



Defense Metals Corp.

Condensed Interim Financial Statements

For the Three and Six Months Ended September 30, 2024 and 2023

(Unaudited and Expressed in Canadian Dollars)

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying condensed interim financial statements for the three and six months ended September 30, 2024 have been prepared by, and are the responsibility of, the management of Defense Metals Corp. (“Defense Metals” or the “Company”). The Company’s independent auditor, Crowe MacKay LLP, has not performed a review of these financial statements.

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

	Note(s)	As at September 30, 2024 (unaudited)	As at March 31, 2024 (audited)
ASSETS		\$	\$
Current assets			
Cash	7,8	2,225,326	916,066
Sales tax receivable		72,811	125,697
Prepaid expenses and deposit		61,888	129,978
		2,360,025	1,171,741
Non-current assets			
Exploration and evaluation assets	5,9	42,977,455	40,808,160
Right-of-use asset	6	95,108	-
Prepaid exploration and evaluation expenses		666,370	666,369
TOTAL ASSETS		46,098,958	42,646,270
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	3,168,465	808,911
Funds for convertible debt	8	2,324,090	-
Right-of-use liability - current	6	58,945	-
		5,551,500	808,911
Right-of-use liability – long term	6	39,574	-
SHAREHOLDERS' EQUITY			
Share capital	7	51,810,600	51,634,600
Reserves	7	5,699,494	5,601,494
Accumulated deficit		(17,002,209)	(15,398,735)
		40,507,885	41,837,359
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		46,098,958	42,646,270

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

Going concern (Note 1)

Approved on Behalf of the Board of Directors:

/s/ Guy de Selliers
Executive Chairman

/s/ Dale Wallster
Director

DEFENSE METALS CORP.**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars - Unaudited)

	Share Capital				
	Number of Shares	Amount \$	Reserves \$	Accumulated Deficit \$	Total \$
Balance, March 31, 2023	207,702,648	39,956,784	4,767,862	(12,637,578)	32,087,068
Private placements	48,076,923	12,500,000	-	-	12,500,000
Finder's fees – cash	-	(211,026)	-	-	(211,026)
Finder's fees - warrants	-	(202,000)	202,000	-	-
Share issuance costs	-	(1,081,784)	-	-	(1,081,784)
Flow through share premium	-	-	-	-	-
Stock-based compensation	-	-	3,632	-	3,632
Net and comprehensive loss for the period	-	-	-	(943,063)	(943,063)
Balance, September 30, 2023	255,779,571	50,961,974	4,973,494	(13,580,641)	42,354,827
Balance, March 31, 2024	258,621,249	51,634,600	5,601,494	(15,398,735)	41,837,359
Stock-based compensation	1,600,000	176,000	98,000	-	274,000
Net and comprehensive loss for the period	-	-	-	(1,603,474)	(1,603,474)
Balance, September 30, 2024	260,221,249	51,810,600	5,699,494	(17,002,209)	40,507,885

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

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars - Unaudited)

		For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the six months ended September 30, 2024	For the six months ended September 30, 2023
	Note	\$	\$	\$	\$
EXPENSES					
Accretion interest	6	4,830	-	8,371	-
Consulting	9	511,954	221,597	682,004	409,856
Communications, marketing, investor, and public relations		41,681	218,363	180,296	530,778
Depreciation	6	15,017	-	25,028	-
Office and administrative	9	34,497	71,462	111,130	127,591
Professional	9	252,196	120,344	299,799	176,004
Regulatory and filing		16,044	13,340	22,846	69,025
Stock-based compensation	7,9	176,000	-	274,000	3,632
Loss before other items		(1,052,219)	(645,106)	(1,603,474)	(1,316,886)
Other items:					
Flow-through share premium	10,12	-	-	-	373,823
Net and comprehensive loss for the period		(1,052,219)	(645,106)	(1,603,474)	(943,063)
Basic and Diluted Loss Per Share		(0.00)	(0.00)	(0.01)	(0.00)
Weighted Average Number of Shares Outstanding		258,621,986	255,779,571	258,804,856	241,330,223

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

DEFENSE METALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars - Unaudited)

	For the six months ended September 30, 2024	For the six months ended September 30, 2023
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	(1,603,474)	(943,063)
Non-cash items:		
Accretion interest	8,371	-
Depreciation	25,025	-
Stock-based compensation	274,000	3,632
Flow-through share premium	-	(373,823)
Changes in non-cash working capital items:		
Sales tax receivable	52,883	17,076
Prepaid expenses and deposit	68,090	5,340
Accounts payable and accrued liabilities	1,292,425	88,463
	117,316	(1,202,375)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation assets	(1,102,162)	(3,408,463)
Prepaid exploration and evaluation expenses	-	(771,119)
	(1,102,162)	(4,179,582)
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placement proceeds	-	12,500,000
Finder's fees and share issuance costs	-	(1,292,810)
Funds intended for convertible debt	2,324,090	-
Principal portion of lease liability	(29,988)	-
	2,294,102	11,207,190
Net change in cash	1,309,260	5,825,233
Cash, beginning of the period	916,066	1,762,556
Cash, end of the period	2,225,326	7,587,789

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

DEFENSE METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Defense Metals Corp. (“Defense Metals” or the “Company”) is a British Columbia incorporated company focused on the development of the Wicheeda Rare Earth Element mineral deposit located in British Columbia, Canada.

The head office and the principal address of Defense Metals is Suite 1020 - 800 West Pender Street, Vancouver, BC V6C 2V6, Canada. Defense Metals is traded publicly and listed in Canada on the TSX Venture Exchange (“TSX-V”), trading symbol DEFN; in the United States on the OTCQB, trading symbol DFMTF; and on the Frankfurt Exchange, trading symbol 35D.

Previous to March 31, 2023, the Company had a controlled entity, Spectrum Mining Corporation (“Spectrum”). Control occurs when the Company is exposed to, or has the right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. The Company acquired Spectrum on January 14, 2022 and on April 1, 2023, the Company and Spectrum were legally amalgamated with the continuing entity being Defense Metals (Note 5). The Company no longer reports consolidated financial statements.

The Company does not have revenues and historically has operating losses. These condensed interim financial statements have been prepared on the assumption that Defense Metals 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. A different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2024, the Company had a working capital deficit balance of \$3,191,475 (2023 positive working capital - \$10,200,761) not including Non-current Prepaid exploration and evaluation expenses of \$666,369 (2023 - \$525,880) but had not advanced its mineral properties to commercial production and, as such, is not able to finance day-to-day activities through operations. For the period ended September 30, 2024, the Company reported a comprehensive loss of \$1,603,474 (2023 - \$943,063) and as of that date, had an accumulated deficit of \$17,002,209 (2023 - \$12,935,535).

The Company’s continuation as a going concern is dependent upon the results from its mineral property exploration and development activities and its ability to attain profitable operations and generate funds and/or raise equity capital or borrowings sufficient to meet current and future obligations and ongoing operating losses. These uncertainties may cast 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 private placements of common shares, government grants, or other forms of financing. These condensed interim financial statements do not include any adjustments that might result from this uncertainty. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance with International Financial Reporting Standards

These condensed interim financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Company’s audited financial statements and Management Discussion and Analysis for the year ended March 31, 2024.

These condensed interim financial statements were prepared by management, reviewed by Defense Metals’ Audit Committee and approved and authorized for issuance by the Board of Directors on November 28, 2024. In management’s opinion, all adjustments necessary for fair presentation have been included in these condensed interim financial statements. Interim results are not necessarily indicative of the results expected for the year ending March 31, 2025.

DEFENSE METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)

2. BASIS OF PRESENTATION (continued)

Basis of preparation

These condensed interim financial statements have been prepared on an accrual basis except for cash flow information and are based on historical costs except for certain financial instruments at fair value and are presented in Canadian dollars, which is the functional currency of the Company, unless otherwise noted.

Use of estimates and judgments

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

There were no significant accounting estimates required by management in preparation of these condensed interim financial statements.

Critical judgments

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenses, meet its liabilities for the ensuing year, and to fund planned and contractual exploration and development programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3. MATERIAL ACCOUNTING POLICIES

In preparation of these condensed interim financial statements, the Company used the same accounting policies as in its annual audited financial statements.

4. FINANCIAL AND CAPITAL RISK MANAGEMENT

IFRS 13 establishes a fair value hierarchy that prioritizes the valuation techniques for each financial instrument measured at fair value. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement.

The methods and assumptions used to develop fair value measurements are: Level 1 - includes quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - includes inputs, other than quoted prices included in Level 1, that are observable for an asset or liability, either directly (i.e. as process) or indirectly (i.e. derived from process); and, Level 3 - includes inputs that are not based on observable data.

	Level	September 30, 2024	March 31, 2024
		\$	\$
Cash	1	2,225,326	1,762,556

The fair values of the Company's accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of the financial instruments.

DEFENSE METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Management of Financial Risk

Defense Metals' 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. Defense Metals' exposure to credit risk is on its cash. 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, to the best of its abilities, ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash and the Company's liabilities. The Company's cash is held in corporate bank accounts available on demand. As at September 30, 2024, Defense Metals had a cash balance of \$2,225,326 (2023 - \$10,615,673) to fulfill accounts payable and accrued liabilities obligations of \$3,168,465 (2023 - \$600,570). The financial liabilities as at September 30, 2024 are due within 90 days. The Company manages liquidity risk through the management of its capital structure. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

Capital finance risk

The Company will require additional financing and investment to advance beyond the completion of the pre-feasibility study for the Wicheeda Project to undertake a bankable feasibility study and ultimately toward achieving commercial production. Additional funds may not be available when the Company needs them, on terms that are acceptable, or at all. If adequate funds are not available to the Company on a timely basis, it may be unable to proceed with future development of the Wicheeda Project or with other exploration, development or acquisition of property interests to carry out its business plan, if desired, which could materially affect the Company's business, results of operations, financial condition and prospects.

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. 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. There is low foreign exchange risk to the Company as the Company primarily operates within Canada.

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.

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

DEFENSE METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

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 attempts 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 ended September 30, 2024. The Company is not subject to any externally imposed capital requirements.

5. EXPLORATION AND EVALUATION ASSETS

	Wicheeda Project
	\$
Balance at March 31, 2023	30,279,409
Drilling	775,815
Environmental	346,127
Field and camp costs	691,074
Geological (Note 7)	1,727,897
Helicopter and survey	726,169
Geochemical	490,232
Management and administration (Note 7)	252,170
Mapping	27,185
Permitting related	1,398,704
Pilot plant metallurgical testing	1,896,202
Prefeasibility study	2,631,597
Recovery	(434,421)
Balance at March 31, 2024	40,808,160
Environmental	461,537
Field and camp costs	13,628
Geological	300,181
Geochemical	136,747
Helicopter and survey	3,845
Management and administration (Note 7)	114,976
Permitting related	132,405
Pilot plant metallurgical testing	49,514
Prefeasibility study	956,462
Balance at September 30, 2024	42,977,455

DEFENSE METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Acquisition of Spectrum Mining Corporation and the Wicheeda Rare Earth Element Mineral Deposit

On November 22, 2018, Defense Metals entered into an option agreement (the “Option Agreement”) to acquire all the issued and outstanding shares of Spectrum, which at the time was the beneficial and registered holder of 100% interest in the original six mineral claims that covered the Wicheeda Rare Earth Element (REE) mineral deposit. To exercise the option, Defense Metals was required to incur exploration expenditures, issue shares to Spectrum shareholders, and make cash payments to Spectrum.

On January 14, 2022, Defense Metals fully exercised its option and acquired 100% of the Wicheeda REE mineral deposit, by way of acquiring all of the share capital of Spectrum, through the issuance of 78,115,549 Defense Metals common shares at a deemed price of \$0.225 per share pro-rata to Spectrum shareholders, and the payment of \$100,000 cash to Spectrum, for final payment consideration of \$17,675,999. At that time, the Company issued 1,171,733 common shares to Mulgravian Ventures Corporation (a company owned by a Director of the Company) pursuant to a finder’s fee agreement entered into in connection with the Option Agreement.

The Wicheeda Property is subject to a 2.0% net smelter returns royalty (“NSR Royalty”) payable upon the commencement of any commercial production. The Company shall have the irrevocable right to purchase one-half (1/2) of the NSR Royalty from the Vendors, on a basis pro rata to their prior shareholdings in Spectrum (being 1.0% of Net Smelter Returns) for \$1,000,000, leaving the Vendors with an aggregate 1.0% NSR Royalty.

On April 1, 2023, the Company amalgamated with Spectrum, all the issued shares of which were held by the Company, under section 273 of the *Business Corporations Act* (British Columbia) (the “Amalgamation”), with the continuing entity being Defense Metals. Accordingly, the shares of Spectrum were cancelled pursuant to the Amalgamation. The Company no longer reports consolidated financial statements.

The Wicheeda REE mineral deposit is now 100% owned by Defense Metals and the Wicheeda Project is now comprised of the 6 mineral claims acquired through the acquisition of Spectrum, and an additional 11 claims staked by Defense Metals between the dates of November 5, 2021 and October 23, 2024, for a total of 17 claims.

DEFENSE METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)

6. PREMISE LEASE

Commencing May 1, 2024, the Company entered into an office lease for a term of two years for \$5,997 per month.

(a) Right-of-Use Assets

As at September 30 2024, \$110,124 of right-of-use assets are recorded as follows:

	\$
As at May 1, 2024	120,136
Depreciation	(25,028)
As at September 30, 2024	95,108

(b) Lease Liabilities

Minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

	Six months ended September 30, 2024	
Undiscounted minimum lease payments:		
Less than one year	\$	77,970
Two to three years		35,986
		<u>113,956</u>
Effect of discounting		(15,437)
Present value of minimum lease payments		<u>98,519</u>
Less current portion		(58,945)
Long-term portion	\$	<u>39,574</u>

(c) Lease Liability Continuity

The lease liability continuity is as follows:

	\$
As at May 1, 2024	120,136
Principal payments net of discounting	(21,617)
As at September 30, 2024	<u>98,519</u>

DEFENSE METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)

7. EQUITY

Share Capital

Authorized share capital of the Company consists of an unlimited number of fully paid Class A common shares without par value and an unlimited number of Class B preferred shares without par value of which none are issued and outstanding.

For the six months ended September 30, 2024

On August 6, 2024, Defense Metals announced a non-brokered private placement financing for gross proceeds of \$2,000,000 comprising: 12,500,000 Units at a price of \$0.16 per Unit with each Unit comprised of one common share and one-half share purchase warrant. Each full share purchase warrant is exercisable, for a period of two years from issuance, at \$0.22 to purchase one common share. \$800,000 in proceeds were received by the Company and held in escrow pending closing. This financing was subsequently cancelled on August 28, 2024.

On August 28, 2024, Defense Metals announced a non-brokered private placement of secured convertible notes (“Notes”) for minimum gross proceeds of CAD\$2,500,000 and maximum gross proceeds of up to CAD\$4,000,000. The Notes will bear interest from the date of issuance at the rate of ten percent (10%) per annum, payable quarterly in common shares of the Company at a price per share equal to the applicable 20-day volume weighted average price of the Common Shares on the TSX-V, or such other price determined in accordance with the policies of the TSX-V. The Notes will mature on the date that is 12 months after the date of issuance. At any time up to seven days prior to a Mandatory Conversion Event (as defined below), investors may elect to convert the principal amount of the Notes into Common Shares at a deemed price per share of \$0.125 (the “Conversion Price”).

The Notes will automatically convert into Common Shares upon the occurrence of certain events (each, a “Mandatory Conversion Event”), including the completion by the Company of a new issuance of equity as part of a minimum CAD\$4,000,000 financing from third party sources (excluding conversion of the Notes), completion of a sale of all or substantially all of the Common Shares or assets of the Company, or completion of a merger or other corporate transaction coincident with a minimum CAD\$4,000,000 fundraise from third party capital (excluding conversion of the Notes). Upon the occurrence of a Mandatory Conversion Event, the principal amount of the Notes will automatically convert into Common Shares at a fifteen percent (15%) discount to the applicable price of the offering implied by the Mandatory Conversion Event, provided that if such conversion price would be less than the Conversion Price there will be no mandatory conversion.

On September 9, 2024, the Company issued 1,600,000 common shares of the Company to a former officer.

DEFENSE METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2024
(Expressed in Canadian Dollars - Unaudited)
7. EQUITY (continued)

For the year ended March 31, 2024

On May 25, 2023, Defense Metals closed a non-brokered private placement financing for gross proceeds of \$12,500,000 comprising: 22,367,977 common shares at a price of \$0.26 per share ("LIFE Offering"), and 25,708,946 common shares at a price \$0.26 per share ("Concurrent Offering"). In connection with the LIFE Offering and the Concurrent Offering, the Company paid aggregate cash finder's fees of \$211,026 and issued 2,311,753 non-transferable common share purchase warrants. The warrants are exercisable at \$0.32 per common share for a period of two years from issuance. Subject to compliance with applicable regulatory requirements and in accordance with National Instrument 45-106 – *Prospectus Exemptions* ("NI 45-106"), the common shares issued pursuant to the LIFE Offering were offered for sale to purchasers resident in Canada, except Quebec, and/or other qualifying jurisdictions pursuant to the 'listed issuer financing exemption' under Part 5A of NI 45-106.

On January 17, 2024, the Company closed a non-brokered private placement of 2,841,678 common shares at a price of \$0.26 per share for gross proceeds of \$738,836.

Options

The Company follows the policies of the TSX-V under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the then issued and outstanding common stock of the Company. The Company's current stock option plan was approved by shareholders and TSX-V at the Annual General and Special meeting dated December 15, 2023. Pursuant to TSX-V policies, the exercise price of each shall not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant such options, less any discount permitted by the TSX-V. The options can be granted for a maximum term of ten years.

For the six months ended September 30, 2024

On April 3, 2024, the Company granted 800,000 stock options to certain directors and a consultant of the Company pursuant to the terms of the Company's stock option plan. The stock options are exercisable to acquire common shares at an exercise price of \$0.24 per common share for a period of three years, vesting immediately. These options had a grant date fair value of \$98,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: \$0.24; ii) share price: \$0.24; iii) term: 3 years; iv) volatility: 75%; v) risk-free interest rate: 3.76%.

For the year ended March 31, 2024

On December 15, 2023, the Company granted 5,700,000 options to directors, officers and consultants of the Company. Of these options granted, 200,000 were granted to a third-party investor relations company and vest over a period of twelve months in equal portions every three months starting three months from the date of grant. These options had a grant date fair value of \$549,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: \$0.16; ii) share price: \$0.16; iii) term: 3 years; iv) volatility: 93%; v) risk-free interest rate: 3.44%.

DEFENSE METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2024

(Expressed in Canadian Dollars - Unaudited)

7. EQUITY (continued)

On December 16, 2023, the Company granted 200,000 options to a consultant of the Company. These options had a grant date fair value of \$20,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: \$0.18; ii) share price: \$0.17; iii) term: 3 years; iv) volatility: 93%; v) risk-free interest rate: 3.43%.

On January 26, 2024, the Company granted 400,000 options to a consultant of the Company. These options had a grant date fair value of \$59,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: \$0.24; ii) share price: \$0.24; iii) term: 3 years; iv) volatility: 95%; v) risk-free interest rate: 3.67%.

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, 2023	20,306,333	\$0.25	1.93
Granted	6,300,000	\$0.17	3.00
Expired	(2,081,333)	\$0.35	-
Balance, March 31, 2024	24,525,000	\$0.22	1.49
Granted	800,000	\$0.24	3.00
Expired	(1,550,000)	\$0.25	-
Balance, September 30, 2024	23,775,000	\$0.22	1.35

The following stock options were outstanding and exercisable at September 30, 2024:

Number of Options Outstanding	Number of Options Vested and Exercisable	Exercise Price	Expiry Date
300,000	300,000	\$0.27	October 25, 2024
650,000	650,000	\$0.16	December 24, 2024
300,000	300,000	\$0.22	January 17, 2025
7,300,000	7,300,000	\$0.26	January 21, 2025
550,000	550,000	\$0.18	February 13, 2025
325,000	325,000	\$0.15	April 7, 2025
200,000	200,000	\$0.20	September 21, 2025
5,050,000	5,050,000	\$0.22	December 8, 2025
800,000	800,000	\$0.22	January 11, 2026
5,300,000	5,300,000	\$0.16	December 15, 2026
200,000	200,000	\$0.18	December 19, 2026
400,000	400,000	\$0.24	January 26, 2027
800,000	800,000	\$0.24	April 3, 2027
22,175,000	22,175,000		

DEFENSE METALS CORP.
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7. EQUITY (continued)

Warrants

Defense Metals issued the following warrants:

	Number of Warrants	Weight Average Exercise Price	Weighted Average Life (years)
Balance, March 31, 2023	33,662,265	\$0.39	1.22
Granted	2,311,753	\$0.32	1.15
Balance, March 31, 2024	35,974,018	\$0.38	0.21
Expired	(26,631,081)	\$0.41	-
Balance, September 30, 2024	9,342,937	\$0.32	0.55

For the year ended March 31, 2024

On May 25, 2023, the Company granted 811,753 broker warrants. The broker warrants have a term of two years and are exercisable at \$0.32 per share. These warrants had an aggregate fair value of \$71,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: \$0.32 per share; ii) share price: \$0.245; iii) term: 2 years; iv) volatility: 76.63%; v) risk-free interest rate: 3.973%.

On May 25, 2023, the Company granted 1,500,000 advisor warrants related to the closing of the private placement on the same day. The advisor warrants have a term of two years and are exercisable at \$0.32 per share. These warrants had an aggregate fair value of \$131,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: \$0.32 per share; ii) share price: \$0.245; iii) term: 2 years; iv) volatility: 76.63%; v) risk-free interest rate: 3.973%.

The following warrants were outstanding and exercisable at September 30, 2024:

Number	Exercise Price	Expiry Date
5,981,938	\$0.32	December 8, 2024
553,793	\$0.32	December 8, 2024
128,571	\$0.28	December 8, 2024
366,882	\$0.22	December 8, 2024
811,753	\$0.32	May 25, 2025
1,500,000	\$0.32	May 25, 2025
9,342,937		

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8. FUNDS FOR CONVERTIBLE DEBENTURE

As at September 30, 2024, the Company had received \$2,924,678 into escrow related to its secured convertible debenture financing, which subsequently closed on October 11, 2024. These funds are recorded as a liability under Funds for convertible debenture and an equivalent asset under Cash in the Condensed Interim Statements of Financial Position.

9. 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. Key management personnel include those persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors (including former Directors) and corporate officers and companies controlled by them. The table below summarizes key management compensation for various services received by the Company:

	Six months ended September 30, 2024	Six months ended September 30, 2023
	\$	\$
Exploration and evaluation	85,000	615,494
Office and administrative	5,250	6,300
Consulting	549,350⁽¹⁾	147,500
Professional fees	50,000	60,000
Stock-based compensation	98,000	-

⁽¹⁾ Inclusive of director fees.

As at September 30, 2024, \$55,542 (2024 - \$14,998) was owing to the President of the Company for geological services, consulting services, and reimbursable expenses. As at September 30, 2024, \$114,599 was owing to the Chief Financial Officer for consulting services and reimbursable expenses.

During the six months ended September 30, 2024, the Company engaged HCF International Advisers Ltd. ("HCF") for advisory services. Guy de Selliers, the Executive Chairman of Defense Metals, is a related party to HCF as he is the majority owner. Fees incurred with HCF during this period totaled \$117,910, and these services were conducted on terms comparable to those available to unrelated third parties. As at September 30, 2024, \$104,000 was owing to the Executive Chairman for consulting services.

As at September 30, 2024, \$55,913 was owing to Directors of the Company for director services. Amounts owing to related parties are unsecured, non-interest bearing, and carry no fixed terms of repayment.

DEFENSE METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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10. COMMITMENTS

During the year ended March 31, 2023, the Company entered into flow-through share subscription agreements whereby it was obligated to incur a total of \$7,180,988 on flow-through eligible exploration expenditures. As of March 31, 2023, \$5,408,120 has been incurred and the Company had a flow-through obligation of \$1,772,858 relating to unspent exploration commitments. During the year ended March 31, 2024, the Company spent the remainder obligation.

The flow-through shares were issued at a premium in recognition of the tax benefits accruing to subscribers. The flow-through share premium was calculated to be \$1,698,819 and as at March 31, 2023, \$1,324,996 was recognized as a settlement of the flow-through premium leaving \$373,823 as a flow-through obligation in the consolidated statement of financial position. During the year ended March 31, 2024, the Company incurred additional flow-through eligible exploration expenditures and recognized the remainder of the \$373,823 as a settlement of the flow-through share premium.

11. SEGMENTED INFORMATION

Defense Metals operates in one business segment, being the exploration, development and evaluation of the Wicheeda Project in British Columbia, Canada.

12. SUBSEQUENT EVENTS

Convertible Debt Financing

On October 11, 2024, the Company closed the Notes financing for gross proceeds of \$4,000,000.

The Notes bear interest from the date of issuance at the rate of ten percent (10%) per annum, payable quarterly in common shares of the Company at a price per share equal to the applicable 20-day volume weighted average price of the common shares on the TSX-V, or such other price determined in accordance with the policies of the TSX-V. The Notes will mature on the date that is 12 months after the date of issuance. At any time up to seven days prior to a Mandatory Conversion Event as defined herein, investors may elect to convert the principal amount of the Notes into commons at a deemed price per share of \$0.125.

The Notes will automatically convert into common shares upon the occurrence of certain events (each, a "Mandatory Conversion Event"), including the completion by the Company of a new issuance of equity as part of a minimum \$4,000,000 financing from third party sources (excluding conversion of the Notes), completion of a sale of all or substantially all of the common shares or assets of the Company, or completion of a merger or other corporate transaction coincident with a minimum \$4,000,000 fundraise from third party capital (excluding conversion of the Notes). Upon the occurrence of a Mandatory Conversion Event, the principal amount of the Notes will automatically convert into Common Shares at a fifteen percent (15%) discount to the applicable price of the offering implied by the Mandatory Conversion Event, provided that if such conversion price would be less than the Conversion Price there will be no mandatory conversion.

The Notes will be secured against all personal property of the Company and a first ranking security interest against the Company's mining claims in respect of the Wicheeda REE Project. All note holders will rank pari passu among themselves.