



**Management's Discussion and Analysis
For the year ended March 31, 2025**

Dated: July 29, 2025

DEFENSE METALS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2025

(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 July 29, 2025, and supplements but does not form part of the financial statements of Defense Metals and as such, should be read in conjunction with the audited financial statements for the year ended March 31, 2025 along with the related notes thereto.

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 IFRS Accounting 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.

Caution Regarding Forward-Looking Statements and Forward-Looking Information

Except for statements of historical fact, this MD&A may contain forward-looking statements and forward-looking information (together "forward-looking information") within the meaning of applicable securities law, which is 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. 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), including the completion of a Feasibility Study, 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. Actual results may differ materially from the expected results.

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 viruses and diseases on the Company's ability to operate; failure to maintain or obtain 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 [SEDAR+](#). 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+](#). 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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Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Year Ended March 31, 2025

INTRODUCTION

Defense Metals Corp. is a British Columbia incorporated company 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" or the "Exchange"), trading symbol DEFN; in the United States on the OTCQB, trading symbol DFMTF; and on the Frankfurt Exchange, trading symbol 35D.

HIGHLIGHTS DURING THE REPORTING PERIOD

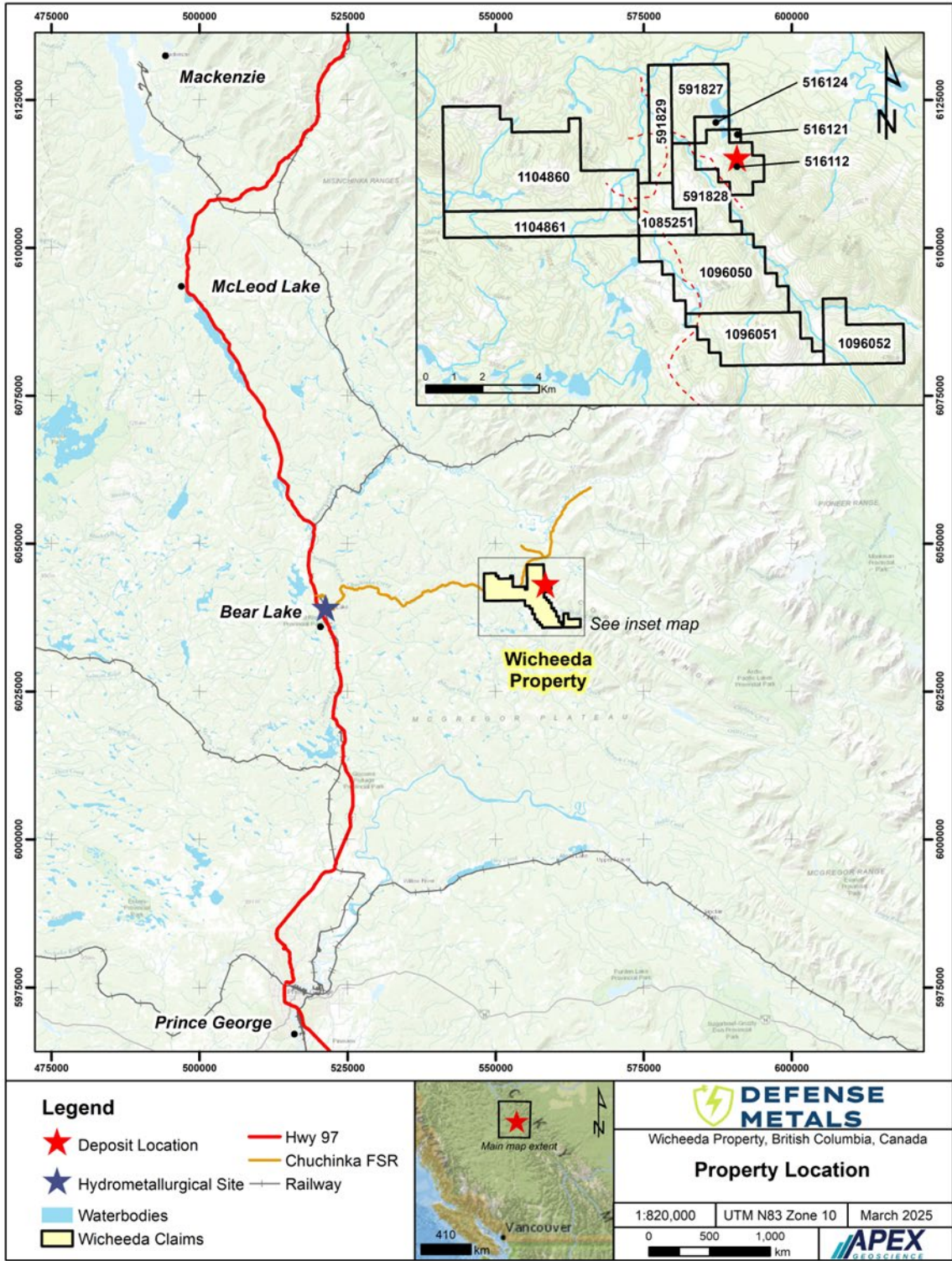
- Completed a Preliminary Feasibility Study ("PFS") on the Wicheeda Project that demonstrated robust economics.
- Completed a non-brokered private placement of senior secured notes ("Notes") for gross proceeds of \$4,000,000 which were converted to equity subsequent to the fiscal year end.
- Entered into a Memorandum of Understanding ("MOU") with the Saskatchewan Research Council ("SRC") to collaborate on advancing Canada's REE supply chain.
- On January 1, 2025, Mark Tory was appointed President, CEO and Director and Dr. Luisa Moreno resigned as President of the Company, but remained on the Board of Directors.

MINERAL PROPERTIES

WICHEEDA PROJECT BACKGROUND AND UPDATED RESOURCE ESTIMATE

Defense Metals' primary business objective is to successfully develop the Wicheeda Project into an economically viable REE mine. Currently, the Company is an exploration and development company with no revenues from mineral-producing operations. The recoverability of amounts expended and related deferred exploration expenditures for the Wicheeda Project is dependent upon the ability of the Company to obtain necessary permitting and financing to complete development and commence future production of REEs from economically recoverable mineral reserves.

The Wicheeda Project is 100% owned by Defense Metals and covers 11,800 hectares (~29,158 acres) comprising 6 claims (1,708 hectares) acquired through the exercise of the Spectrum Mining Corporation ("Spectrum") option agreement (see below), and an additional 11 claims (10,093 hectares) acquired by staking between the dates of November 5, 2021, and October 23, 2024.



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Following the PFS, the results of which were released in the Company's news release dated February 18, 2025, Defense Metals continues to advance the Wicheeda Project through ongoing work related to a future Feasibility Study.

Wicheeda Project History

On November 22, 2018, Defense Metals entered into an option agreement to acquire all of the issued and outstanding shares of Spectrum Mining Corporation ("Spectrum"), which at the time was the beneficial and registered holder of a 100% interest in six mining claims, known as the Wicheeda Project, located in the Cariboo Mining Division of British Columbia, Canada (Figure 1). 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 fully exercised its option and acquired 100% of the Wicheeda Project through the issuance of 78,115,549 Defense Metals common shares at a deemed price of \$0.225 per share, pro-rata to their prior shareholdings, to Spectrum shareholders (the "Vendors"), and the payment of \$100,000 cash to Spectrum, for final consideration of \$17,675,999, and the 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") also payable pro-rata to the Vendors, upon the commencement of commercial production. Defense Metals has the irrevocable right to purchase one-half (1/2) of the NSR Royalty (being 1.0% of Net Smelter Returns) for \$1,000,000, from the Vendors, also on a basis pro rata to their prior shareholdings in Spectrum, leaving the Vendors with an aggregate 1.0% NSR Royalty.

On September 7, 2022, Defense Metals announced that it entered into a mineral exploration agreement with the McLeod Lake Indian Band ("MLIB") regarding the Wicheeda Project, which is located on the traditional territory of the McLeod Lake Indian Band.

On February 7, 2023, Defense Metals announced it had engaged SRK Consulting (Canada) Inc. ("SRK") to commence site geotechnical investigations. These geotechnical studies were undertaken to inform the Wicheeda Project development studies with respect to areas of geotechnical engineering, hydrology, geochemistry, future site infrastructure, tailings facilities, and site water management. SRK's work included field investigations, allowing for preliminary characterization of shallow soil subsurface and bedrock foundations, tasks designed to advance the PFS engineering work.

On March 6, 2023, the Company announced the results of a geological model and Mineral Resource Estimate ("MRE") domain update for the Wicheeda Project that incorporated over 10,000 metres of additional drilling in 47 holes completed during 2021 and 2022 following completion of a Preliminary Economic Assessment ("PEA"; see Defense Metals' news release of January 6, 2022). The model and domain update was preparatory to completion of the 2023 MRE and was an essential input to the PFS.

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

On August 1, 2023, Defense Metals engaged Hatch Ltd. ("Hatch") and SRK as principal consultants for the Wicheeda Project PFS. Hatch led the NI 43-101 PFS report and was responsible for REE processing, hydrometallurgy and infrastructure. SRK,

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leveraging its prior work on the 2021 PEA, and supported by APEX Geoscience Ltd. ("APEX"), focused on mineral reserve and resource estimations, geotechnical and mining engineering, tailings, and economic analysis.

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 the completion 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, mineralization stockpile, contact water pond, crusher, processing plant, and tailings storage facility 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 planned to test during fall 2023 as part of an expanded program of pit geotechnical drilling.

On September 12, 2023, Defense Metals announced an updated mineral resource estimate (the "2023 MRE"¹) for the Wicheeda REE deposit as prepared by APEX and having an effective date of August 28, 2023. The 2023 MRE comprised a 6.4 million tonne ("Mt") Measured Mineral Resource, averaging 2.86% Total Rare Earth Oxide ("TREO"²); a 27.8 Mt Indicated Mineral Resource, averaging 1.84% TREO; and an 11.1 Mt Inferred Mineral Resource, averaging 1.02% TREO, all reported at a cut-off grade of 0.5% TREO within a conceptual open pit shell.

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

On October 10, 2023, Defense Metals announced the results of extensive comminution and beneficiation test work conducted by SGS Canada Inc. ("SGS") in Lakefield, Ontario on variability samples from the Wicheeda REE deposit. 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 rapidly increasing demand driven by the electrification of the economy. The sample specifications varied based on the recipients' particular requirements, and these recipient 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.

The 2023 MRE National Instrument (NI) 43-101 technical report ("Technical Report"), entitled "Technical Report on the Wicheeda Property, British Columbia, Canada" was filed under the Company's profile on [SEDAR+](#) and on our website at www.defensemets.com on October 27, 2023.

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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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 test work.

On January 9, 2024, the Company announced that it had entered into a non-binding MOU 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 MLIB regarding continuing development of the Wicheeda Project. Pursuant to the Co-Design, Defense Metals will collaborate on the design of the Wicheeda Project with MLIB. Such 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.

On September 26, 2024, Defense Metals entered into an MOU with the SRC. This collaboration aims to advance the REE supply chain within Canada, leveraging SRC's extensive expertise in rare earth processing and technology development. The MOU establishes a framework for cooperation, including potential test work, technology sharing, and collaborative research to optimize processing methods for rare earth elements sourced from the Wicheeda Project. This partnership aligns with the Company's goal to position itself as a critical North American supplier of rare earth elements and contributes to the strategic development of the Wicheeda Project.

On January 14, 2025, the Company announced that it had added a solvent extraction ("SX") circuit to the Wicheeda Project hydrometallurgical process flowsheet as part of the PFS studies. This SX addition will facilitate the removal of cerium ("Ce") and lanthanum ("La"), increasing the concentration of neodymium ("Nd") praseodymium ("Pr") oxide in the final mixed rare earth carbonate ("MREC") product from 14% to 85% TREO. This is expected to enhance product value, reduce processing costs, and improve MREC marketability. While increasing projected capital costs, the long-term benefits are expected to outweigh the investment costs.

On February 18, 2025, Defense Metals announced the results of the PFS, including new reserve and resource estimates.

On April 28, 2025, the Company announced a non-binding MOU with a major potential strategic partner for entering into a supply agreement representing a significant portion of its planned output from the PFS.

On May 24, 2025, the Company announced the closing of a private placement that raised \$5.4 million in aggregate gross proceeds.

On June 10, 2025, Defense Metals announced it had received a Letter of Interest ("LOI") from Export Development Canada ("EDC"), the Government of Canada's export credit agency, expressing its interest in participating as a Mandated Lead Arranger for potential debt financing of up to US\$250 million from EDC to support the development and construction of the Company's flagship Wicheeda Rare Earth Element (REE) Project.

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Wicheeda Project Pre-Feasibility Study Economics

On April 7, 2025, the company filed its NI 43-101 PFS Technical Report. The PFS results show a pre-tax net present value ("NPV") of \$1.75 billion and an after-tax NPV of \$1.0 billion, both at an 8% discount rate. The pre-tax internal rate of return ("IRR") is 24.2%, while the after-tax IRR stands at 18.6%, demonstrating strong financial viability of the Wicheeda Project. The after-tax payback period is estimated at 3.7 years from the start of production. The initial capital expenditure ("CAPEX") required for the project is \$1.4 billion, supporting an open-pit mining operation with a planned 15-year mine life (excluding pre-production).

PFS-estimated cash operating costs ("OPEX") are \$38.4/kilogram ("kg") of neodymium-praseodymium oxide ("NdPrO") equivalent. The life-of-mine ("LOM") EBITDA margin is projected at 71%. The breakeven price of NdPrO for the project is \$68.6/kg, while the operating cash breakeven price is \$38.4/kg.

Wicheeda Project Production and Processing

The PFS confirms a robust production profile for the Wicheeda Project. The open pit mine will supply ore to a 5,000 tonne per day (tpd) flotation concentrator, which will produce a high-grade REE mineral concentrate. Over the 15-year mine life, the project is expected to yield an average of 31,900 tonnes per year ("tpa") of TREO in concentrate, with approximately 5,200 tpa of TREO contained in a high-value MREC product after the removal of Ce and La.

A key advantage of the Wicheeda REE deposit is its unique mineralogy, allowing for the production of one of the highest-grade flotation REE mineral concentrates globally. The flotation concentrate is expected to contain 50% TREO (dry basis) with an average recovery of 81% over the first eight years of operation.

Following flotation, the high-grade mineral concentrate will undergo hydrometallurgical and solvent extraction (SX) processing, designed to produce a high-purity MREC. The SX circuit will remove Ce and lanthanum ("La"), increasing the NdPrO concentration to 87.3% of the contained TREO, significantly enhancing the product's market value and attractiveness to downstream processors.

Wicheeda Project Market Position and Strategic Advantages

The Wicheeda Project is strategically positioned as a key future supplier of high-purity REEs critical for permanent magnets used in electric vehicles ("EVs"), renewable energy technologies, and advanced defense applications. The removal of Ce and La improves the value of the final MREC product, aligning it with the highest-value light REE ("LREE") production outside of China.

The project benefits from superior, nearby infrastructure, with access from all-weather roads, proximity to hydroelectric power, a natural gas pipeline, and to the Canadian National Railway, which passes near the site, and will allow for efficient transportation options to supply the site and to ship processed rare earth materials to global markets. Additionally, the Port of Prince Rupert, the closest major North American port to Asia, offers an important export route.

Wicheeda Project Metallurgical and Process Optimization

One of the key refinements in the PFS is the addition of the SX circuit, which significantly enhances the quality of the final MREC product. The hydrometallurgical and SX processes involve:

- Acid baking of the flotation concentrate with sulphuric acid at 300°C, converting REEs into water-soluble sulphates.

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- Water leaching to extract the soluble REEs.
- Solvent extraction to selectively remove Ce and La, which account for a significant portion of lower-value elements in standard rare earth concentrates.
- Final precipitation of a high-value MREC containing predominantly oxides of NdPr, dysprosium (Dy), and terbium (Tb) oxides.
- Cerium (Ce) and Lanthanum (La) will be stockpiled for potential subsequent sales in an improved market.

By reducing the mass of material that needs to be transported and processed downstream, this optimization lowers handling and logistics costs while increasing revenue potential.

Environmental and Social Considerations

Defense Metals is committed to responsible mining and sustainability practices, and has entered into a Co-Design Agreement with the MLIB, ensuring Indigenous perspectives are considered for integration into project development. The Company continues to work closely with local communities and regulators to advance environmental assessment and permitting processes.

The Wicheeda Project includes a filtered tailings storage facility, which will store both flotation tailings and hydrometallurgical residues. The use of filter press technology enhances water management, minimizes environmental impact, and aligns with best practices for tailings storage. The mine plan also incorporates a contact water management system to ensure responsible handling of surface and process water.

Economic and Industry Outlook

The global market for rare earth elements, particularly NdPr, is experiencing significant growth, driven by increasing demand for EV motors, wind turbines, robotics and high-performance electronics. According to Adamas Intelligence Inc., global demand for neodymium-iron-boron ("NdFeB") magnets is expected to grow at a compound annual growth rate ("CAGR") of 8.7%, reaching 606,792 tonnes by 2035 and 881,396 tonnes by 2040.

The average price for the Wicheeda Project MREC is estimated at \$136.3/kg of contained NdPrO, based on market forecasts. Given the project's high NdPr content, its basket value is expected to be among the highest for LREE projects outside of China, making it highly attractive to potential strategic partners and offtake customers.

Wicheeda Project 2025 Mineral Reserve Estimate

As part of the PFS, a mineral reserve estimate for the Wicheeda REE deposit was prepared for Defense Metals by SRK, in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council in May 2014.

The open pit mineral reserves are based on Measured and Indicated mineral resources that have been identified as being economically extractable and which incorporate mining losses and mining waste dilution. The mineral reserves include 25.5 Mt of mineable ore from one open pit at an average grade of 2.43% TREO. The mineral reserve includes variable mining dilution, and it is calculated after 1% ore loss.

A summary of the surface mineable mineral reserves by rock type and reserve classification is shown in Table 1.

Table 1 – Summary of the Wicheeda Project Mineral Reserves (as of February 28, 2025)

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Mineral Reserve	Rock Type	Tonnes	TREO	Pr ₆ O ₁₁	Nd ₂ O ₃	Tb ₄ O ₇	Dy ₂ O ₃
		kt	%	ppm	ppm	ppm	ppm
Proven	Dolomite Carbonatite	5,300	2.96	1,152	3,134	12	35
	Xenolithic Carbonatite	260	1.71	690	2,031	11	37
	Syenite	40	1.44	574	1,658	11	39
	Limestone	10	2.01	858	2,359	12	40
	Total	5,610	2.89	1,125	3,070	12	35
Probable	Dolomite Carbonatite	12,020	2.86	1,120	3,067	12	34
	Xenolithic Carbonatite	7,810	1.38	569	1,674	9	29
	Syenite	760	1.20	482	1,427	8	26
	Limestone	140	1.38	558	1,585	10	38
	Total	20,730	2.23	886	2,472	10	32
Total	Dolomite Carbonatite	17,320	2.89	1,130	3,087	12	34
	Xenolithic Carbonatite	8,070	1.39	573	1,686	9	29
	Syenite	800	1.21	487	1,439	8	27
	Limestone	150	1.42	579	1,639	10	38
	Total	26,340	2.37	937	2,600	11	32

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Mineral Reserve Notes:

- *The effective date of the Wicheeda Rare Earth Element Deposit Mineral Reserve is February 28, 2025.*
- *Dollar values herein stated are United States Dollars (US\$)*
- *Mineral Reserves are calculated using the values derived from all REE's present in the deposit. Individual REO pricing provided by Adamas Intelligence was used for pit optimization. The key REO pricing is as follows:*
 - *NdPr Oxide 132.7 \$/kg REO*
 - *Tb₄O₇ 1362.8 \$/kg REO*
 - *Dy₂O₃ 442.5 \$/kg REO*
- *Mineral Reserves are defined within the final pit design guided by pit shells derived from the optimization software, GEOVIA Whittle™*
- *Cut-off grade is based on the value factors generated in each block. The revenue and related costs vary based on the composition of different elements in each block. Value of a block is the revenue generated in that block minus the related processing and G&A operating costs.*
- *The base mining costs are assumed to be \$5.00/t. The mining costs vary based by the bench and depth of the pit. The average mining costs for the life of mine is calculated to be \$5.26/t mined.*
- *Processing costs consist of flotation plant cost at the mine site and a hydrometallurgical/solvent extraction (hydrometallurgical) plant that is off the mine property. The operating cost of the flotation plant is \$27.60/t milled and the hydrometallurgical plant operating cost is \$1,164.4/t of concentrate treated.*
- *General and administration costs of the mine site is \$3.67/t for ore milled.*
- *Tailings cost is \$6.55/t of ore.*
- *Off-site cost (transportation) is \$87.76/t of precipitate products produced.*
- *Processing recoveries are calculated as follows:*
 - *Flotation recovery for TREO = $-11.183 \cdot \text{TREO}^2 + 67.831 \cdot \text{TREO} - 20.42194\%$. For ore above 3% TREO, the flotation recovery is set to 82.4%. For grade less than 0.32% TREO, the flotation recovery is set to 0.0%.*
 - *Flotation recovery for each REE is calculated by multiplying the TREO recovery by that element's recovery factor. For example, the factors for Pr, Nd, Tb, and Dy are 0.995, 0.996, 0.734, 0.636 respectively.*
 - *Similarly, hydrometallurgical recoveries are assigned for each REE, which for Pr, Nd, Tb, Dy are 0.932, 0.935, 0.802, 0.734 respectively.*
- *A 95% payability has been applied to the final hydrometallurgical product.*
- *Mining dilution varies based on the mining zone. The average mining dilution is calculated to be 2.9%, for the ore delivered to the mill. Tonnages reported as ore includes dilution.*
- *A 1% ore loss has been applied to the total reserve in each bench.*
- *Figures are rounded to the appropriate level of precision for the reporting of mineral reserves. Due to rounding, some columns or rows may not sum as shown.*
- *The overall strip ratio (Waste: Ore - the amount of waste mined for each tonne of ore) is 3.21 (W:O).*
- *The mineral reserve is stated as diluted dry metric tonnes.*
- *The mine plan underpinning the mineral reserves has been prepared by SRK Consulting (Canada) Inc.*

The Qualified Person ("QP") responsible for the 2025 Mineral Reserve Estimate, Dr. Anoush Ebrahimi, is an employee of SRK and does not know of any legal, political, environmental, or other risks that could materially affect the potential development of the mineral reserves. Dr. Ebrahimi personally inspected the Wicheeda Project on October 26, 2021.

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Wicheeda Project 2025 Mineral Resources Estimate

The 2023 MRE for the Wicheeda Rare Earth Element Deposit has been superseded by a 2025 Mineral Resource Estimate (the "2025 MRE") prepared for Defense Metals as part of the PFS. This 2025 MRE has been prepared in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council in May 2014.

The Mineral Resources stated below are constrained within an optimized pit shell to satisfy Reasonable Prospects of Eventual Economic Extraction ("RPEEE") requirements. The 2025 MRE include 29.2 Mt of Measured + Indicated resources at an average grade of 2.27% TREO and 5.5 Mt of Inferred resource at an average grade of 1.42% TREO. No mining dilution has been incorporated into the Mineral Resources stated below. The Mineral Resources are stated inclusive of Mineral Reserves.

A summary of the surface mineable 2025 MRE by rock type and resource classification is shown in Table 2.

Table 2 – Summary of the 2025 Mineral Resource Estimate (as of February 28, 2025)

Mineral Resource	Rock Type	Tonnes	TREO	Pr ₆ O ₁₁	Nd ₂ O ₃	Tb ₄ O ₇	Dy ₂ O ₃
		kt	%	ppm	ppm	ppm	ppm
Measured	Dolomite Carbonatite	5,350	2.99	1161	3158	12	35
	Xenolithic Carbonatite	300	1.64	662	1950	11	36
	Syenite	50	1.40	560	1631	11	40
	Limestone	10	1.96	837	2310	13	41
	Total	5,720	2.90	1128	3079	12	35
Indicated	Dolomite Carbonatite	12,030	2.90	1139	3116	12	34
	Xenolithic Carbonatite	10,060	1.32	547	1618	9	30
	Syenite	1,320	1.07	442	1331	8	29
	Limestone	160	1.40	569	1627	11	43
	Total	23,570	2.11	843	2367	10	32
Measured + Indicated	Dolomite Carbonatite	17,380	2.93	1145	3129	12	34
	Xenolithic Carbonatite	10,360	1.33	550	1628	9	30
	Syenite	1,370	1.08	447	1343	8	29
	Limestone	170	1.44	588	1675	11	43
	Total	29,290	2.27	899	2506	11	33
Inferred	Dolomite Carbonatite	570	2.67	1072	2883	12	37
	Xenolithic Carbonatite	3,280	1.42	587	1712	9	32
	Syenite	1,630	0.90	401	1229	9	34
	Limestone	210	1.50	600	1641	9	33
	Total	5,690	1.40	582	1687	9	33

DEFENSE METALS CORP.

Management's Discussion and Analysis of Financial Condition and Results of Operations For the Year Ended March 31, 2025

2025 Mineral Resource Estimate Notes:

- CIM (2014) definitions were followed for Mineral Resources.
- The Qualified Person for the MRE is Doug Reid, P.Eng., EGBC (23347), an SRK employee.
- The effective date of the Mineral Resource is February 28, 2025
- Dollar values herein stated are United States Dollars (US\$)
- Mineral Resources are calculated using the values derived from all REE's present in the deposit. Individual REO pricing provided by Adamas Intelligence was escalated by 15% and used for pit optimization. The key REO pricing is as follows:
 - NdPr Oxide 152.6 \$/kg REO
 - Tb₄O₇ 1567.3 \$/kg REO
 - Dy₂O₃ 508.8 \$/kg REO
- Mineral Resources are defined within a pit shell derived from the optimization software, GEOVIA Whittle™
- Cut-off grade is based on the value factors generated in each block. The revenue and related costs vary based on the composition of different elements in each block. The value of a block is the revenue generated in that block minus the related processing and G&A operating costs.
- The base mining costs are assumed to be \$4.50/t. The mining costs vary based by the bench and depth of the pit. The average mining costs for the life of mine is calculated to be \$4.74/t mined.
- Processing costs consist of flotation concentrator plant cost at the mine site and a hydrometallurgical/solvent extraction plant that is off the mine property. The operating cost of the flotation plant is \$27.60/t milled and the hydrometallurgical plant operating cost is \$1,164.4/t of concentrate treated.
- General and administration costs of the mine site is \$3.67/t for ore milled.
- Tailings management and storage cost is \$6.55/t of ore.
- Off-site cost (transportation) is \$87.76/t of precipitate products produced.
- Processing recoveries are calculated as follows:
 - Flotation recovery for TREO = $-11.183 * TREO^2 + 67.831 * TREO - 20.421940\%$. For ore above 3% TREO the flotation recovery is set to 82.4%. For grade less than 0.32% TREO the flotation recovery is set to 0.0%.
 - Flotation recovery for each REE is calculated by multiplying the TREO recovery by that elements recovery factor. For example, the factors for oPr, Nd, Tb, and Dy are 0.995, 0.996, 0.734, 0.636 for Pr, Nd, Tb, Dy respectively.
 - Similarly, hydrometallurgical recoveries are assigned for each REE, which for Pr, Nd, Tb, Dy are 0.932, 0.935, 0.802, 0.734 respectively
- A 95% payability has been applied to the final hydrometallurgical product.
- Bulk density is assigned by lithology.
- No mining dilution has been applied.
- Mineral Resources are reported inclusive of those Mineral Resources converted to Mineral Reserves.
- Mineral Resources that are not Mineral Reserves do not demonstrate economic viability.
- Figures are rounded to the appropriate level of precision for the reporting of mineral Resources. Due to rounding, some columns or rows may not sum as shown.
- The TREO grade encompasses 15 rare earth elements present in the deposit
- The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

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The Qualified Person responsible for the 2025 MRE, Douglas Reid, does not know of any legal, political, environmental, or other risks that could materially affect the potential development of the mineral Resources. Mr. Reid personally inspected the Wicheeda Project on October 31 and November 1, 2024.

Qualified Persons – PFS Contributors

The Wicheeda Project PFS was conducted by independent representatives of Hatch and SRK (the “PFS Contributors”), each of whom is a Qualified Person as defined by the Canadian Securities Administrators’ *National Instrument 43-101* - Standards of Disclosure for Mineral Projects.

The PFS contributors prepared or supervised the preparation of information that forms the basis of the PFS disclosure. Each of the QPs is independent of Defense Metals and has reviewed and confirmed that this PFS information fairly and accurately reflects, in the form and context in which it appears, the information contained in the respective sections of the Wicheeda Project PFS report for which they are responsible. The affiliation and areas of responsibility for each QP involved in preparing the PFS are provided as follows:

Hatch QPs:

- Metallurgical review, process design and operating cost estimates:
 - Jeff Adams for Hydrometallurgical
 - Joe Paventi for mine site flotation plant
- Process plant and associated infrastructure cost estimates – Gerry Schwab
- Financial analysis and market study – Stefan Hlouschko

SRK QPs:

- Mineral resources estimate – Doug Reid
- Mineral reserves, mine design and scheduling – Anoush Ebrahimi
- Mine costing – Bob McCarthy
- Tailings storage facilities – Ignacio Garcia

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Wicheeda Project Exploration and Evaluation Assets and Exploration Expenditures Summary:

The following table discloses the exploration and evaluation expenditures from March 31, 2023 to March 31, 2024, and from March 31, 2024 to March 31, 2025.

	Wicheeda Project
	\$
Balance at March 31, 2023	30,279,409
Drilling	775,815
Environmental	346,127
Field and camp costs	691,074
Geological	1,727,897
Helicopter and survey	726,169
Geochemical	490,232
Management and administration	252,170
Mapping	27,185
Permitting related	1,398,704
Pilot plant metallurgical testing	1,896,202
Prefeasibility study	2,631,597
Recovery	(434,421)
Balance at March 31, 2024	40,808,160
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	168,330
Permitting related	139,181
Pilot plant metallurgical testing	108,898
Prefeasibility study	2,778,187
Recovery	(929,830)
Balance at March 31, 2025	44,663,846

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LIQUIDITY AND CAPITAL RESOURCES

In management's view, given the nature of the Company's operations, which consist of exploration, evaluation and development of the Wicheeda Project, the most relevant financial information relates primarily to current liquidity, solvency and planned Wicheeda Project expenditures. Defense Metals' future financial success will depend 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 future 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 its 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.

At March 31, 2025, Defense Metals had a working capital deficiency of \$7,499,083 including cash of \$695,260.

On October 11, 2024, the Company closed a secured convertible notes ("Notes") financing for gross proceeds of \$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 herein, investors could elect to convert the principal amount of the Notes into commons at a deemed price per share of \$0.125.

The Notes were structured 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 will automatically convert into Common Shares at a fifteen percent (15%) discount to the applicable price of the offering implied by the Mandatory Conversion Event, provided that if such conversion price would be less than the Conversion Price (\$0.125), there will be no mandatory conversion.

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.

Subsequent to March 31, 2025, the Company completed a private placement of \$5.4 million and triggered the note holders to have their convertible debt settled with issuance of 32,000,000 DEFN common shares to satisfy the Notes.

Subsequent to March 31, 2025, on July 28, 2025, the Company announced it had signed a shares-for-debt settlement agreement with Hatch Ltd. in relation to the outstanding debt of \$846,547 for engineering services previously provided to the Company. The Company will issue 5,290,920 common shares at \$0.16 per share and 2,645,460 common share purchase warrants with an exercise price of \$0.21 for a period of 36 months. The shares and warrants are subject to a six month hold period. In addition, the Company entered into a side letter agreement whereby Defense has indicated its intention to engage Hatch Ltd. to provide engineering and related services for the full feasibility study on the Company's 100% owned Wicheeda Rare Earth Element Project.

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The Company expects to have sufficient capital to complete its business objectives and goals, however, the Company has no source of revenues and as noted in the audited Financial Statements for the year ended March 31, 2025, there is a going concern note. 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 Company's financial statements have been prepared in accordance with 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.

OUTSTANDING SHARE DATA

Defense Metals' share capital as of date of this MD&A is:

	Balance
Shares issued and outstanding	330,472,184
Options issued and outstanding	18,383,723
Warrants issued and outstanding	18,420,534

SELECTED ANNUAL INFORMATION FOR MOST RECENT COMPLETED YEARS

The following table summarizes selected financial data reported by Defense Metals for the years ended March 31, 2025, 2024 and 2023. The information set forth should be read in conjunction with the audited annual Financial Statements and the related notes therein, prepared in accordance with IFRS.

	For the year ended March 31, 2025	For the year ended March 31, 2024	For the year ended March 31, 2023
	\$	\$	\$
Income Statement			
Net and comprehensive loss	(5,765,724)	(2,761,157)	(2,710,217)
Loss per share (basic and diluted)	(0.02)	(0.01)	(0.02)
Balance Sheet			
Total resource properties	44,663,846	40,808,160	30,279,409
Total assets	45,683,196	42,646,270	32,743,589
Total long-term liabilities	-	-	-

RESULTS OF OPERATIONS***For the Year Ended March 31, 2025***

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The Company incurred comprehensive net losses of \$2,245,506 and \$5,765,724 for the three and twelve months ended March 31, 2025, compared to comprehensive net losses of \$567,713 and \$2,761,157 for the comparative year. During the year ended March 31, 2025, the Company recognized stock-based compensation, revaluation of derivative liability adjustments, and accretion interest expense from the accounting measurements of the convertible debt and office lease. During the year ended March 31, 2025, the Company's overall net loss increased as a result of additional stock-based compensation, and accretion interest expense from the accounting measurements of the convertible debt and office lease. Additional notable variances for the period from the prior year are as follows:

- Evaluation and exploration expenditures balance increased to \$44,663,846 as at March 31, 2025 from \$40,808,160 as at March 31, 2024 due to additional Wicheeda Project exploration and development work performed and capitalized.
- Communications, marketing, investor, and public relations: a \$205,017 and \$845,542 decrease across the three and twelve months ended March 31, 2025 due to reduction in such expenditures.
- Professional fees: a \$214,577 increase across the twelve ended March 31, 2025 as a result of engaging legal counsel for various corporate and business development activities. During the three months ended March 31, 2025, professional fee decreased \$7,504 due to timing differences in when professional fees were incurred.
- Office and administration costs: a \$14,256 decrease for the twelve months ended March 31, 2025 as a result cost cutting measures where available. During the three months ended March 31, 2025, office expense increased as a result of expense reclassifications in the prior three month period.
- Consulting fees: a \$236,267 and \$1,064,700 increase across the three and twelve months ended March 31, 2025 attributed to an increase in fees for relating to the operations of the Company. In addition, consulting fees include director fees of \$102,000 and \$290,000 for the three and twelve months ended March 31, 2025 for director fees (2024 - \$Nil).

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be directors, officers and corporate entities controlled by these individuals. The table summarizes related party compensation for various services received by the Company:

	For the year ended March 31, 2025	For the year ended March 31, 2024
	\$	\$
Exploration and evaluation	72,500	1,474,954
Office and administrative	4,200	12,600
Consulting	773,156⁽¹⁾	228,000
Professional fees	160,000	120,000
Stock-based compensation	757,883	346,737
Salary and wages	125,000	-

⁽¹⁾ Inclusive of director fees as discussed below.

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Included in exploration and evaluation expenditures

During the year ended March 31, 2025, \$62,500 is included in Wicheeda Project administration and management costs charged by 576112 B.C. Ltd., which is a private company owned by the former CEO, Craig Taylor. \$10,000 was included in exploration and evaluation expenditures for geological services provided by Dr. Luisa Moreno, a director and former President of the Company.

During the year ended March 31, 2024, the Company incurred \$1,231,954 in geological services from APEX, a company of which Kristopher Raffle, a former director of the Company, is a Principal. For the twelve months ended March 31, 2024, \$48,000 in geological services was charged by Blue Heron Productions Ltd., a company owned by William Bird who is a former director of the Company. \$150,000 in Wicheeda Project administration and management costs charged by 576112 B.C. Ltd which is a BC-private company owed by the former CEO, Craig Taylor. In addition, \$45,000 was included in exploration and evaluation expenditures for geological services provided by Dr. Luisa Moreno, a director and former President of the Company.

Included in office and administrative expenses

During the year ended March 31, 2025 the Company incurred \$4,200 (2024 - \$12,600) in office costs to a private company owned by Ryan Cheung, the former CFO.

Included in consulting expenses

During the year ended March 31, 2025, the Company incurred \$62,500 in consulting expenses from 576112 B.C. Ltd which is a private company owned by the former CEO, Craig Talor, \$83,630 in consulting expenses for management services, and \$8,000 in director fees, provided by Dr. Luisa Moreno, a director and former President of the Company. In addition, \$6,000 is included in consulting expenses for services provided by a private company owned by Len Clough, a former director of the Company. During the year ended March 31, 2025, the Company incurred \$176,250 in director fees from Guy de Selliers, the Executive Chairman of Defense Metals. During the year ended March 31, 2025, the Company incurred \$275,230 from Alex Heath, the former Chief Financial Officer. During the year ended March 31, 2025, the Company incurred \$54,750 in director fees from Dale Wallster, a director of the Company. During the year ended March 31, 2025, the Company incurred \$27,000 in director fees from Suzanne Folsom, a director of the Company. During the year ended March 31, 2025, the Company incurred \$24,000 in director fees from P.E. Kavanagh, a director of the Company. During the year ended March 31, 2025, the Company incurred \$14,796 in director fees from Martin Cronin, a former director of the Company.

During the year ended March 31, 2024, the Company incurred \$150,000 in consulting expenses from 576112 B.C. Ltd which is a BC-private company owned by the former CEO, and \$45,000 is included in consulting expenses for management services provided by Dr. Luisa Moreno, a director and former President of the Company. In addition, \$33,000 (March 31, 2023 - \$Nil) is included in consulting expenses for services provided by a private company owned by Len Clough, a former director of the Company.

Included in professional fees

During the year ended March 31, 2025, the Company incurred \$160,000 in professional accounting costs from Midland Management Ltd., a private company owned by the former CFO (2024 - \$120,000).

Balances Owning to Related Parties & Other Related Party Payment

As at March 31, 2025, the Company owed \$76,104 to the former CFO Alex Heath which was subsequently repaid in full after March 31, 2025. As at March 31, 2025, the Company owed Dale Wallster \$54,750 (2024 - \$547,750). As at March 31, 2025, the Company owed \$176,250 to Guy de Selliers, the Executive Chairman of the Company. As at March 31, 2025, \$109,533 (2024 - \$14,998) was owing to the former President of the Company for geological services, consulting services, and

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations****For the Year Ended March 31, 2025**

reimbursable expenses of which geological and consulting services were repaid in full subsequent to March 31, 2025. As at March 31, 2025, \$137,603 (2024 - \$Nil) was owing to the former Chief Financial Officer for consulting services and reimbursable expenses which was repaid in full subsequent to March 31, 2025. As at March 31, 2025, the Company owed Suzanne Folsom and P.E. Kavanagh, two independent directors, \$51,000 (2024 - \$Nil) in director fees and \$14,796 was owed to a former independent director being Martin Cronin.

During the year ended March 31, 2025, the Company engaged HCF International Advisers Ltd. ("HCF") for advisory services. Guy de Selliers, the Chairman of Defense Metals, is a related party to HCF as he is a partner. Fees incurred with HCF during this period totaled \$158,910 (which remained unpaid at March 31, 2025 and at the date of this document), and these services were conducted on terms comparable to those available to unrelated third parties. As of October 31, 2024, the HCF advisory services were placed on indefinite hold.

During the year ended March 31, 2025, the Company paid \$125,000 (2024 - \$Nil) in gross wages to Mark Tory, the current CEO of the Company.

SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024
	\$	\$	\$	\$
Comprehensive loss	(2,245,506)	(1,916,744)	(1,052,219)	(551,255)
Basic loss per share	(0.01)	(0.01)	(0.00)	(0.00)
Diluted loss per share	(0.01)	(0.01)	(0.00)	(0.00)

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
	\$	\$	\$	\$
Comprehensive loss	(567,713)	(1,250,381)	(645,106)	(297,957)
Basic loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

In general, there are no consistent, identifiable factors that cause variations in the selected quarterly financial information. The differences in losses are primarily due to the timing of exploration and development expenditures, which vary based on weather conditions and the availability of financing.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	Level	March 31, 2025	March 31, 2024
		\$	\$
Cash	1	695,260	916,066
Derivative liability	2	1,794,768	-

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

Management of Industry and Financial Risk

The Company'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 Canadian chartered 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 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 March 31, 2025, Defense Metals had a cash balance of \$695,260 (2024 - \$916,066) to fulfill accounts payable and accrued liabilities obligations of \$2,974,645 (2024 - \$808,911). The financial liabilities as at March 31, 2025 are due within 90 days. 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 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 accounts payable and related party balances.

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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 attempts to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of components of shareholders' equity. There were no changes in the Company's approach to capital management during the period ended March 31, 2025. The Company is not subject to any externally imposed capital requirements.

LEADERSHIP TRANSITION

On August 26, 2024, Craig Taylor resigned as CEO and a director of Defense Metals Corp. To ensure leadership continuity and alignment with the Company's strategic goals, the Board of Directors initiated a comprehensive search for a new CEO.

On November 18, 2024, the Company announced that Mark Tory would assume the role of CEO, effective January 1, 2025. Mr. Tory brings extensive leadership experience in the mining and resource development sector and is well-positioned to lead Defense Metals through the next stages of growth, including advancing the Wicheeda Project through feasibility.

On June 10, 2025, the Company announced that David Baker would assume the role of CFO, effective August 1, 2025.

Off-Balance Sheet Transactions and Proposed Transactions

As at the date of this report, Defense Metals has not entered into significant off-balance sheet arrangements or commitments.

As at date of this report, the Company does not have any proposed transactions that are not already disclosed.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's annual audited 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 critical accounting estimates required by management in preparation of the Financial Statements as follows:

- 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.

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- 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.

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, the sale of an additional royalty or streaming interest, 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.
- 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.

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- 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 DISCLOSURE FOR TORONTO STOCK EXCHANGE VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's general and administrative expenses and exploration and evaluation assets is provided in Defense Metals' Statement of Comprehensive Loss and schedule of Exploration and Evaluation Assets contained in its audited financial statements for the year ended March 31, 2025, available on [SEDAR+](#).

ADDITIONAL INFORMATION

Additional information relating to the Defense Metals is available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval website at [SEDAR+](#) and on our website at www.defensemetails.com or by contacting:

Defense Metals Corp.

Attention: Mark Tory, President and CEO

Suite 1020 – 800 West Pender St, Vancouver, BC V6C 2V6 CANADA

Tel: (604) 445-8179 Email: info@defensemetails.com

DEFENSE METALS CORP.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Year Ended March 31, 2025

APPROVAL

The Board of Directors of Defense Metals Corp. has approved the disclosure contained in this MD&A.

DEFENSE METALS CORP.

/s/ Guy de Selliers

Chairman

DEFENSE METALS CORP.

/s/ Dale Wallster

Director