



**Defense Metals Corp.**

**Condensed Interim Financial Statements**

**For the Three and Six Months Ended September 30, 2025**

**(unaudited)**

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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.

In accordance with National Instrument 51-102, Defense Metals Corp. (“Defense Metals” or “the Company”) discloses that the accompanying condensed interim financial statements for the three and six months ended September 30, 2025, have been prepared by, and are the responsibility of, the Company’s management. 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 | As at<br>September 30,<br>2025<br>(unaudited) | As at<br>March 31,<br>2025<br>(audited) |
|---|------|---|---|
| <b>ASSETS</b>                                     |      | \$  | \$                                      |
| <b>Current assets</b>                             |      |   |   |
| Cash  |      | 3,164,915                                     | 695,260                                 |
| Sales tax receivable                              |      | 28,620  | 131,735                                 |
| Right-of-use asset                                | 6    | 35,040  | -                                       |
| Prepaid expenses and deposit                      |      | 8,084   | 54,831                                  |
|   |      | <b>3,236,659</b>                              | <b>881,826</b>                          |
| <b>Non-current assets</b>                         |      |   |   |
| Exploration and evaluation assets                 | 5    | 45,575,746                                    | 44,663,846                              |
| Prepaid exploration expenses                      |      | 72,450  | 72,450                                  |
| Right-of-use asset                                | 6    | -   | 65,074                                  |
| <b>TOTAL ASSETS</b>                               |      | <b>48,884,855</b>                             | <b>45,683,196</b>                       |
| <b>LIABILITIES</b>                                |      |   |   |
| <b>Current liabilities</b>                        |      |   |   |
| Accounts payable and accrued liabilities          | 9    | 1,358,870                                     | 2,974,645                               |
| Convertible debt                                  | 8    | -   | 3,448,413                               |
| Interest payable on convertible debt              | 8    | -   | 98,630                                  |
| Derivative liability                              | 8    | -   | 1,794,768                               |
| Flow-through liability                            |      | 151,740                                       | -                                       |
| Lease liability                                   | 6    | 39,574  | 64,453                                  |
|   |      | <b>1,550,184</b>                              | <b>8,380,909</b>                        |
| <b>Non-current liabilities</b>                    |      |   |   |
| Long term portion of lease liability              | 6    | -   | 5,909                                   |
| <b>TOTAL LIABILITIES</b>                          |      | <b>1,550,184</b>                              | <b>8,386,818</b>                        |
| <b>SHAREHOLDERS' EQUITY</b>                       |      |   |   |
| Share capital                                     | 7    | 62,761,341                                    | 51,899,367                              |
| Reserves  | 7    | 6,714,870                                     | 6,561,470                               |
| Accumulated deficit                               |      | (22,141,540)                                  | (21,164,459)                            |
|   |      | <b>47,334,671</b>                             | <b>37,296,378</b>                       |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |      | <b>48,884,855</b>                             | <b>45,683,196</b>                       |

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

**Going concern (Note 1)**

**Approved on Behalf of the Board of Directors:**

/s/ Mark Tory  
\_\_\_\_\_  
Director

/s/ Dale Wallster  
\_\_\_\_\_  
Director

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

(Expressed in Canadian Dollars - Unaudited)

|  | Share Capital      |                   |                  |                     |                   |
|--|--------------------|-------------------|------------------|---------------------|-------------------|
|  | Number of          | Amount            | Reserves         | Accumulated         | Total             |
|  | Shares             |                   |                  | Deficit             |                   |
|  |                    | \$                | \$               | \$                  | \$                |
| <b>Balance, March 31, 2024</b>               | <b>258,621,249</b> | <b>51,634,600</b> | <b>5,601,494</b> | <b>(15,398,735)</b> | <b>41,837,359</b> |
| Shares issued to former CEO for consulting   | 1,600,000          | 176,000           | -                | -                   | 176,000           |
| Stock based compensation issued              | -                  | -                 | 98,000           | -                   | 98,000            |
| Net and comprehensive loss for the period    | -                  | -                 | -                | (1,603,474)         | (1,603,474)       |
| <b>Balance, September 30, 2024</b>           | <b>260,713,056</b> | <b>51,810,600</b> | <b>5,699,494</b> | <b>(17,002,209)</b> | <b>40,507,885</b> |
| Stock based compensation issued              | -                  | -                 | 861,976          | -                   | 861,976           |
| Convertible debt interest payment            | 491,807            | 88,767            | -                | -                   | 88,767            |
| Net and comprehensive loss for the period    | -                  | -                 | -                | (4,162,250)         | (4,162,250)       |
| <b>Balance, March 31, 2025</b>               | <b>260,713,056</b> | <b>51,899,367</b> | <b>6,561,470</b> | <b>(21,164,459)</b> | <b>37,296,378</b> |
| Private placement proceeds                   | 34,954,527         | 5,439,496         | -                | -                   | 5,439,496         |
| Finders fee - cash                           | -                  | (55,570)          | -                | -                   | (55,570)          |
| Finders fee – compensation units             | 1,886,541          | (153,400)         | 153,400          | -                   | -                 |
| Share issuance costs                         | -                  | (276,637)         | -                | -                   | (276,637)         |
| Convertible debt settlement with shares      | 32,000,000         | 4,800,000         | -                | -                   | 4,800,000         |
| Convertible debt interest - paid with shares | 918,060            | 143,141           | -                | -                   | 143,141           |
| Debt settlement with shares                  | 5,290,920          | 1,058,184         | -                | -                   | 1,058,184         |
| Flow-through share premium                   | -                  | (151,740)         | -                | -                   | (151,740)         |
| Warrants exercised                           | 300,000            | 58,500            | -                | -                   | 58,500            |
| Net and comprehensive loss for the period    | -                  | -                 | -                | (977,080)           | (977,080)         |
| <b>Balance, September 30, 2025</b>           | <b>336,063,104</b> | <b>62,761,341</b> | <b>6,714,870</b> | <b>(22,141,539)</b> | <b>47,334,672</b> |

*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)

|  | Note | For the three months<br>ended September 30,<br>2025 | For the three months<br>ended September 30,<br>2024 | For the six months<br>ended September 30,<br>2025 | For the six months<br>ended September 30,<br>2024 |
|--|------|---|---|---|---|
|  |      | \$  | \$  | \$  | \$  |
| <b>EXPENSES</b>  |      |   |   |   |   |
| Consulting   | 9    | 221,452   | 511,954   | 365,991   | 682,004   |
| Marketing & investor relations                           |      | 21,670  | 41,681  | 30,664  | 180,296   |
| Depreciation   | 6    | 15,017  | 15,017  | 30,034  | 25,028  |
| Office and administrative                                |      | 61,654  | 34,497  | 122,713   | 111,130   |
| Professional   |      | 117,468   | 252,196   | 172,724   | 299,799   |
| Regulatory and filing                                    |      | 29,854  | 16,044  | 50,372  | 141,956   |
| Stock-based compensation                                 |      | -   | 176,000   | -   | 22,846  |
| Salary and wages   |      | 221,762   | -   | 387,367   | 274,000   |
| <b>Loss before other items</b>                           |      | <b>(688,877)</b>                                    | <b>(1,047,389)</b>                                  | <b>(1,159,865)</b>                                | <b>(1,595,103)</b>                                |
| <b>Other Items:</b>                                      |      |   |   |   |   |
| Accretion and interest – conv. debt                      | 8    | -   | -   | 69,196  | -   |
| Accretion and interest – lease                           | 6    | 2,255   | 4,830   | 5,198   | 8,371   |
| Loss on settlement of debt                               |      | 210,137   | -   | 53,576  | -   |
| Gain on reval. of derivative liability                   | 8    | -   | -   | (311,306)   | -   |
| Loss (gain) on foreign exchange                          |      | 428   | -   | 428   | -   |
| Interest income  |      | 123   | -   | 123   | -   |
| <b>Net and comprehensive loss for<br/>the period</b>     |      | <b>(901,820)</b>                                    | <b>(1,052,219)</b>                                  | <b>(977,080)</b>                                  | <b>(1,603,474)</b>                                |
| <b>Basic and Diluted Loss Per Share</b>                  |      | <b>(0.00)</b>                                       | <b>(0.00)</b>                                       | <b>(0.00)</b>                                     | <b>(0.01)</b>                                     |
| <b>Weighted Average Number of<br/>Shares Outstanding</b> |      | <b>333,307,664</b>                                  | <b>258,621,986</b>                                  | <b>312,991,564</b>                                | <b>258,804,856</b>                                |

*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)

|   | <b>For the six months<br/>ended September<br/>30,<br/>2025</b> | <b>For the six months<br/>ended September<br/>30,<br/>2024</b> |
|---|--|--|
|   | \$   | \$   |
| <b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>    |  |  |
| <b>Net loss for the period</b>                    | <b>(977,080)</b>   | <b>(1,603,474)</b>   |
| Non-cash items:                                   |  |  |
| Stock-based compensation                          | -  | 274,000  |
| Depreciation                                      | <b>30,034</b>  | 25,025   |
| Accretion   | <b>74,394</b>  | 8,371  |
| Revaluation of Derivative Liability               | <b>(311,306)</b>   | -  |
| Loss on debt settlement                           | <b>(368,198)</b>   | -  |
| <b>Changes in non-cash working capital items:</b> |  |  |
| Sales tax receivable                              | -  | 52,883   |
| Prepaid expenses and deposit                      | <b>46,748</b>  | 68,090   |
| Accounts payable and accrued liabilities          | <b>(667,333)</b>   | 1,292,425  |
|   | <b>(2,172,741)</b>   | 117,320  |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>    |  |  |
| Exploration and evaluation assets                 | <b>(910,681)</b>   | <b>(1,102,162)</b>   |
|   | <b>(910,681)</b>   | <b>(1,102,162)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |  |  |
| Private placement proceeds                        | <b>5,958,794</b>   | -  |
| Finder's fees and share issuance costs            | <b>(332,207)</b>   | -  |
| Funds intended for convertible debt               | <b>(37,525)</b>  | 2,324,090  |
| Principal portion of lease liability              | <b>(35,986)</b>  | (29,988)   |
|   | <b>5,553,077</b>   | 2,294,102  |
| <b>Net change in cash</b>                         | <b>2,469,655</b>   | <b>1,309,260</b>   |
| <b>Cash, beginning of the period</b>              | <b>695,260</b>   | <b>916,066</b>   |
| <b>Cash, end of the period</b>                    | <b>3,164,915</b>   | <b>2,225,326</b>   |

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

**DEFENSE METALS CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2025**  
(Expressed in Canadian Dollars - Unaudited)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Defense Metals Corp. is a British Columbia incorporated company, which is focused on the development of the Wicheeda Rare Earth Element (“REE”) 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, B.C. 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.

Before 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. The Company no longer reports consolidated financial statements.

The Company does not have revenues and historically has operating losses. Long-term continuance of the Company’s operations is dependent upon achieving profitable operations and obtaining additional equity or debt financing. 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, 2025, the Company had a working capital surplus of \$1,686,475 (2024 - negative working capital of \$3,191,475) and had not advanced the Wicheeda Project to commercial production and, as such, is not able to finance day-to-day activities through operations. For the six months ended September 30, 2025, the Company reported a comprehensive loss of \$977,080 (2024 - \$1,603,474) and as of that date, had an accumulated deficit of \$22,141,540 (2024 - \$17,002,209).

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 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 (“MD&A”) for the year ended March 31, 2025.

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 December 1, 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, 2026.

**DEFENSE METALS CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2025**  
(Expressed in Canadian Dollars - Unaudited)

**2. BASIS OF PRESENTATION** (continued)

**Basis of preparation**

These 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 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 financial statements and the reported expenses during the year. Actual results could differ from these estimates.

There were significant accounting estimates required by management in preparation of these financial statements:

- The bifurcation and valuation of the derivative liability required management to exercise judgment and apply estimation techniques, including assumptions regarding volatility, interest rates, and the likelihood of conversion.
- The determination of the lease liability required management to estimate the incremental borrowing rate, which involves judgment based on the Company's estimated credit profile and market conditions at the commencement of each lease.

**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**

**Exploration and evaluation assets**

Defense Metals 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.

Exploration and evaluation assets are assessed for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Facts and circumstances as defined in *IFRS 6, Exploration for and Evaluation of Mineral Resources*, are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and

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**NOTES TO THE FINANCIAL STATEMENTS**  
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(Expressed in Canadian Dollars - Unaudited)

**3. MATERIAL ACCOUNTING POLICIES (continued)**

- sufficient data exists to indicate that, although development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. Each of the Company's exploration and evaluation assets is considered to be a cash-generating unit.

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.

**Government assistance**

The Company is eligible for refundable tax credits on qualified resource expenditures incurred in the province of British Columbia, other than expenditures funded by flow-through shares financings. This credit is recorded as a government grant against exploration and evaluation assets when there is reasonable assurance that the amounts claimed qualify and the amounts will be received. The Company records the credit when the amounts are received due to the uncertainty of receiving the credit.

**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. At this stage, the Company's potential obligations for restoration and environmental costs are determined to be immaterial.

**Share-based payments**

Defense Metals may grant stock options to buy common shares of the Company through a 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 option pricing model was based on the historical stock price of the Company.

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

The Company may grant 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. 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.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserve is credited to share capital along with any consideration paid. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. On expiration of options, the previously recognized amount is left in the reserves.

**Financial instruments**

The Company recognizes a financial asset or liability when it becomes a party to the contractual provisions of the financial instrument. 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"). 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 cash and derivative liability are measured at FVTPL and accounts payable and accrued liabilities, convertible debt and interest payable on convertible debt are classified as financial liabilities measured at amortized cost.

**Earnings (loss) per share**

Basic earnings (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.

**Flow-through shares and units**

Defense Metals will from time-to-time issue flow-through common shares and units to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. At the time of closing a financing involving flow-through shares, the Company allocates proceeds received first to common shares based on the market trading price of the common shares at the time the flow-through shares are issued, and any excess is allocated to flow-through premium liability.

At the time of closing a financing involving flow-through units consisting of common shares and warrants, the Company allocates proceeds received as follows: (i) share capital – the market trading price of the common share; (ii) flow-through share premium – equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and (iii) warrant reserve – any excess.

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**FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2025**  
(Expressed in Canadian Dollars - Unaudited)

**3. MATERIAL ACCOUNTING POLICIES (continued)**

Upon expenses being incurred, the Company derecognizes the liability and credits other income when the entity renounces the tax benefits to the shareholders. Costs incurred in connection with the issuance of flow-through shares reduce the flow-through liability on a pro-rata basis.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through expenditure commitments. The Company is also subject to a Part XII.6 tax on unspent flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**Share capital**

Agent's warrants issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as consideration for exploration and evaluation assets is based on the trading price of those shares on the TSX Venture Exchange on the date of issuance of shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued using the residual method whereby proceeds are allocated first to common shares based on the market value of the common shares at the time the units are issued, and any excess is allocated to warrants.

**Convertible debt**

Defense Metals accounts for convertible debt instruments in accordance with IFRS 9 – Financial Instruments and IAS 32 – Financial Instruments: Presentation, when such instruments contain components that meet the definition of both a financial liability and an embedded derivative. Where the conversion feature of a convertible debt instrument provides a variable conversion price or a discount to a future equity raise, and such feature is not considered closely related to the host debt, the instrument is bifurcated into:

- host liability component
- embedded derivative liability component.

At initial recognition, the host debt liability is measured at fair value, determined as the residual amount after deducting the fair value of the derivative component from the gross proceeds received. The host liability is subsequently measured at amortized cost using the effective interest method, with interest expense recognized in profit or loss. Interest settled in shares are measured at fair value and recognized as an expense when accrued.

The embedded derivative is measured at FVTPL at initial recognition and at each subsequent reporting date. Any changes in the fair value of the derivative are recognized in profit or loss. Transaction costs directly attributable to the issuance of the convertible debt are allocated proportionately to the host liability and the derivative liability based on their relative fair values at inception. Costs allocated to the host liability are included in the initial measurement and amortized over the instrument's term. Costs allocated to the derivative are expensed immediately through profit or loss. Upon conversion, both the host liability and derivative liability are derecognized, and equity is recorded at the value of shares issued. The carrying amount of the host liability (at amortized cost, updated to the date of conversion) together with the carrying amount of the derivative liability, which is remeasured to fair value immediately before conversion, is transferred to equity such that no gain or loss is recognized on settlement.

**Leases**

Defense Metals accounts for its office lease in accordance with IFRS 16 – Leases. At the commencement date of the lease, the Company recognizes a right-of-use (ROU) asset and a corresponding lease liability on the statement of financial position.

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

The lease liability is initially measured at the present value of future lease payments over the lease term, discounted using the lease’s implicit interest rate, or if that rate cannot be readily determined, the Company’s incremental borrowing rate. Both the ROU asset and lease liability are measured using the discounted cash flow method.

The lease liability is subsequently reduced by lease payments made and increased by the accretion of interest expense using the effective interest method. The interest expense is recognized in the statement of comprehensive income. The ROU asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The depreciation expense is recognized in the statement of comprehensive income. The Company reassesses the lease liability and adjusts the ROU asset if there is a lease modification, a change in lease term, or a change in lease payments due to a change in an index or rate used to determine those payments.

**New accounting standards issued but not yet effective**  
*IFRS 18 Presentation and Disclosure in Financial Statements*

IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies’ financial performance for better investment decisions.

- Three defined categories for income and expenses - operating, investing and financing - to improve the structure of the income statement, and require all companies to provide new defined subtotals, including operating profit.
- Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement.
- Enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company will be evaluating the impact of this standard on its 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,<br>2025 | March 31,<br>2025 |
|----------------------|-------|-----------------------|-------------------|
|                      |       | \$                    | \$                |
| Cash                 | 1     | 3,164,915             | 695,260           |
| Derivative liability | 2     | -                     | 1,794,768         |

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**4. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

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. The fair value of the convertible debt is measured using inputs based on observable data other than quoted prices.

**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 a counterparty's inability to meet its payment obligations. Defense Metals' exposure to credit risk is primarily attributable to its cash. Management believes that the credit risk associated with its cash is mitigated through the use of major Canadian 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 liabilities when they become due. The Company, to the best of its abilities, ensures that there is sufficient capital to meet short-term operating requirements, after considering 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, 2025, Defense Metals had a cash balance of \$3,164,915 (2025 - \$695,260) to fulfill accounts payable and accrued liabilities obligations of \$1,358,870 (2025 - \$2,974,645). The financial liabilities as at September 30, 2025 are due within one year. The Company manages liquidity risk through the management of its share 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. As at September 30, 2025, the Company is not exposed to significant interest rate risk.

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**4. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

***Price risk***

The Company is exposed to price risk with respect to commodity and equity prices. Equity 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors commodity prices and 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 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 year ended September 30, 2025. The Company is not subject to any externally imposed capital requirements.

**5. EXPLORATION AND EVALUATION ASSETS**

The following table discloses the exploration and evaluation expenditures from March 31, 2024, to September 30, 2025:

|  | <b>Wicheeda<br/>Project</b> |
|--|-----------------------------|
|  | \$                          |
| <b>Balance at March 31, 2024</b>       | <b>40,808,160</b>           |
| Drilling                               | 15,700                      |
| Environmental                          | 602,531                     |
| Field and camp costs                   | 13,627                      |
| Geological                             | 624,403                     |
| Geochemical                            | 325,671                     |
| Helicopter and survey                  | 8,988                       |
| Management and administration (Note 7) | 168,330                     |
| Permitting related                     | 139,181                     |
| Pilot plant metallurgical testing      | 108,898                     |
| Prefeasibility study                   | 2,778,187                   |
| Recovery                               | (929,830)                   |
| <b>Balance at March 31, 2025</b>       | <b>44,663,846</b>           |
| Acquisition costs                      | 3,000                       |
| Geological                             | 69,059                      |
| Geochemical                            | 72,777                      |
| Environmental                          | 244,555                     |
| Permitting                             | 7,469                       |
| Camp costs                             | 1,932                       |
| Management, legal and admin            | 21,883                      |
| Prefeasibility                         | 491,225                     |
| <b>Balance at September 30, 2025</b>   | <b>45,575,746</b>           |

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**

**Acquisition of Spectrum Mining Corporation**

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 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 REE mineral deposit 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 12 claims staked by Defense Metals between the dates of November 5, 2021, and October 23, 2024, for a total of 18 claims.

**6. RIGHT-OF-USE ASSET AND LEASE LIABILITY**

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 Asset

As at September 30, 2025, \$35,040 of right-of-use assets are recorded as follows:

|                                 | \$            |
|---------------------------------|---------------|
| Balance, beginning              | -             |
| Addition                        | 120,136       |
| Depreciation                    | (55,062)      |
| <b>As at March 31, 2025</b>     | <b>65,074</b> |
| Depreciation                    | (30,034)      |
| <b>As at September 30, 2025</b> | <b>35,040</b> |

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**6. RIGHT-OF-USE ASSET AND LEASE LIABILITY (continued)**

(b) Lease Liability

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

|   | <b>As at September 30,<br/>2025</b> |                 |
|---|-------------------------------------|-----------------|
| Undiscounted minimum lease payments:    |                                     |                 |
| Less than one year                      | \$                                  | 41,984          |
| Two to three years                      |                                     | -               |
|   |                                     | <u>59,977</u>   |
| Effect of discounting                   |                                     | <u>(2,410)</u>  |
| Present value of minimum lease payments |                                     | 39,574          |
| Less current portion                    |                                     | <u>(39,574)</u> |
| Long-term portion                       | \$                                  | <u>-</u>        |

(c) Lease Liability Continuity

The lease liability continuity is as follows:

|                          | \$            |
|--------------------------|---------------|
| Balance, beginning       | -             |
| Addition                 | 120,136       |
| Monthly payments         | (65,974)      |
| Accretion and interest   | 16,200        |
| As at March 31, 2025     | <u>70,362</u> |
| Monthly payments         | (35,986)      |
| Accretion and interest   | 5,198         |
| As at September 30, 2025 | <u>39,574</u> |

**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 period ended September 30, 2025***

On July 28, 2025, the Company settled \$846,547 in outstanding payables owed to Hatch Ltd. through the issuance of 5,290,920 common shares at a deemed price of \$0.16 per share. In addition, the Company issued Hatch Ltd. 2,645,460 common share purchase warrants, representing one-half warrant for each settlement share. Each Warrant will entitle Hatch to purchase one additional common share of the Company at a price of \$0.21 per share for a period of 36 months from the

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date of issuance. On September 10, 2025, 300,000 shares were issued by way of the exercise of warrants with an exercise price of \$0.20 per share

**7. EQUITY (continued)**

***For the period ended September 30, 2025***

On May 21, 2025, the Company completed: 1) a brokered private placement offering for gross proceeds of \$5,060,595, issuing 25,138,703 units of the Company (each a "Unit") at a price of \$0.15 per Unit and 7,587,000 flow-through units of the Company ("FT Unit") at a price of \$0.17 per FT Unit. 2) a non-brokered private placement offering, for gross proceeds of \$378,900 through the issuance of 2,228,824 FT Units. Each Unit and FT Unit comprise one common share and one-half share purchase warrant exercisable for \$0.20 per share to May 21, 2028. As part of the financing, the Company paid cash finder's fees totalling \$55,750, issued 2,183,723 compensation warrants exercisable for \$0.15 per common share to May 21, 2027, and 1,886,541 Units comprising one common share and one half share purchase warrant exercisable for \$0.20 per share until May 21, 2028.

***For the year ended March 31, 2025***

On October 11, 2024, Defense Metals closed a non-brokered private placement of secured convertible notes (the "Notes") for gross proceeds of up to \$4,000,000. The Notes bore 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 were to 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), holders of the Notes could 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 were to 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 were to 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 (\$0.125), there will be no mandatory conversion.

On September 9, 2024, the Company issued 1,600,000 common shares of the Company at a price of \$0.11 per share to the former CEO as settlement of consulting fees.

On January 13, 2025, the Company issued 491,807 common shares of the Company to certain holders of its Notes in full satisfaction of the interest payable thereunder as of December 31, 2024. On April 17, 2025, the Company issued 640,097 common shares to certain holders of its Notes in full satisfaction of the interest payable thereunder as at March 31, 2025.

On May 21, 2025, a Mandatory Conversion Event occurred, and the loan was settled in full by way of an issue of 32,000,000 common shares of the Company, at a deemed price of \$0.125 per share, issued pro-rata to the Notes holders. On May 21, 2025, the Company also issued 277,963 common shares to certain holders of its Notes to satisfy the accrued interest to the date the loan was settled in full.

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**7. EQUITY (continued)**

**Options**

***For the period ended September 30, 2025***

During the period ended September 30, 2025, 2,320,000 options held by the former CFO, were extended for 12 months until April 3, 2026 comprising 100,000 options with an exercise price of \$0.16, and 2,220,000 options with an exercise price of \$0.125.

***For the year ended March 31, 2025***

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 as 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%.

On December 19, 2024, the Company granted 8,850,000 stock options exercisable at \$0.125 per share, 400,000 stock options exercisable at \$0.205 per share and 700,000 stock options exercisable at \$0.26 per share 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 for a period of five years, vesting immediately. These options had a grant date fair value of \$861,976 as

calculated using the Black-Scholes model with the following inputs: i) share price: \$0.125; iii) term: 5 years; iv) volatility: 89%; v) risk-free interest rate: 3.11%.

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

|                                    | <b>Number<br/>of Options</b> | <b>Weight Average<br/>Exercise Price</b> | <b>Weighted Average<br/>Life (years)</b> |
|------------------------------------|------------------------------|--|--|
| <b>Balance, March 31, 2024</b>     | <b>24,525,000</b>            | <b>\$0.22</b>                            | <b>1.49</b>                              |
| Granted                            | 10,750,000                   | \$0.15                                   | 4.92                                     |
| Cancelled                          | (7,325,000)                  | \$0.20                                   | -  |
| Expired                            | (11,500,000)                 | \$0.22                                   | -  |
| <b>Balance, March 31, 2025</b>     | <b>16,450,000</b>            | <b>\$0.16</b>                            | <b>3.35</b>                              |
| Expired                            | (300,000)                    | \$0.15                                   | -  |
| <b>Balance, September 30, 2025</b> | <b>16,150,000</b>            | <b>\$0.16</b>                            | <b>2.74</b>                              |

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**7. EQUITY (continued)**

The following stock options were outstanding and exercisable at September 30, 2025:

| <b>Number of Options Outstanding</b> | <b>Number of Options Vested and Exercisable</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|--------------------------------------|---|-----------------------|--------------------|
| 2,550,000                            | 2,550,000                                       | \$0.22                | December 8, 2025   |
| 3,100,000                            | 3,200,000                                       | \$0.16                | December 15, 2026  |
| 100,000                              | 100,000   | \$0.16                | April 3, 2026      |
| 2,220,000                            | 2,220,000                                       | \$0.125               | April 3, 2026      |
| 400,000                              | 400,000   | \$0.24                | April 3, 2027      |
| 6,630,000                            | 6,630,000                                       | \$0.125               | December 19, 2029  |
| 400,000                              | 400,000   | \$0.205               | December 19, 2029  |
| 700,000                              | 700,000   | \$0.26                | December 19, 2029  |
| <b>16,150,000</b>                    | <b>16,150,000</b>                               |                       |                    |

**Warrants**

Defense Metals issued the following warrants:

|                                    | <b>Number of Warrants</b> | <b>Weight Average Exercise Price</b> | <b>Weighted Average Life (years)</b> |
|------------------------------------|---------------------------|--------------------------------------|--------------------------------------|
| <b>Balance, March 31, 2024</b>     | <b>35,974,018</b>         | <b>\$0.38</b>                        | <b>0.21</b>                          |
| Expired                            | (33,662,265)              | \$0.39                               | -                                    |
| <b>Balance, March 31, 2025</b>     | <b>2,311,753</b>          | <b>\$0.32</b>                        | <b>0.15</b>                          |
| Granted                            | 23,249,717                | \$0.20                               | 2.89                                 |
| Expired                            | (2,311,753)               | \$0.32                               | -                                    |
| <b>Balance, September 30, 2025</b> | <b>22,949,716</b>         | <b>\$0.19</b>                        | <b>2.79</b>                          |

The following warrants were outstanding and exercisable at September 30, 2023:

| <b>Number</b>       | <b>Exercise Price</b> | <b>Expiry Date</b> |
|---------------------|-----------------------|--------------------|
| 17,177,263          | \$0.20                | May 25, 2028       |
| 2,183,723           | \$0.15                | May 25, 2027       |
| 943,270             | \$0.20                | May 25, 2028       |
| 2,645,460           | \$0.21                | August 14, 2028    |
| <b>\$22,949,716</b> | <b>\$0.20</b>         |                    |

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**8. CONVERTIBLE DEBT**

As previously outlined in Note 7, on October 11, 2024, the Company closed a non-brokered bridge financing of secured convertible notes (the "Notes") for gross proceeds of \$4,000,000. On May 21, 2025, the Company completed a private placement and the note holders received 32,000,000 common shares to satisfy the Notes (Note 7) resulting in a \$163,547 gain on the settlement of the debt.

The now repaid notes bore 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 TSXV-V or such other price determined in accordance with the policies of the TSXV-V. The Notes were to 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, holders of the Notes could 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 were automatically converted into common shares upon the occurrence of 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 fund raise from third party capital (excluding conversion of the Notes). Upon the occurrence of a Mandatory Conversion Event, the principal amount of the Notes were to 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 (\$0.125), there will be no mandatory conversion.

Guy de Selliers, Executive Chairman of the Company, subscribed for Notes in the principal amount of \$1,768,000.

The Notes were 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 Project. All note holders ranked pari passu among themselves.

The Notes was bifurcated into an embedded derivative representing the conversion option and a host liability. The derivative liability of the Notes was valued at \$838,131, determined using the Black-Scholes Option Pricing Model assuming an expected life of 1 year, expected dividend yield of 0%, a risk-free interest rate of 3.34% and an expected volatility of 83.58%. The residual amount of \$3,161,868, subtracting the issuance transaction costs of \$114,884 allocated by proration, resulted in \$3,046,984 recognized as host liability of the Notes, and will be amortized using the effective annual interest rate of 38.81%. The issuance transaction costs of \$34,902 related to the derivative liability by proration was expensed. As at March 31, 2025, the Company incurred \$588,826 in accretion expense in connection with the amortization of the host liability of the Notes.

On March 31, 2025, the derivative liability of the Notes was revalued at \$1,794,768, determined using the Black-Scholes Option Pricing Model assuming an expected life of 0.53 years, expected dividend yield of 0%, a risk-free interest rate of 2.50% and an expected volatility of 107.16%, resulting in a loss on revaluation of derivative liability of \$956,637.

On May 21, 2025, the Company completed an equity private placement, a Mandatory Conversion Event occurred, and the convertible debt was settled in full with the note holders receiving 32,000,000 common shares to satisfy the Notes (Note 7) resulting in a \$163,547 gain on the settlement of the debt. For the period ended May 21, 2025, the derivative liability of the

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**8. CONVERTIBLE DEBT (continued)**

Notes was revalued at \$1,483,462 determined using the Black-Scholes Option Pricing Model assuming an expected life of 0.39 years, expected dividend yield of 0%, a risk-free interest rate of 2.60% and an expected volatility of 93.782%, resulting in a gain on revaluation of derivative liability of \$311,306.

The following table summarizes the accounting for the convertible debt during the six months ended ended September 30, 2025:

|   | <b>Liability<br/>Component</b> | <b>Derivative<br/>Component</b> |
|---|--------------------------------|---------------------------------|
|   | \$                             | \$                              |
| <b>Balance, beginning</b>                   | -                              | -                               |
| Initial recognition                         | 3,161,868                      | 838,131                         |
| Transaction costs                           | (114,884)                      |                                 |
| Accretion                                   | 588,826                        | -                               |
| Interest                                    | (187,397)                      | -                               |
| Loss on revaluation of derivative liability | -                              | 956,637                         |
| <b>Balance – March 31, 2025</b>             | <b>3,448,413</b>               | <b>1,794,768</b>                |
| Settlement of convertible debt              | (3,480,057)                    | (1,483,462)                     |
| Accretion                                   | 69,169                         | -                               |
| Interest                                    | (37,525)                       | -                               |
| Gain on revaluation of derivative liability | -                              | (311,306)                       |
| <b>Balance – September 30, 2025</b>         | <b>-</b>                       | <b>-</b>                        |

The Company owed \$98,630 in convertible debt interest as at March 31, 2025 which was repaid on April 17, 2025 with the issuance 640,097 common shares and resulted in a \$6,986 loss on the settlement of the debt.

**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 and corporate officers and companies controlled by them.

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**9. RELATED PARTY TRANSACTIONS (continued)**

The table below summarizes key management compensation for various services received by the Company:

|   | <b>Six months<br/>ended<br/>September 30,<br/>2025</b> | Six months<br>ended<br>September 30,<br>2024 |
|---|--|--|
|   | \$   | \$   |
| Exploration & evaluation                  | -  | 85,000                                       |
| Office & administration                   |  | 5,250  |
| Professional Fees                         | -  | 50,000                                       |
| Director fees / consulting <sup>(1)</sup> | <b>204,000</b>   | 549,350                                      |
| Professional Fees                         | -  | 50,000                                       |
| Stock-based compensation                  | -  | 98,000                                       |
| Salary and wages – executive              | <b>334,667</b>   | -  |

(1) Inclusive of Directors Fees in 2024, classified as consulting fees in financial statements

As at September 30, 2025, the Company owed the Executive Chairman, Guy de Selliers, \$ 293,750 (2024 - \$176,250) in director fees, and reimbursable expenses. As at September 30, 2025, the Company owed director Suzanne Folsom, \$ 45,000 (2024 - \$27,000) in director fees. As at September 30, 2025, the Company owed former director Ted Kavanagh, \$42,154 (2024 - \$24,000) in director fees, and reimbursable expenses.

During the year ended March 31, 2024, the Company had engaged HCF International Advisers Ltd. (“HCF”) for advisory services. Guy de Selliers, the Executive Chairman of Defense Metals, was a related party to HCF as he was the majority owner. Mr. de Selliers ceased to be the majority owner in January 2025 and no longer a related party however HCF will continue to be considered a related party for the purposes of TSX-V reporting until January 2026. As of October 31, 2024, the HCF advisory services were placed on indefinite hold and as at September 30, 2025, the Company owed \$158,910 (2024 - \$158,910) to HCF.

All amounts owing to related parties are included in accounts payable and accrued liabilities, unsecured, non-interest bearing, and carry no fixed terms of repayment.

**10. COMMITMENTS**

During the period ended September 30, 2025, the Company entered into flow-through share subscription agreements whereby it was obligated to incur a total of \$1,668,690 on flow-through eligible exploration expenditures. 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 \$151,740 and remained unchanged at September 30, 2025.

**11. SEGMENTED INFORMATION**

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

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**12. SUBSEQUENT EVENTS**

**Completion of Private Placement**

On October 31, the Company closed a brokered and non-brokered private placement for aggregate gross proceeds of C\$16,723,334. Under the Brokered Offering, the Company raised gross proceeds of C\$11,500,200, issuing 38,334,000 units of the Company at a price of C\$0.30 per Unit. Under the Non-Brokered Offering, the Company raised gross proceeds of C\$5,223,134 through the issuance of 17,410,446 Units.

The Units sold under the Offering were issued on a prospectus-exempt basis pursuant to the “listed issuer financing exemption” under Part 5A of National Instrument 45-106 – Prospectus Exemptions and Coordinated Blanket Order 45-935 – Exemptions from Certain Conditions of the Listed Issuer Financing Exemption. Each Unit consisted of one Class A common share in the capital of the Company and one-half of one Common Share purchase warrant. Each Warrant entitles the holder thereof to acquire one additional Common Share at a price of C\$0.45 per Common Share, at any time on or before October 31, 2028. The Warrants will be subject to an accelerated expiry upon thirty days’ notice from the Company in the event that the common shares of the Company trade at a closing price equal to or greater than \$0.90 for ten consecutive trading days.

In consideration for their services under the Brokered Offering, the Agents received aggregate cash commissions of C\$805,014 as well as 2,683,380 non-transferable compensation options. Each Compensation Option is exercisable for one Common Share at \$0.30 per share at any time on or before October 31, 2028. In addition, the Company paid finders fees of \$41,582 and issued 63,708 Compensation Options to arm’s length finders in connection with the Non-Brokered Offering. The Compensation Options are subject to a statutory four month hold period expiring on March 1, 2026. The Units issued to Canadian resident subscribers under the LIFE Exemption are not subject to a hold period pursuant to applicable Canadian securities legislation, other than a four-month TSX Venture Exchange (“TSXV”) hold period applicable to certain purchasers under the policies of the TSXV expiring March 1, 2026. The Offering is subject to the final approval of the TSXV.

**Payment to HCF International**

Subsequent to September 30, the Company paid HCF International an outstanding accounts payable amount totalling \$158,200. The Company initially applied to the TSX for approval to issue equity in place of the payment of the outstanding amount. The exchange did not accept the proposal as HCF International remain considered a related party for the purposes of TSX regulations. The Company instead repaid the outstanding amounts in Cash in November 2025.