



Management's Discussion and Analysis
For the nine months ended December 31, 2023
Dated: February 26, 2024

DEFENSE METALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED DECEMBER 31, 2023

(All amounts expressed in Canadian dollars, unless otherwise stated)

This Management Discussion and Analysis ("MD&A") presents an analysis of the financial position and results of operation of Defense Metals Corp. ("Defense Metals", "DEFN", the "Company", "we", "our", "its" or "us") and is a narrative explanation of how we performed during the period covered by the associated financial statements, and of our future prospects.

This MD&A is based upon information available as at February 26, 2024, and supplements but does not form part of the financial statements of Defense Metals and as such, should be read in conjunction with the unaudited condensed interim financial statements for the period ended December 31, 2023 along with the related notes thereto, and the audited consolidated financial statements and the notes thereto, as at and for the year ended March 31, 2023.

Defense Metals' reporting currency is the Canadian dollar and all financial data in this MD&A are expressed in Canadian dollars unless otherwise noted.

Additional information concerning Defense Metals is available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR+"; www.sedarplus.ca) and on our website at www.defensemets.com.

Management's Responsibility

Defense Metals' management is responsible for the preparation and presentation of our financial statements and our MD&A. Our financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

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Caution Regarding Forward-Looking Statements and Forward-Looking Information

This MD&A may contain forward-looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration, development, financial or other risk factors beyond its control. Actual results may differ materially from the expected results.

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may", "should" or "will" occur. In particular, forward-looking information in this MD&A includes the further development of the Wicheeda Project (herein defined), completing the PFS (herein defined), potential financings, securing potential strategic partners and/or offtake agreements, future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the *forward-looking information*.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, which are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices (including the price of rare earth elements); governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; adverse weather and climate events; competition for and/or inability to retain drilling rigs, personnel and other services; the availability of capital on acceptable terms; failure to maintain or obtain all necessary government permits, approvals and authorizations; the impact of Covid-19 or other viruses and diseases on the Company's ability to operate; failure to maintain community acceptance (including First Nations); increase in costs; litigation; failure of counterparties to perform their contractual obligations; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under "Risks and Uncertainties" as well as in our public filings available at www.sedarplus.ca. Readers are cautioned that this list of risk factors should not be construed as exhaustive. Such forward-looking information reflects the Company's views with respect to future events and is subject to risks, uncertainties and assumptions, including the risks and uncertainties relating to the interpretation of exploration and metallurgical results, risks related to the inherent uncertainty of exploration, metallurgy and cost estimates, the potential for unexpected costs and expenses and those other risks filed under the Company's profile on SEDAR+ at www.sedarplus.ca. While such estimates and assumptions are considered reasonable by the management of the Company, they are inherently subject to significant business, economic, competitive and regulatory uncertainties and risks.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

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Scientific and Technical Disclosure

The scientific and technical information contained in this MD&A has been prepared, reviewed and approved by Kristopher J. Raffle, P.Ge. (British Columbia), a technical consultant of the Company, a Principal and Consultant of APEX Geoscience Ltd. ("APEX") of Edmonton, AB, and a Qualified Person ("QP") within the context of Canadian Securities Administrators' National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

HIGHLIGHTS DURING THE REPORTING PERIOD

- Further developed the 100% owned Wicheeda Project (herein defined); see discussions below.
- Completed its updated mineral resource estimate ("2023 MRE") for the Wicheeda Project and filed a National Instrument 43-101 technical report ("Technical Report") for the 2023 MRE, dated October 27, 2023, with an effective date of August 28, 2023, entitled "Technical Report on the Wicheeda Property, British Columbia, Canada".

BACKGROUND AND RESOURCE ESTIMATES

The Wicheeda Project is 100% owned by Defense Metals and is 8,301-hectare (~20,534-acre) comprising 6 claims (1,708 hectares) acquired through completion of the Spectrum Mining Corporation ("Spectrum") option agreement (see below), in addition to Defense Metals staking an additional 7 claims (6,593 hectares) between the dates of November 5, 2021 and November 24, 2023.



Figure 1: Wicheeda Project Location

Defense Metals' primary business objective is to successfully develop the Wicheeda Project into an economically viable rare earth element (REE) mine. Currently, the Company is an exploration and development company with no revenues from mineral producing operations. The recoverability of financial amounts and related deferred exploration expenditures for the

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Wicheeda Project is dependent upon the development of economically recoverable mineral reserves and the ability of the Company to obtain necessary permitting and financing to complete the development of the property and commence future profitable production of REEs.

The Technical Report for the 2023 MRE was prepared by APEX and is available under the Company's profile on SEDAR+ (www.sedarplus.ca) and on our website at www.defensemetals.com.

MINERAL PROPERTIES

Wicheeda Rare Earth Element Deposit

On November 22, 2018, Defense Metals entered into an 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 six mining claims located in the Cariboo Mining Division of British Columbia, Canada known as the Wicheeda Project. To exercise the option, Defense Metals incurred exploration expenditures, issued shares to Spectrum shareholders, and made cash payments to Spectrum.

On January 14, 2022, Defense Metals exercised its option and acquired 100% of the Wicheeda Project through the issuance of Defense Metals shares to Spectrum shareholders, payment of cash to Spectrum shareholders, and issuance of 1,171,733 common shares pursuant to a finder's fee agreement with Mulgravian Ventures Corporation, entered into in connection with the November 22, 2018 option agreement.

The Wicheeda Project is subject to a 2.0% net smelter returns royalty ("NSR Royalty") payable upon the commencement of any commercial production. Defense Metals has 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, Defense Metals 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.

On September 7, 2022, Defense Metals announced that it entered into a mineral exploration agreement with the McLeod Lake Indian Band regarding the Wicheeda Project.

On February 7, 2023, Defense Metals announced it had engaged SRK Consulting (Canada) Inc. ("SRK") to commence site geotechnical investigations. These geotechnical studies will inform a planned Wicheeda Project preliminary feasibility study ("pre-feasibility study" or "PFS") with respect to areas of geotechnical engineering, hydrology, site infrastructure, tailings facilities, geochemistry, and site water management. SRK's work will include field investigations, including preliminary characterization of shallow soil subsurface and bedrock foundations, tasks designed to advance the PFS engineering work including preliminary characterization of shallow soil subsurface and bedrock foundations.

On March 6, 2023, the Company announced the results of a geological model and MRE domain update for the Wicheeda Project, which incorporates over 10,000 metres of additional drilling in 47 holes completed during 2021 and 2022 following completion of the PEA. The model and domain update was preparatory to completion of the 2023 MRE and is an essential input to the planned pre-feasibility study.

On April 11, 2023, Defense Metals joined the Discovery Group alliance of public companies, led by Mr. John Robins and Mr. Jim Paterson.

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On August 1, 2023, Defense Metals announced that it had engaged Hatch Ltd. ("Hatch") and SRK as principal consultants for the completion of a PFS for the Wicheeda Project. Both SRK and Hatch have extensive experience and knowledge of working in the REE sector and as directed by Defense Metals, have agreed to a partition of responsibilities that allows each group to focus on their strengths. SRK is one of four key consultants chosen by Defense Metals to facilitate the PFS and will take the lead role as overall coordinator of the National Instrument 43-101 PFS report, as well as handling the mining and tailings scope of work with support from APEX, Defense Metals' exploration, geology, and resource consultants. SRK is uniquely positioned to advance the Wicheeda Project given their prior involvement in both an extensive scenario analysis evaluation conducted in 2021 and the PEA completed by them in 2021 and published in 2022. SRK will build upon the knowledge gained in these studies and improve upon the analyses completed then, to create an optimal development plan for the Wicheeda Project. SRK's focus is on resource estimation, geotechnical engineering, mining engineering, tailings management, and economic analysis. Added scope for SRK in the PFS includes the project lead, risk assessment, surface water management, contact water treatment and environmental geochemistry. Hatch's focus is on REE concentrating and hydrometallurgical processes and plant facilities, and both capital and operating costs. Hatch is responsible for the process design including the concentrator and hydrometallurgical plants as well as the infrastructure for mining, tailings, and other processing areas. One-eighty Consulting Group Inc. is responsible for the environmental studies, permitting, and social or community impact scope.

On August 16, 2023, Defense Metals provided an update with respect to ongoing site infrastructure geotechnical investigations, which included relevant field site inspections from SRK personnel; and completion of a total of 13 excavated tests pits and 4 sonic overburden geotechnical holes to support characterization of the shallow soil subsurface and bedrock foundations of potential future waste rock storage (WSF), mineralization stockpile, contact water pond (CWP), crusher, processing plant (INF), and tailings storage facility (TSF) locations.

On September 5, 2023, the Company announced completion of a ground radiometric geophysical survey over the Wicheeda Project. The survey identified new anomalies that may represent previously unknown REE mineralized carbonatite which Defense Metals plans to test during fall 2023 as part of an expanded program of pit geotechnical drilling.

On September 12, 2023, Defense Metals announced the 2023 MRE¹. The 2023 MRE comprises a 6.4 million tonne Measured Mineral Resource, averaging 2.86% Total Rare Earth Oxide (TREO²); a 27.8 million tonne Indicated Mineral Resource, averaging 1.84 % TREO; and an 11.1 million tonne Inferred Mineral Resource, averaging 1.02% TREO, all reported at a cut-off grade of 0.5% TREO within a conceptual open pit shell (Table 11, and Figure 2).

Total Measured and Indicated (M+I) Mineral Resources of 34.2 million tonnes, averaging 2.02% TREO, is a significant upgrade representing a conversion of 101% of the 2021 MRE comprising some indicated and mostly inferred resources to M+I on a contained TREO basis; and a 17% increase in contained TREO, or 31% tonnage increase, in comparison to the prior 2021 MRE.

Table 11: Wicheeda Mineral Resource (effective date August 28, 2023)

Category	Tonnes	TREO	TREO	CeO ₂	La ₂ O ₃	Pr ₆ O ₁₁	Nd ₂ O ₃	Sm ₂ O ₃	Gd ₂ O ₃	Eu ₂ O ₃	Dy ₂ O ₃	Tb ₄ O ₇	Ho ₂ O ₃
	(Million)	(%)	(kt)	(%)	(%)	(%)	(%)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)
Measured	6.4	2.86	183	1.39	1.00	0.11	0.31	312	139	63	35	12	4

¹Technical Report dated October 27, 2023, effective August 28, 2023, and titled "Technical Report on the Wicheeda Property, British Columbia, Canada", prepared by APEX Geoscience Ltd. available for review under the Company's profile on SEDAR+ at www.sedarplus.ca and on the Company's website at www.defensemets.com

² TREO % is the sum of CeO₂, La₂O₃, Nd₂O₃, Pr₆O₁₁, Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃ and Ho₂O₃ %.

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Indicated	27.8	1.84	516	0.89	0.62	0.07	0.21	232	111	50	32	10	4
M&I	34.2	2.02	699	0.98	0.69	0.08	0.23	247	116	52	32	10	4
Inferred	11.1	1.02	113	0.50	0.31	0.04	0.13	166	91	38	35	9	5

Notes for Resource Table:

- The 2023 MRE is classified according to the CIM "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines" dated November 29th, 2019, and CIM "Definition Standards for Mineral Resources and Mineral Reserves" dated May 10, 2014.
- The 2023 MRE was prepared by Warren Black, M.Sc., P.Geo. and Tyler Acorn, M.Sc., of APEX under the supervision of the QP, Michael Dufresne, M.Sc., P.Geo. in accordance with CIM Definition Standards.
- Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There has been insufficient exploration to allow for the classification of the indicated and inferred resources tabulated as a measured mineral resource; however, it is reasonably expected that the majority of the indicated and inferred mineral resources could be upgraded to measured or indicated mineral resources with continued exploration. There is no guarantee that any part of the mineral resources discussed herein will be converted to a mineral reserve in the future.
- All figures are rounded to reflect the relative accuracy of the estimates. Totals may not sum due to rounding.
- Median rock densities are supported by 8,075 measurements as follows: 2.95 g/cm³ (mineralized dolomite-carbonatite), 2.90 g/cm³ (unmineralized dolomite-carbonatite), 2.85 g/cm³ (mineralized xenolithic-carbonatite), 2.76 g/cm³ (unmineralized xenolithic-carbonatite), 2.73 g/cm³ (syenite), and 2.76 g/cm³ (limestone).
- The reasonable prospect for eventual economic extraction is met by reporting the Mineral Resources at a cut-off grade of 0.50% TREO (total rare earth oxide, sum of 10 oxides: CeO₂, La₂O₃, Nd₂O₃, Pr₆O₁₁, Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃ and Ho₂O₃), contained within an optimized open pit shell.
- The cut-off grade is calculated, and the open pit shell is optimized based on the assumption that the hydrometallurgical processing can produce mixed REE carbonate precipitates. The parameters utilized, as in the 2021 MRE, include the following considerations:
 - TREO price: \$18.66/kg
 - Exchange rate of 1.30 C\$:US\$
 - Precipitate production grades of 81.09% of TREO
 - Processing costs include \$21.47/t of mill feed for flotation plus a variable cost for hydrometallurgical plant that varies based on the feed grade. The average cost of hydrometallurgical plant is assumed to be \$1,204/t of concentrate.
 - Mining cost of C\$2.00/t for mill feed and waste
 - G&A Costs of C\$3.33/t for mill feed.
- The overall process recoveries: For TREO ≥ 2.3%, recovery is 69.6%; between 2.3% and 1.5% TREO, recovery is 65.3%; and less than 1.5% TREO, recovery is 52.2%. These assume variable flotation recoveries and a constant 87% hydrometallurgical recovery.

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- Overall pit slope angles vary by zone between 40 and 48 degrees.

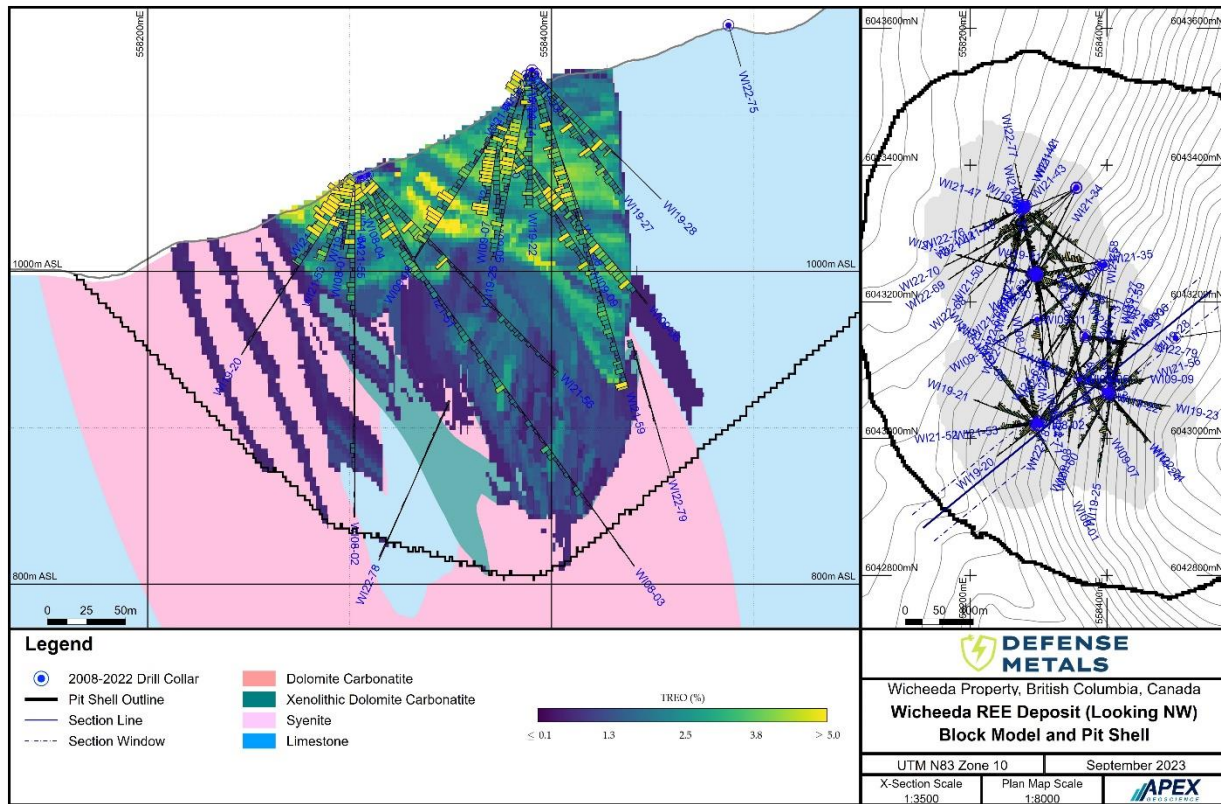


Figure 2: Cross Section of the Wicheeda Property 2023 MRE

On October 3, 2023, the Company announced commencement of Phase 2 of its planned infrastructure and open pit geotechnical drilling, comprising sonic overburden characterization (site infrastructure geotechnical) and diamond core drilling (open pit geotechnical and near resource exploration). The work was completed at the end of October.

On October 10, 2023, Defense Metals announced the results of extensive comminution and beneficiation test work that has been conducted by SGS Canada Inc. in Lakefield, Ontario on variability samples from the Wicheeda Project. A total of 90 open-circuit flotation tests, using 1 or 2 kg of feed, were conducted on seventeen individual variability samples, various composites, and blends. Considering all open-circuit flotation tests, at a feed grade of 3% TREO, the best fit line indicated 80% recovery to a 45% TREO concentrate. Very favorable results were obtained in a locked cycle test on a deposit composite giving a recovery rate of 85% of the rare earths at a concentrate grade of 50.7% TREO.

On October 17, 2023, the Company announced that it had shipped samples of mixed rare earth oxide and mixed rare earth carbonate, generated during 2023 hydrometallurgical piloting test work, to interested parties. The samples were distributed to certain select major processors, refiners, and metals traders located in Europe, Asia and North America, allowing the recipients to independently verify the high-quality of REE products from the Wicheeda Project, and establishing the Wicheeda Project as an important, future North American source of the rare earths needed to satisfy the rapidly increasing demand. The sample specifications are varied based on the recipients' particular requirements, and these parties could potentially represent future offtake or strategic partners. Discussions with the sample recipients regarding their individual test results and their assessments of the samples are ongoing.

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On December 27, 2023, Defense Metals announced completion of all infrastructure geotechnical field data collection in support of the PFS. The 2023 infrastructure geotechnical programs included: 16 helicopter and track sonic overburden geotechnical drill holes; 20 excavated overburden geotechnical test pits; 6 diamond drill holes totaling 1,182 metres inclusive of 4 open pit geochemical drill holes totaling 920 metres, and in pit exploration holes totaling 262 metres; collection from existing drill core of a 2,700 kg metallurgical sample for continued flotation and hydrometallurgical optimization test-work; and Initiation of humidity cell testwork.

On January 9, 2024, The Company announced execution of a non-binding Memorandum of Understanding with Ucore Rare Metals Inc. (TSXV: UCU) to explore collaborative opportunities as both companies move towards their respective commercialization efforts for a North American REE supply chain.

On January 17, 2024, Defense Metals announced a strategic equity partnership and co-design agreement (the "Co-Design") with the McLeod Lake Indian Band ("MLIB") regarding continuing project development of the Wicheeda Project. Pursuant to the Co-Design, Defense Metals will collaborate on the design of the Wicheeda Project with MLIB. Collaboration will incorporate MLIB's interests and priorities in the planning and design of future feasibility studies and the environmental assessment process and include MLIB involvement in certain technical studies related to the Wicheeda Project. Among other things, comprehensive budgets and workplans are to be cooperatively developed and incorporated into the process. Defense Metals also announced that MLIB agreed to make a strategic investment into Defense Metals by way of a non-brokered private placement financing of 2,557,795 common shares of the Company at a price of \$0.26 per share.

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	Wicheeda Project
	\$
Balance at March 31, 2022	24,138,630
Drilling	1,402,517
Environmental	187,768
Field and camp costs	697,776
Geological	1,525,892
Geotechnical	145,756
Helicopter survey	612,086
Geochemical	836,335
Management and administration	183,069
Permitting related	156,765
Pilot plant	128,991
Prefeasibility study	5,150
Preliminary economic assessment	258,674
Balance at March 31, 2023	30,279,409
Drilling	642,587
Environmental	131,079
Field and camp costs	664,135
Geological	1,449,392
Helicopter and survey	771,669
Geochemical	407,283
Management and administration	193,334
Permitting related	634,896
Pilot plant	1,716,796
Prefeasibility study	1,656,926
Balance at December 31, 2023	38,547,506

LIQUIDITY AND CAPITAL RESOURCES

In management's view, given the nature of the Company's operations, which consist of exploration and evaluation of mining properties, the most relevant financial information relates primarily to current liquidity, solvency and planned property expenditures. Defense Metals' financial success will be dependent upon the extent to which it can successfully prove and develop the economic viability of REE mineralization of the Wicheeda Project.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The sales value of any minerals discovered and developed by Defense Metals is largely dependent upon factors beyond our control, including the market value of the metals to be produced in the future. The Company does not expect to receive significant income from any of its properties in the immediate future.

On April 5, 2022, the Company closed a non-brokered private placement of 8,996,267 units and 6,340,057 flow-through shares for gross proceeds of \$4,558,050. Each unit was priced at \$0.26 and is comprised of one common share and one transferable common share purchase warrant. Each warrant is exercisable to purchase one common share of the Company

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at a price of \$0.40 per share for a period of 24 months from the date of closing the private placement. No value was allocated to warrants. Each flow-through share was priced at \$0.35 per share. The Company paid aggregate cash finder's fees of \$162,152 and issued 487,087 broker warrants exercisable at a price of \$0.35 per share for 24 months.

On May 20, 2022, the Company closed a non-brokered private placement of 4,545,456 flow-through shares for gross proceeds of \$1,500,000. Each flow-through share was priced at \$0.33 per share. The Company paid a cash finder's fee of \$90,000 and issued 272,727 broker warrants exercisable at a price \$0.33 per share for 24 months.

On December 8, 2022, the Company closed a private placement financing for gross proceeds of \$6,094,020 comprising: (i) 12,364,172 flow-through common shares ("FT Share") at a price of \$0.28 per FT Share for gross proceeds of \$3,461,968; and (ii) 11,963,875 units (the "Units") at a price of \$0.22 per Unit for gross proceeds of \$2,632,052. Each Unit comprises one common share and one-half of a non-transferrable Common Share purchase warrant. Each whole Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.32 exercisable over two years following the Closing Date of December 8, 2022. The Company paid aggregate cash finder's fees of \$265,037 and issued 1,049,246 non-transferable finder warrants to certain brokers comprising 366,882 of which are exercisable at a price of \$0.22 per share, 128,571 exercisable at a price of \$0.28 per share, and 553,793 exercisable at \$0.32 per common share for a period of 24 months from closing.

On May 25, 2023, Defense Metals closed a non-brokered private placement financing for gross proceeds of \$12,500,000 comprising: 22,367,977 common shares at a price of \$0.26 per share ("LIFE Offering"), and 25,708,946 common shares at a price \$0.26 per share ("Concurrent Offering"). Included in the Concurrent Offering, was a lead order from RCF Opportunities Fund II L.P. ("RCF") of 25,552,380 common shares, representing 9.99% of the issued and outstanding common shares of Defense Metals upon completion of the LIFE Offering and the Concurrent Offering. Subject to compliance with applicable regulatory requirements and in accordance with National Instrument 45-106 – Prospectus Exemptions ("NI 45-106"), the common shares issued pursuant to the LIFE Offering were offered for sale to purchasers resident in Canada, except Quebec, and/or other qualifying jurisdictions pursuant to the listed issuer financing exemption under Part 5A of NI 45-106. The common shares issues pursuant to the Concurrent Offering were issued pursuant to applicable exemptions under NI 45-106 and are subject to a statutory holder period of four months and one day. In connection with the LIFE Offering and the Concurrent Offering, the Company paid aggregate cash finder's fees of \$211,056 and issued 2,311,753 non-transferable common share warrants. The warrants are exercisable at \$0.32 per common share for a period of two years from issuance.

On Jan. 17, 2024, Defense Metals closed a non-brokered private placement financing for aggregate gross proceeds of \$738,836.28 comprising 2,841,678 common shares of the company at a price of \$0.26. MLIB and RCF, following exercise of its participation right, subscribed for 2,557,795 common shares and 283,883 common shares, respectively. The common shares of the Company issued to MLIB are subject to a two-year voluntary hold period from the date of issuance.

At December 31, 2023, Defense Metals had working capital of \$2,179,429 including cash of \$3,173,171.

The Company's expected cash resources are sufficient to meet its working capital requirements for the current fiscal year, however the Company has no source of revenues. Management will continue to seek new sources of capital to maintain its operations and to further the development of the Wicheeda Project through the completion of the PFS and beyond, as needed.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

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The following share capital as of date of this document is:

	Balance
Shares issued and outstanding	258,621,249
Options issued and outstanding	24,825,000
Warrants issued and outstanding	35,974,018

RESULTS OF OPERATIONS***Three and Nine Months Ended December 31, 2023***

The Company incurred a comprehensive loss of \$1,250,381 and \$2,193,444 for the three and nine months ended December 31, 2023, respectively, compared to comprehensive net loss of \$878,922 and \$1,989,060 for the comparative periods. During the three months ended December 31, 2022, the Company's net loss was reduced by a flow-through shares premium which decreased overall expenses, which did not occur in the comparative three-month period. During the nine months ended December 31, 2023, the Company's net loss exceeded the net loss in the comparative nine-month period due to an increase in consulting, office and professional fees, versus a slight decrease in communications and marketing costs, regulatory costs and stock-based compensation expense. In addition, the flow through share recovery in the current period decreased versus the same flow through share recovery in the comparable period.

SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
	\$	\$	\$	\$
Comprehensive loss	(1,250,381)	(645,106)	(297,957)	(721,157)
Basic loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	\$	\$	\$	\$
Comprehensive loss	(878,922)	(150,687)	(959,451)	(1,917,277)
Basic loss per share	(0.00)	(0.00)	(0.01)	(0.01)
Diluted loss per share	(0.00)	(0.00)	(0.01)	(0.01)

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	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2021
	\$	\$	\$
Income Statement			
Net profit (loss)	(2,710,217)	(3,781,157)	(2,643,293)
Loss per share (basic and diluted)	(0.02)	(0.04)	(0.05)
Balance Sheet			
Total resource properties	30,279,409	24,138,630	2,879,561
Total assets	32,743,589	25,261,545	4,142,436
Total long-term liabilities	-	-	-

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	Level	December 31, 2023	March 31, 2023
		\$	\$
Cash	1	3,173,171	1,762,556
Accounts payable and accrued liabilities	1	1,352,780	282,698

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

Management of Industry and Financial Risk

Defense Metals is engaged in REE exploration and development and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash and the Company's liabilities. The Company's cash is held in corporate bank accounts available on demand. As at December 31, 2023, Defense Metals had cash balance of \$3,173,171 (2023 - \$1,762,556) to fulfill accounts payable and accrued liabilities obligations of \$1,352,780 (2023 - \$282,698). The financial liabilities as at December 31, 2023

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are due within 90 days. The Company manages liquidity risk through the management of its capital structure. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

Capital Finance Risk

The Company will require additional financing and investment to advance beyond the PFS for the Wicheeda Project 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 and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk relating to its related party balances.

Price Risk

The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of components of shareholders' equity. There were no changes in the Company's approach to capital management during the period ended December 31, 2023. The Company is not subject to any externally imposed capital requirements.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
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Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be directors, officers and corporate entities controlled by these individuals. The table summarizes related party compensation for various services received by the Company:

	Nine months ended December 31, 2023	Nine months ended December 31, 2022
	\$	\$
Exploration and evaluation	1,218,368	1,133,030
Office and administrative	9,450	9,450
Consulting	236,500	217,500
Professional fees	90,000	79,000
Stock-based compensation	346,737	313,778

Included in exploration and evaluation expenditures: During the nine months ended December 31, 2023, the Company incurred \$1,033,868 (December 31, 2022 - \$933,030) in geological services from APEX, a company of which Kristopher Raffle, a former director of the Company, is Principal of, and \$112,500 (December 31, 2022 - \$112,500) in Wicheeda Project administration and management costs charged by 576112 B.C. Ltd which is a BC-private company owned by the CEO. In addition, \$40,000 (December 31, 2022 - \$60,000) is included in exploration and evaluation expenditures for geological services provided by Dr. Luisa Moreno, a director and President of the Company. For the nine months ended December 31, 2023, \$32,000 (December 31, 2022 - \$27,500) in geological services was charged by Blue Heron Productions Ltd., a B.C.-private company owned by William Bird who is a director of the Company.

Included in office and administrative expenses: During the nine months ended December 31, 2023, the Company incurred \$9,450 (December 31, 2022 - \$9,450) in office costs from MCPA Services Inc., a B.C.-private company owned by the CFO.

Included in consulting expenses: During the nine months ended December 31, 2023, the Company incurred \$112,500 (December 31, 2022 - \$112,500) in consulting expenses from 576112 B.C. Ltd which is a BC-private company owned by the CEO, and \$60,000 (December 31, 2022 - \$45,000) in consulting expenses from a Max Sali, a consultant of the Company. \$40,000 (December 31, 2022 - \$60,000) is included in consulting expenses for management services provided by Dr. Luisa Moreno, a director and President of the Company. In addition, \$24,000 (December 31, 2022 - \$Nil) is included in consulting expenses for management services provided by a private company owned by Len Clough a director of the Company.

Included in professional fees: During the nine months ended December 31, 2023, the Company incurred \$90,000 (December 31, 2022 - \$79,000) in professional accounting costs from Midland Management Ltd., a B.C.-private company owned by the CFO.

As at December 31, 2023, \$2,350 (2023 - \$Nil) was owing to a private company owned by the Chief Financial Officer for expenses paid on behalf of the Company; \$213,077 (2023 - \$Nil) was owing APEX, a company of which Kristopher Raffle, a former director of the Company, is Principal of, for geological services; and \$329 (2023 - \$Nil) was owing to a Len Clough for consulting fees and reimbursable expenses. Amounts owing to related parties are unsecured, non-interest bearing, and carry no fixed terms of repayment.

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Off-Balance Sheet Transactions

Defense Metals has not entered into any significant off-balance sheet arrangements or commitments.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the annual consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

The use of estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. There were no critical accounting estimates required by management in preparation of the consolidated financial statements.

Basis of measurement

These financial statements have been prepared on a historical cost basis and except for cash flow information, using the accrual basis of accounting.

PROPOSED TRANSACTIONS

None.

RISK AND UNCERTAINTIES

The Company is in the mineral exploration and development business and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. The recovery of the Company's investment in exploration and evaluation assets and the attainment of profitable operations are dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production.
- b) The most likely sources of future funds for further development, metallurgical work and exploration programs undertaken by the Company are the sale of equity capital and/or the offering by the Company of an interest in its properties to be earned by another interested party carrying out further exploration or development. If such exploration programs are successful, the development of economic ore bodies and commencement of commercial production may require future equity financings by the Company, which are likely to result in substantial dilution to the holdings of existing shareholders.
- c) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

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- d) The prices of metals, minerals, and other elements greatly affect the value and potential value of its exploration and evaluation assets. This, in turn, greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.
- e) The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.
- f) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue exploration and development activities in the future.
- g) Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such assets may be subject to prior agreements or transfers and title may be affected by such undetected defects.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward looking statement. While such estimates and assumptions are considered reasonable by the management of the Company, they are inherently subject to significant business, economic, competitive and regulatory uncertainties and risks. The development and exploration activities of the Company are subject to various laws governing exploration, development, and labour standards which may affect the operations of the Company as these laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are, or were conducted.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

ADDITIONAL INFORMATION

Additional information relating to the Defense Metals is available on the Canadian System for Electronic Document Analysis and Retrieval website at www.sedarplus.ca and on our website at www.defensemets.com.