Defense Metals Corp.

Consolidated Financial Statements

For the Years Ended March 31, 2024 and 2023

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Independent Auditor's Report

To the Shareholders of Defense Metals Corp.

Opinion

We have audited the consolidated financial statements of Defense Metals Corp. (the "Group"), which comprise the consolidated statements of financial position as at March 31, 2024 and March 31, 2023 and the consolidated statements of changes in shareholders' equity, comprehensive loss and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Kwan.

Crowe Mackay LLP

Chartered Professional Accountants
Vancouver, Canada
July 29, 2024

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

	Note	**As at March 31, 2024**	As at March 31, 2023
ASSETS		**$**	$
Current assets			
Cash		**916,066**	1,762,556
Sales tax receivable		**125,697**	189,816
Prepaid expenses and deposit		**129,978**	94,178
		1,171,741	2,046,550
Non-current assets			
Exploration and evaluation assets	5, 7	**40,808,160**	30,279,409
Prepaid exploration expenses		**666,369**	417,630
TOTAL ASSETS		**42,646,270**	32,743,589
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	**808,911**	282,698
Flow-through obligation	8	**-**	373,823
		808,911	656,521
SHAREHOLDERS' EQUITY			
Share capital	6	**51,634,600**	39,956,784
Reserves	6	**5,601,494**	4,767,862
Accumulated deficit		**(15,398,735)**	(12,637,578)
		41,837,359	32,087,068
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**42,646,270**	32,743,589

The accompanying notes are integral to these consolidated financial statements.

Going concern (Note 1)

Approved on Behalf of the Board of Directors:

/s/ Craig Taylor	/s/ Len Clough
Director	Director

DEFENSE METALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital					
	Number of Shares	Amount	Subscriptions Received in Advance	Reserves	Accumulated Deficit	Total
		$	$	$	$	$
Balance, March 31, 2022	**161,316,221**	**30,272,295**	**626,610**	**3,621,385**	**(9,927,361)**	**24,592,929**
Private placements	44,209,827	12,152,071	(626,610)	-	-	11,525,461
Flow through share premium	-	(1,698,819)	-	-	-	(1,698,819)
Finder's fees – cash	-	(645,205)	-	-	-	(645,205)
Finder's fees – warrants	-	(193,500)	-	193,500	-	-
Share issuance costs	-	(308,548)	-	-	-	(308,548)
Warrant and option exercises	2,176,600	378,490	-	(45,000)	-	333,490
Stock-based compensation	-	-	-	997,977	-	997,977
Net and comprehensive loss for the year	-	-	-	-	(2,710,217)	(2,710,217)
Balance, March 31, 2023	**207,702,648**	**39,956,784**	**-**	**4,767,862**	**(12,637,578)**	**32,087,068**
Private placements	50,918,601	13,238,836	-	-	-	13,238,836
Finder's fees – cash	-	(211,026)	-	-	-	(211,026)
Finder's fees – warrants	-	(202,000)	-	202,000	-	-
Share issuance costs	-	(1,147,994)	-	-	-	(1,147,994)
Stock-based compensation	-	-	-	631,632	-	631,632
Net and comprehensive loss for the year	-	-	-	-	(2,761,157)	(2,761,157)
Balance, March 31, 2024	**258,621,249**	**51,634,600**	**-**	**5,601,494**	**(15,398,735)**	**41,837,359**

The accompanying notes are integral to these consolidated financial statements.

DEFENSE METALS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	**For the year ended March 31, 2024**	For the year ended March 31, 2023
		$	$
EXPENSES			
Consulting	7	**805,064**	654,201
Communications, marketing, investor, and public relations		**1,055,726**	1,336,644
Office and administrative	7	**303,324**	208,212
Professional	7	**326,737**	703,304
Regulatory and filing		**129,141**	134,875
Stock-based compensation	6,7	**631,632**	997,977
Loss before other items		**(3,251,624)**	(4,035,213)
Other items:			
Flow-through share premium	8,10	**373,823**	1,324,996
Interest income		**116,644**	-
Net and comprehensive loss for the year		**(2,761,157)**	(2,710,217)
Basic and Diluted Loss Per Share		**(0.01)**	(0.02)
Weighted Average Number of Shares Outstanding		**249,129,444**	178,464,756

The accompanying notes are integral to these consolidated financial statements.

DEFENSE METALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the year ended March 31, 2024	For the year ended March 31, 2023
	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	**(2,761,157)**	(2,710,217)
Non-cash items:		
Stock-based compensation	**631,632**	997,977
Flow-through share premium	**(373,823)**	(1,324,996)
Changes in non-cash working capital items:		
Sales tax receivable	**64,119**	16,968
Prepaid expenses and deposit	**(35,800)**	(49,045)
Accounts payable and accrued liabilities	**(129,855)**	106,392
	(2,604,884)	(2,962,921)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation assets	**(9,872,683)**	(6,633,089)
Prepaid exploration expenses	**(248,739)**	(271,444)
	(10,121,422)	(6,904,533)
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placement proceeds	**13,238,836**	11,525,461
Finder's fees and share issuance costs	**(1,359,020)**	(953,753)
Warrant and option exercises	**-**	333,490
	11,879,816	10,905,198
Net change in cash	**(846,490)**	1,037,744
Cash, beginning of the year	**1,762,556**	724,812
Cash, end of the year	**916,066**	1,762,556

Supplemental Information:		
Broker warrants issued in private placement	**202,000**	193,500

The accompanying notes are integral to these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The head office and the principal address of Defense Metals is Suite 228 – 1122 Mainland Street, Vancouver, BC V6B 5L1, Canada. Defense Metals is traded publicly and listed in Canada on the TSX Venture Exchange ("TSX-V"), trading symbol DEFN; in the United States on the OTCQB, trading symbol DFMTF; and on the Frankfurt Exchange, trading symbol 35D.

The Company does not have revenues and historically has operating losses. These consolidated financial statements have been prepared on the assumption that Defense Metals will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. A different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2024, the Company had a working capital balance of $362,830 (2023 - $1,390,029) but had not advanced its mineral properties to commercial production and, as such, is not able to finance day-to-day activities through operations. For the year ended March 31, 2024, the Company reported a comprehensive loss of $2,761,157 (2023 - $2,710,217) and as of that date, had an accumulated deficit of $15,398,735 (2023 - $12,637,578).

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

2. BASIS OF PRESENTATION

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were prepared by management, reviewed by Defense Metals' Audit Committee and approved and authorized for issuance by the Board of Directors on July 25, 2024.

Basis of preparation

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

Basis of consolidation

These consolidated financial statements include the accounts of Defense Metals and, previous to March 31, 2023, its controlled entity, Spectrum Mining Corporation ("Spectrum"). Control occurs when the Company is exposed to, or has the right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation. The Company acquired Spectrum on January 14, 2022 (Note 5). On April 1, 2023, the Company and Spectrum were legally amalgamated with the continuing entity being Defense Metals (Note 5).

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgments

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

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

Critical judgments

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

3. MATERIAL ACCOUNTING POLICIES

Exploration and evaluation assets

Defense Metals may hold interests in mineral property interests in various forms, including prospecting licenses, exploration and exploitation concessions, mineral leases and surface rights, and property options. The Company capitalizes payments made in the process of acquiring legal title to these properties. Given the uncertainties surrounding the fair value of the Company's mineral properties, share-based acquisition payments were valued at the fair value of the instruments issued. Mineral property interest acquisition costs are recorded at historical cost. Exploration and evaluation expenditures incurred on properties prior to obtaining legal rights to explore the specific area are charged to operations as incurred.

Exploration and evaluation assets are assessed for impairment if:
(i) sufficient data exists to determine technical feasibility and commercial viability, and
(ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Facts and circumstances as defined in *IFRS 6, Exploration for and Evaluation of Mineral Resources*, are as follows:
- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)
An impairment loss is reversed if there is indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

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

Restoration and environmental obligations
The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. At this stage, the Company's potential obligations for restoration and environmental costs are determined to be immaterial.

Share-based payments
Defense Metals may grant stock options to buy common shares of the Company through a stock option plan. The Company accounts for share-based payments using the fair value method. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes option pricing model which incorporates all market vesting conditions. Expected volatility in the Black-Scholes option pricing model was based on the historical stock price of the Company.

The Company may grant stock options that are subject to various vesting terms. Under IFRS, the fair value of each instalment of the award is considered a separate grant based on the vesting period with the fair value of each instalment determined separately and recognized as compensation expense over the term of its respective vesting period. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

3. MATERIAL ACCOUNTING POLICIES (continued)

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

Financial instruments
The Company recognizes a financial asset or liability when it becomes a party to the contractual provisions of the financial instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL"). A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method. The Company's cash is measured at FVTPL and accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

Earnings (loss) per share
Basic earnings (loss) per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. The diluted earnings per share are calculated based on the weighted average number of common shares outstanding during the period, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period.

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Flow-through shares and units (continued)

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

Share capital

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

New standards adopted during the year

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

These amendments are adopted by the Company effective April 1, 2023. The adoption of the amendments reduced the Company's disclosure of its accounting policies.

New standards issued but not yet effective

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

This new standard is effective for reporting periods beginning on or after January 1, 2027. The Company will be evaluating the impact of this standard on its financial statements.

(Expressed in Canadian Dollars)

4. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

	Level	**March 31, 2024**	March 31, 2023
		$	$
Cash	1	**916,066**	1,762,556

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

Management of Financial Risk

Defense Metals' financial instruments are exposed to certain financial risks, which include the following:

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

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company, to the best of its abilities, ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash and the Company's liabilities. The Company's cash is held in corporate bank accounts available on demand. As at March 31, 2024, Defense Metals had cash balance of $916,066 (2023 - $1,762,556) to fulfill accounts payable and accrued liabilities obligations of $808,911 (2023 - $282,698). The financial liabilities as at March 31, 2024 are due within 90 days. The Company manages liquidity risk through the management of its capital structure. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

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

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

Currency risk
The Company is subject to normal market risks including fluctuations in foreign exchange rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. There is low foreign exchange risk to the Company as the Company primarily operates within Canada.

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

Price risk
The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in individual equity prices or general 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 year ended March 31, 2024. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Wicheeda Project
	$
Balance at March 31, 2022	**24,138,630**
Drilling	1,402,517
Environmental	187,768
Field and camp costs	697,776
Geological (Note 7)	1,525,892
Geotechnical	145,756
Helicopter survey	612,086
Geochemical	836,335
Management and administration (Note 7)	183,069
Permitting related	156,765
Pilot plant metallurgical testing	128,991
Prefeasibility study	5,150
Preliminary economic assessment	258,674
Balance at March 31, 2023	**30,279,409**
Drilling	775,815
Environmental	346,127
Field and camp costs	691,074
Geological (Note 7)	1,727,897
Helicopter and survey	726,169
Geochemical	490,232
Management and administration (Note 7)	252,170
Mapping	27,185
Permitting related	1,398,704
Pilot plant metallurgical testing	1,896,202
Prefeasibility study	2,631,597
Recovery	(434,421)
Balance at March 31, 2024	**40,808,160**

<u>Acquisition of Spectrum Mining Corporation</u>

On November 22, 2018, Defense Metals entered into an option agreement to acquire all the issued and outstanding shares of Spectrum (the “Option Agreement”), which at the time was the beneficial and registered holder of 100% interest in six of Wicheeda Project claims. 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, by way of acquiring Spectrum, through the issuance of 78,115,549 Defense Metals common shares at a deemed price of $0.225 per share pro-rata to Spectrum shareholders, and the payment of $100,000 cash to Spectrum, for final payment consideration of $17,675,999. At that time, the Company issued 1,171,733 common shares to Mulgravian Ventures Corporation (a company owned by a Director of the Company) pursuant a finder’s fee agreement entered into in connection with the Option Agreement.

5. EXPLORATION AND EVALUATION ASSETS (continued)

The Wicheeda Project is 100% owned by Defense Metals and is comprised of 6 claims acquired through the acquisition of Spectrum, in addition to an additional 7 claims staked by Defense Metals between the dates of November 5, 2021 and June 6, 2023, for a total of 13 claims.

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

On April 1, 2023, the Company amalgamated with Spectrum, all the issued shares of which were held by the Company, under section 273 of the *Business Corporations Act* (British Columbia) (the "Amalgamation"), with the continuing entity being Defense Metals. Accordingly, the shares of Spectrum were cancelled pursuant to the Amalgamation.

6. EQUITY

Share Capital

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

For the year ended March 31, 2024

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

On January 31, 2024, the Company closed a non-brokered private placement of 2,841,678 common shares at a price of $0.26 per share for gross proceeds of $738,836.

For the year ended March 31, 2023

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 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.

6. EQUITY (continued)

Share Capital (continued)

On December 8, 2022, Defense Metals closed a private placement financing for gross proceeds of $6,094,020 comprising: (i) 12,364,172 flow-through common shares at a price of $0.28 per flow-through 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-transferable common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share at a price of $0.32 exercisable until December 8, 2024. 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 until December 8, 2024.

The Company incurred other cash finder's fees of $128,016 and other share issuance costs of $308,548 in addition to the cash finder's fees discussed above.

During the year ended March 31, 2023, 1,826,600 share purchase warrants were exercised for $0.15 per share for gross proceeds of $273,990.

During the year ended March 31, 2023, 350,000 stock options were exercised for $0.17 per share for gross proceeds of $59,500. The stock price on the date of exercise was $0.28.

Options

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

For the year ended March 31, 2024

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

On December 16, 2023, the Company granted 200,000 options to a consultant of the Company. These options had a grant date fair value of $20,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: $0.18; ii) share price: $0.17; iii) term: 3 years; iv) volatility: 93%; v) risk-free interest rate: 3.44%.

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

(Expressed in Canadian Dollars)

6. EQUITY (continued)

Options (continued)

For the year ended March 31, 2023

On April 12, 2022, the Company granted 900,000 options to consultants of the Company. Of these options granted, 100,000 were granted to a third-party investor relations company and vest over a period of twelve months in equal portions every three months starting three months from the date of grant. Another 300,000 were granted to another marketing consulting company and vest over a period of six months in equal portions every three months starting from the date of grant. These options are exercisable at $0.29 per share for a period of two years. These options had a grant date fair value of $130,550 calculated using the Black-Scholes model with the following inputs: i) exercise price: $0.29; ii) share price: $0.29; iii) term: 2 years; iv) volatility: 93%; v) risk-free interest rate: 2.336%.

On December 8, 2022, the Company granted 5,400,000 options to directors, officers and consultants of the Company. Of these options granted, 250,000 were granted to a third-party investor relations company and vest over a period of twelve months in equal portions every three months starting three months from the date of grant. These options are exercisable at $0.22 per share for a period of three years. These options had a grant date fair value of $706,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: $0.22; ii) share price: $0.21; iii) term: 3 years; iv) volatility: 99%; v) risk-free interest rate: 3.338%.

On January 11, 2023, the Company granted 800,000 options to directors and consultants of the Company. These options are exercisable at $0.22 per share for a period of three years. These options had a grant date fair value of $124,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: $0.24; ii) share price: $0.245; iii) term: 3 years; iv) volatility: 99%; v) risk-free interest rate: 3.395%.

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

	Number of Options	Weight Average Exercise Price	Weighted Average Life (years)
Balance, March 31, 2022	**15,466,333**	**$0.26**	**2.46**
Granted	7,100,000	$0.23	2.56
Exercised	(350,000)	$0.17	-
Forfeited	(1,260,000)	$0.25	-
Expired	(650,000)	$0.26	-
Balance, March 31, 2023	**20,306,333**	**$0.25**	**1.93**
Granted	6,300,000	$0.17	2.72
Expired	(2,081,333)	$0.35	-
Balance, March 31, 2024	**24,525,000**	**$0.22**	**1.49**

(Expressed in Canadian Dollars)

6. EQUITY (continued)

Options (continued)

The following stock options were outstanding and exercisable at March 31, 2024:

Number of Options Outstanding	Number of Options Vested and Exercisable	Exercise Price	Expiry Date
400,000*	400,000	$0.20	May 29, 2024
750,000	750,000	$0.16	December 24, 2024
600,000	600,000	$0.18	February 13, 2025
325,000	325,000	$0.15	April 7, 2025
200,000	200,000	$0.20	September 21, 2025
550,000*	550,000	$0.25	July 16, 2024
300,000	300,000	$0.27	October 25, 2024
300,000	300,000	$0.22	January 17, 2025
8,000,000	8,000,000	$0.26	January 21, 2025
600,000*	600,000	$0.29	April 12, 2024
5,400,000	5,400,000	$0.22	December 8, 2025
800,000	800,000	$0.22	January 11, 2026
5,700,000	5,550,000	$0.16	December 15, 2026
200,000	200,000	$0.18	December 16, 2026
400,000	400,000	$0.24	January 26, 2027
24,525,000	**24,375,000**		

*These options expired unexercised subsequent to March 31, 2024.

Warrants

Defense Metals issued the following warrants:

	Number of Warrants	Weight Average Exercise Price	Weighted Average Life (years)
Balance, March 31, 2022	**22,856,600**	**$0.38**	**1.62**
Granted	16,787,265	$0.36	1.30
Exercised	(1,826,600)	$0.15	-
Expired	(4,155,000)	$0.34	-
Balance, March 31, 2023	**33,662,265**	**$0.39**	**1.22**
Granted	2,311,753	$0.32	1.15
Balance, March 31, 2024	**35,974,018**	**$0.38**	**0.27**

For the year ended March 31, 2024

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

(Expressed in Canadian Dollars)

6. EQUITY (continued)

Warrants (continued)

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

For the year ended March 31, 2023

On April 5, 2022, the Company granted 487,087 broker warrants related to the closing of the private placement on the same day. The broker warrants have a term of two years and are exercisable at $0.35 per share. These warrants had an aggregate fair value of $60,800 calculated using the Black-Scholes model with the following inputs: i) exercise price: $0.35 per share; ii) share price: $0.27; iii) term: 2 years; iv) volatility: 98.57%; v) risk-free interest rate: 2.348%.

On May 20, 2022, the Company granted 272,727 broker warrants related to the closing of the private placement on the same day. The broker warrants have a term of two years and are exercisable at $0.33 per share. These warrants had an aggregate fair value of $29,000 calculated using the Black-Scholes model with the following inputs: i) exercise price: $0.33 per share; ii) share price: $0.245; iii) term: 2 years; iv) volatility: 94.62%; v) risk-free interest rate: 2.348%.

On December 8, 2022, the Company granted 1,049,246 broker warrants. The broker warrants have a term of two years and are exercisable between $0.22 to $0.32 per share. These warrants had an aggregate fair value of $103,700 calculated using the Black-Scholes model with the following inputs: i) exercise price: $0.22 to $0.32 per share; ii) share price: $0.21; iii) term: 2 years; iv) volatility: 99.769%; v) risk-free interest rate: 3.72%.

In estimating the fair value of broker warrants issued using the Black-Scholes option pricing model, the Company is required to make assumptions. The expected volatility assumption is based on the historical volatility of the Company. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the warrants' expected life. The Company uses historical data to estimate warrant exercise within the valuation model. The Company has historically not paid dividends on its common stock.

The following warrants were outstanding and exercisable at March 31, 2024:

Number	Exercise Price	Expiry Date
15,625,000*	$0.43	May 17, 2024
1,250,000*	$0.32	May 17, 2024
8,996,267*	$0.40	April 5, 2024
487,087*	$0.35	April 5, 2024
272,727*	$0.33	May 20, 2024
5,981,938	$0.32	December 8, 2024
553,793	$0.32	December 8, 2024
128,571	$0.28	December 8, 2024
366,882	$0.22	December 8, 2024
811,753	$0.32	May 25, 2025
1,500,000	$0.32	May 25, 2025
35,974,018		

*These warrants expired unexercised subsequent to March 31, 2024.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Key management personnel include those persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors (including former Directors) and corporate officers and companies controlled by them. The table below summarizes key management compensation for various services received by the Company:

	For the year ended March 31, 2024	For the year ended March 31, 2023
	$	$
Exploration and evaluation	**1,474,954**	1,387,167
Share issuance costs	**-**	22,488
Office and administrative	**12,600**	12,600
Consulting	**228,000**	284,000
Professional fees	**120,000**	109,000
Stock-based compensation	**346,737**	375,777

As at March 31, 2024, $59,695 (2023 - $Nil) was owing to a company for geological services of which a former director was a principal of; $3,464 (2023 - $Nil) was owing to the CEO for reimbursable expenses; and $14,998 (2023 - $Nil) owing to the President of the Company for geological services, consulting services, and reimbursable expenses. Amounts owing to related parties are unsecured, non-interest bearing, and carry no fixed terms of repayment. In addition, the Company had a prepaid expenses balance of $75,000 (2023 - $26,250) to a private company owned by the CEO.

8. COMMITMENTS

During the year ended March 31, 2023, the Company entered into flow-through share subscription agreements whereby it was obligated to incur a total of $7,180,988 on flow-through eligible exploration expenditures. As of March 31, 2023, $5,408,120 has been incurred and the Company had a flow-through obligation of $1,772,858 relating to unspent exploration commitments. The Company must incur the eligible expenditures within 24 months from issuing the flow-through shares.

The flow-through shares were issued at a premium in recognition of the tax benefits accruing to subscribers. The flow-through share premium was calculated to be $1,698,819 and as at March 31, 2023, $1,324,996 was recognized as a settlement of the flow-through premium leaving $373,823 as a flow-through obligation in the consolidated statement of financial position.

During the year ended March 31, 2024, the Company incurred additional flow-through eligible exploration expenditures and recognized the remainder of the $373,823 as a settlement of the flow-through share premium.

9. SEGMENTED INFORMATION

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

(Expressed in Canadian Dollars)

10. DEFERRED INCOME TAX

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	March 31, 2024	March 31, 2023
	$	$
Net loss for the year	**(2,761,157)**	(2,710,217)
Statutory tax rate	**27%**	27%
Expected income taxes (recovery) at the statutory tax rate	**(746,000)**	(732,000)
Non-deductible permanent differences	**70,000**	(89,000)
Flow-through share premium	**(373,823)**	(1,324,996)
Renunciation of flow-through expenditures	**479,000**	1,460,000
Change in unrecognized tax benefits and other	**197,000**	(639,000)
Deferred income tax recovery	**(373,823)**	(1,324,996)

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	March 31, 2024	March 31, 2023
Deductible temporary differences		
Loss carry-forwards	**$ 16,303,000**	$ 11,619,000
Share issuance costs	**2,136,000**	1,335,000
	$ 18,439,000	$ 12,954,000

The Company has non-capital losses of approximately $16,303,000 (2023 - $11,619,000) available to offset future income for income tax purposes which commence expiring in 2037. Due to the uncertainty of realization of these loss carry-forwards, the unbenefited losses carried forward is not reflected in the financial statements. The share issuance costs expire between 2024 and 2028.

Years	$
2037	26,000
2038	169,000
2039	652,000
2040	350,000
2041	500,000
2042	3,091,000
2043	3,772,000
2044	7,743,000
Total	16,303,000

11. SUBSEQUENT EVENTS

On April 3, 2024, the Company granted 800,000 stock options to certain directors and a consultant of the Company pursuant to the terms of the Company's stock option plan. The stock options are exercisable to acquire common shares at an exercise price of $0.24 per common share for a period of three years, vesting immediately.

Commencing May 1, 2024, the Company entered into an office sublease in Vancouver, Canada for a term of two years at a monthly base rent of $5,998.