional fees	30,000	-
Stock-based compensation	87,409	-

As at September 30, 2020, \$7,525 (March 31, 2020 - \$124,838) was owing to a private company owned by the Chief Financial Officer for regulatory and filing fees paid on behalf of the Company (repaid subsequent to September 30, 2020). Balances owing to related parties were unsecured, did not bear interest, and had no fixed terms of payments.

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOW

Expressed in Canadian Dollars

8. TAX LOSSES

The Company has non-capital losses of approximately \$1,816,000 (2019: \$847,000) available to offset future income for income tax purposes which commence expiring in 2037. Due to the uncertainty of realization of these loss carry-forwards, the benefit is not reflected in the financial statements.

Years	\$
2037	26,000
2038	169,000
2039	652,000
2040	969,000
Total	1,816,000

As of March 31, 2020, the Company has a flow-through obligation of \$22,687 relating to unspent exploration commitments of \$602,765. A revaluation of this commitment will be measured at March 31, 2021.

9. SUBSEQUENT EVENTS

Subsequent to September 30, 2020, 1,006,595 share purchase options were exercised for \$0.15 and \$0.20 per share for gross proceeds of \$175,444.

On November 20, 2020, the Company closed a non-brokered private placement of 800,000 flow-through common shares at a price of \$0.25 per Share for gross proceeds of \$200,000

On October 30, 2020, the Company completed a non-brokered private placement of 2,525,000 Units at a price of \$0.20 per Unit for gross proceeds of \$505,000. Each Unit comprised of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.25 per share for a period of 12 months from the date of closing of the private placement. In addition, the Company closed a non-brokered private placement of 405,000 flow-through common shares at a price of \$0.25 per share for gross proceeds of \$101,250. The Company paid cash finder's fees of \$7,087 and issued 28,350 non-transferable finder warrants to certain brokers on a portion of the private placements. The finder warrants otherwise have the same terms as the warrants issued with the private placement.

On September 29, 2020, the Company granted 550,000 options to directors, officers and consultants of the Company. 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: \$0.16; iii) term: 5 years; iv) volatility: 113%; v) discount rate: 0.25%.

On November 26, 2020, the Company granted 495,000 options to directors, officers and consultants of the Company. Of these options granted, 25,000 were granted to a third-party investor relations company and vest over period of twelve months in equal portions every three months starting on the date of grant. These options had a fair value of \$65,500 using the Black Scholes model with the following inputs: i) exercise price: \$0.20; ii) share price: \$0.20; iii) term: 3 years; iv) volatility: 114%; v) discount rate: 0.25%.