



Aug 10, 2022

**Defense Metals Corp.**

Nat Resources

**Setting Up for a Compelling Preliminary Feasibility Study****DFMTF**

OTCQB

**Resource infill and exploration drilling completed.** Defense Metals announced the completion of its 2022 resource infill and exploration diamond drilling program. A total of 12 holes, representing over 3,500 meters, were drilled with initial assay results expected during September or October 2022. Drilling was centered in northern and central areas of the Wicheeda REE deposit pit area outlined in the company's preliminary economic assessment (PEA).

Rating

**Outperform**

Unchanged

Current Price

**\$0.16**

Target Price

**\$0.70**

**Geotechnical drilling commences.** Geotechnical drilling will aid optimizing the open pit slope design. Five geotechnical drill holes are contemplated and will target the north, west, south, and east high walls of the pit in the Wicheeda PEA mine plan. Data from the geotechnical drilling will be used to support future advanced economic studies.

Market Capitalization

**28.64M**

**Significant resource expansion potential.** The current NI 43-101 preliminary economic assessment highlights 5.0 million tonnes of indicated resources averaging 2.95% total rare earth oxides (TREO) and 29.5 million tonnes of inferred resources averaging 1.83% TREO within a conceptual pit shell. Along with data from the 5,349-meter 2021 diamond drill program, results from the 2022 drilling program will be incorporated into a preliminary feasibility study (PFS) to be released during the first half of 2023. In addition to significant potential to expand the resource and extend the mine life beyond 19 years, we expect grade enhancement and the meaningful conversion of inferred to indicated and potentially measured resources.

Shares Outstanding

**180.47M**

Float

**180.47M**

Institutional Holdings

**1.1%**

12-Month Low/High

**\$0.12/\$0.28**

**Rating is Outperform.** In our view, the Wicheeda Rare Earth Project is shaping up nicely and progress-to-date bodes well for a compelling preliminary feasibility study. The Wicheeda project benefits from several competitive advantages including an existing resource, a mining friendly location, well-developed infrastructure, and a strong technical team. We anticipate interest in off-take agreements and/or strategic partnerships to grow as the company advances toward a PFS.

Average 90-Day Volume

**68810**

Fiscal Year End

**3/31/2023****Revenues (\$ MIL)**

Period	2021A	2022A	2023E
Q1	\$0.0A	\$0.0A	\$0.0E
Q2	\$0.0A	\$0.0A	\$0.0E
Q3	\$0.0A	\$0.0A	\$0.0E
Q4	\$0.0A	\$0.0A	\$0.0E
	\$0.0A	\$0.0A	\$0.0E

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**EPS (\$)**

Period	2021A	2022A	2023E
Q1	\$(0.00)A	\$(0.01)A	\$(0.01)E
Q2	\$(0.01)A	\$(0.01)A	\$(0.01)E
Q3	\$(0.01)A	\$(0.01)A	\$(0.01)E
Q4	\$(0.02)A	\$(0.01)A	\$(0.01)E
	\$(0.05)A	\$(0.04)A	\$(0.04)E

**Refer to the last two pages for  
Analyst Certification & Disclosures**

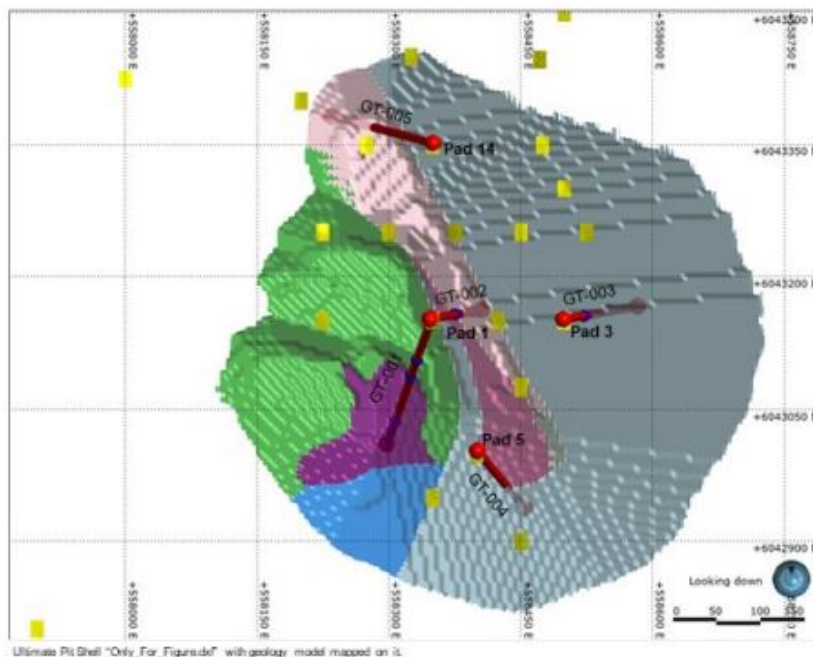
## Setting Up for a Compelling Preliminary Feasibility Study

Defense Metals announced the completion of its 2022 resource infill and exploration diamond drilling program. A total of 12 holes, representing over 3,500 meters, were drilled with initial assay results expected during September or October 2022. Drilling was centered in northern and central areas of the Wicheeda REE deposit pit area outlined in the company's preliminary economic assessment (PEA).

Geotechnical drilling is commencing for the purpose of optimizing the open pit slope design. Five geotechnical drill holes are contemplated and will target the north, west, south, and east high walls of the pit in the Wicheeda PEA mine plan.

## Planned Geotechnical Drill Holes

### Proposed Drillholes Pit Plan



Source: Defense Metals Corp.

The current NI 43-101 preliminary economic assessment highlights 5.0 million tonnes of indicated resources averaging 2.95% total rare earth oxides (TREO) and 29.5 million tonnes of inferred resources averaging 1.83% TREO within a conceptual pit shell. Along with data from the 5,349-meter 2021 diamond drill program, results from the 2022 drilling program will be incorporated into a preliminary feasibility study (PFS) to be released during the first half of 2023. In addition to significant potential to expand the resource and extend the mine life beyond 19 years, we expect meaningful conversion of inferred to indicated and potentially measured resources.

## Capital Structure and Liquidity

As of March 31, 2022, the company reported cash in the amount of C\$724,812 and no debt. Shares outstanding were 161,316,221. In early April, Defense Metals closed a non-brokered private placement of 8,996,267 units and 6,340,057 flow-through shares for gross proceeds of C\$4,558,050. In May, the company closed a non-brokered private placement of 4,545,456 flow-through shares for gross proceeds of C\$1,500,000.

## Company Profile

Defense Metals is an exploration and development stage company engaged in the acquisition and exploration of mineral properties whose flagship project is the 100%-owned Wicheeda rare earth elements deposit located near Prince George, British Columbia, Canada. Rare earth elements are used in the electric power market, defense industry, national security sector, and in the production of green energy technologies. Rare earth elements are used in magnets in wind turbines and in permanent magnet motors for electric vehicles. The company's shares trade on the TSX Venture Exchange in Canada under the symbol "DEFN," on the OTCQB in the United States under the symbol "DFMTF," and on the Frankfurt Exchange in Germany under the symbol "35D".

## Fundamental Analysis - 3.0/5.0 Checks

Our fundamental assessment rating, separate from our investment rating and valuation, is based on five attributes. Our fundamental rating is 3.0 checks out of 5.0 checks which falls within our "Average" rating. Defense Metals' seven-member board of directors is comprised of three independent directors and four from management. Our rating reflects the fact that the company is not generating revenues or operating cash flow. The company has published a NI 43-101 Preliminary Economic Assessment of its Wicheeda REE project that is in a favorable mining jurisdiction and benefits from well-developed infrastructure. While Defense Metals has no debt, it will need to secure funding to advance development of the Wicheeda REE project. For further explanation of our fundamental analysis, refer to the disclosures at the end of this report.

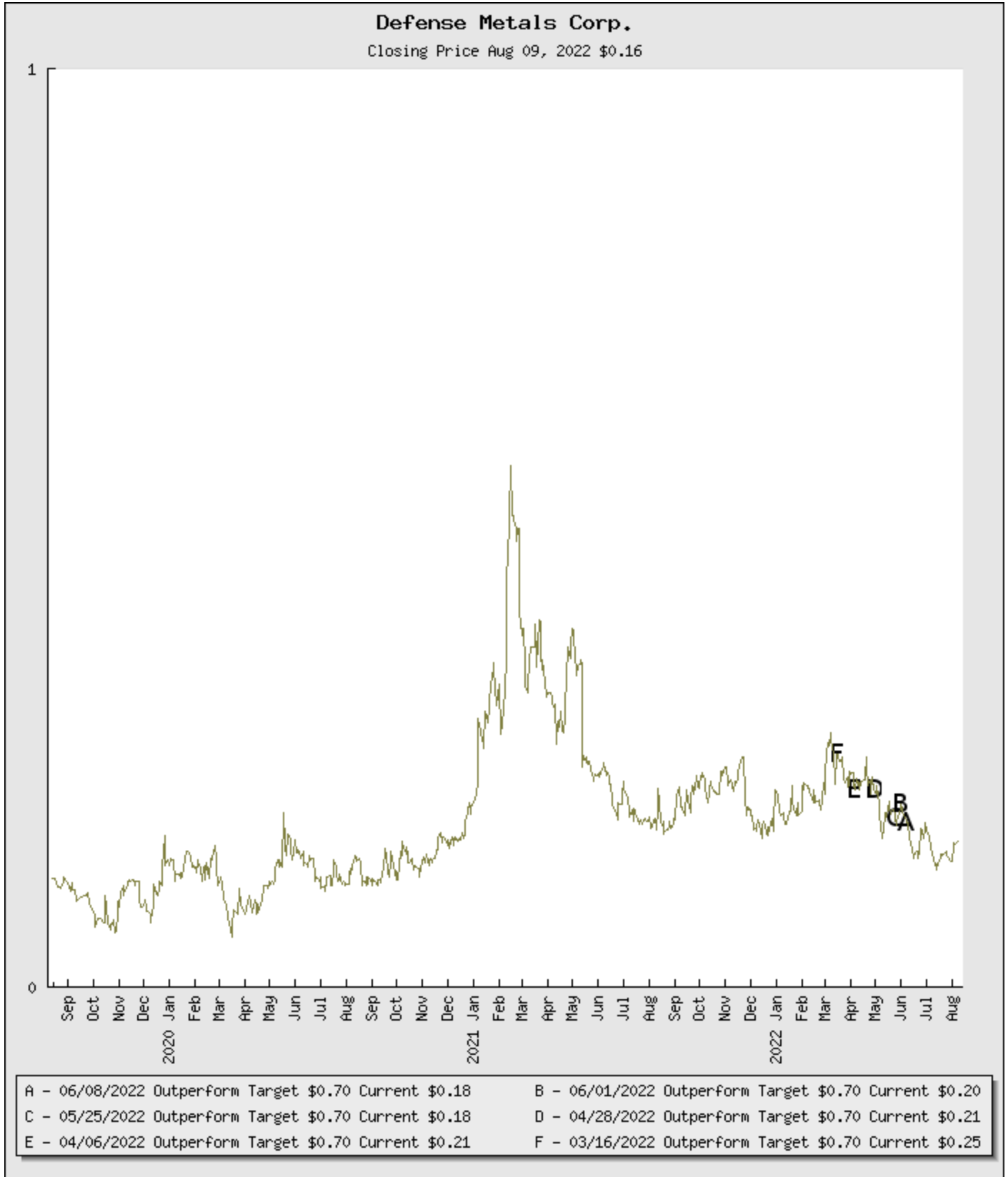
## Valuation Summary

We rate the shares of Defense Metals as Outperform with our price target of US\$0.70 or C\$0.90 per share. Our valuation is based on a discounted cash flow analysis. We have used a discount rate of 15% to reflect the need for a higher risk premium based on the company's small size, lack of revenue or operating income, and need for funding to advance its growth initiatives. Rather than adjusting our price target to reflect a multiple of net asset value, we have risk-adjusted our price target with our discount rate.

## Investment Risks

Investment risks include but are not limited to 1) Defense Metals' failure to identify economic mineral resources, 2) uncertainties associated with the availability and costs of future financing, 3) changes in capital market and macroeconomic environments, 4) fluctuations in exchange rates, 5) changes in supply and demand fundamentals for rare earth elements, 6) delays in the development of projects, and 7) the potential for operating and financing costs to vary from management expectations.

Defense Metals Corp. Fiscal Year-End - Mar (Cdn\$)	2019A	2020A	2021A	2022A	Jun-22 1Q-2023E	Sep-22 2Q-2023E	Dec-22 3Q-2023E	Mar-23 4Q-2023E	2023E
Income Statement									
Revenues									
Product sales	0	0	0	0	0	0	0	0	0
Other sales	0	0	0	0	0	0	0	0	0
Total revenues	0	0	0	0	0	0	0	0	0
Operating Costs and Expense:									
Cost of sales	0	0	0	0	0	0	0	0	0
Depreciation and amortization	0	0	0	0	0	0	0	0	0
Consulting	(260,669)	(302,281)	(282,825)	(714,396)	(219,705)	(221,902)	(224,121)	(226,363)	(892,092)
Communications, marketing, and investor relations	(150,813)	(422,432)	(1,389,861)	(1,128,049)	(211,766)	(213,883)	(216,022)	(218,182)	(859,854)
Office and administrative	(88,171)	(72,885)	(99,159)	(141,551)	(49,415)	(49,909)	(50,409)	(50,913)	(200,646)
Professional	(90,798)	(113,041)	(172,507)	(359,119)	(99,571)	(100,567)	(101,572)	(102,588)	(404,298)
Regulatory and filing	(41,457)	(48,366)	(86,901)	(127,535)	(38,518)	(38,904)	(39,293)	(39,686)	(156,400)
Stock-based compensation	(272,500)	(287,926)	(654,127)	(1,538,907)	(1,317,475)	(1,330,650)	(1,343,957)	(1,357,396)	(5,349,478)
Operating Expenses	(904,408)	(1,246,931)	(2,685,380)	(4,009,557)	(1,936,451)	(1,955,815)	(1,975,373)	(1,995,127)	(7,862,767)
Operating income (loss)	(904,408)	(1,246,931)	(2,685,380)	(4,009,557)	(1,936,451)	(1,955,815)	(1,975,373)	(1,995,127)	(7,862,767)
Other income, net	0	0	0	0	0	0	0	0	0
Interest expense, net	0	0	0	0	0	0	0	0	0
Flow-through share premium	(38,400)	(15,342)	(42,087)	228,400	0	0	0	0	0
Loss in impairment of exploration and evaluation assets	(981,430)	0	0	0	0	0	0	0	0
Income (loss) before income taxes	(1,924,238)	(1,262,273)	(2,727,467)	(3,781,157)	(1,936,451)	(1,955,815)	(1,975,373)	(1,995,127)	(7,862,767)
Income tax expense (benefit)	0	0	0	0	0	0	0	0	0
Net loss	(1,924,238)	(1,262,273)	(2,727,467)	(3,781,157)	(1,936,451)	(1,955,815)	(1,975,373)	(1,995,127)	(7,862,767)
Earnings (Loss) per share	(0.11)	(0.04)	(0.05)	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)
Weighted average shares outstanding	18,075,918	31,527,868	52,980,875	95,916,523	176,684,544	184,046,317	194,966,548	196,141,381	187,959,698



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Noble is not a market maker in the Company.

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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

### Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

### The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

## Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

## Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

## Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclical, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

## ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Senior Equity Analyst focusing on Basic Materials & Mining. 20 years of experience in equity research. BA in Business Administration from Westminster College. MBA with a Finance concentration from the University of Missouri. MA in International Affairs from Washington University in St. Louis.

Named WSJ 'Best on the Street' Analyst and Forbes/StarMine's "Best Brokerage Analyst."

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NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	93%	27%
Market Perform: potential return is -15% to 15% of the current price	7%	2%
Underperform: potential return is >15% below the current price	0%	0%

**NOTE:** On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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