



DEFENSE METALS

**Management's Discussion and Analysis
For the three months ended June 30, 2023
Dated: August 25, 2023**

DEFENSE METALS CORP.

Management's Discussion and Analysis of Financial Condition and Results of Operations For the First Quarter Ended June 30, 2023

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 August 25, 2023, and supplements but does not form part of the financial statements of Defense Metals and as such, should be read in conjunction with the condensed interim financial statements for the period ended June 30, 2023 along with the related notes thereto, and the audited consolidated financial statements and the notes thereto, as at and for the year ended March 31, 2023.

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

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

Management's Responsibility

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

Caution Regarding Forward-Looking Statements and Forward-Looking Information

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

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

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, which are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices (including the price of rare earth elements); governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; adverse weather and climate events; competition for and/or inability to retain drilling rigs, personnel and other services; the availability of capital on acceptable terms; failure to maintain or obtain all necessary government permits, approvals and authorizations; the impact of Covid-19

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or other viruses and diseases on the Company's ability to operate; failure to maintain community acceptance (including First Nations); increase in costs; litigation; failure of counterparties to perform their contractual obligations; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under "Risks and Uncertainties" as well as in our public filings available at www.sedarplus.ca. Readers are cautioned that this list of risk factors should not be construed as exhaustive. Such forward-looking information reflects the Company's views with respect to future events and is subject to risks, uncertainties and assumptions, including the risks and uncertainties relating to the interpretation of exploration and metallurgical results, risks related to the inherent uncertainty of exploration, metallurgy and cost estimates, the potential for unexpected costs and expenses and those other risks filed under the Company's profile on SEDAR+ at www.sedarplus.ca. While such estimates and assumptions are considered reasonable by the management of the Company, they are inherently subject to significant business, economic, competitive and regulatory uncertainties and risks.

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

Scientific and Technical Disclosure

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

HIGHLIGHTS DURING THE REPORTING PERIOD

- Further developed the 100% owned Wicheeda Project; see discussions below.
- Completed significant equity financings during and after the reporting period.

BACKGROUND AND RESOURCE ESTIMATES

Defense Metals is an exploration and development stage company engaged in the exploration and development of the Wicheeda Project, a rare earth element ("REE") project located approximately 80 km northeast of the city of Prince George, British Columbia (the "Wicheeda Project", Figure 1). The Wicheeda Project is 100% owned by Defense Metals and is 6,759 hectares (~16,702-acres) comprising 6 claims (1,708 hectares) acquired through completion of the Spectrum Mining Corporation ("Spectrum") option agreement (see below), in addition to Defense Metals staking an additional 6 claims (5,051 hectares) between the dates of November 5, 2021 and June 6, 2023.

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Figure 1: Wicheeda Project Location

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

A Preliminary Economic Assessment National Instrument 43-101 Technical Report on the Wicheeda Property, British Columbia, dated January 6, 2022, with an effective date of November 7, 2021 and prepared by SRK Consulting (Canada) Inc. is available under the Company's profile on SEDAR+ (www.sedarplus.ca) and on our website at www.defensemetails.com.

MINERAL PROPERTIES

Wicheeda Rare Earth Element Deposit

On November 22, 2018, Defense Metals entered into an option agreement to acquire all the issued and outstanding shares of Spectrum, which at the time was the beneficial and registered holder of 100% interest in six mining claims located in the Cariboo Mining Division of British Columbia, Canada known as the Wicheeda Rare Earth Element Project (the "Property"). To exercise the option, Defense Metals incurred exploration expenditures, issued shares to Spectrum shareholders, and made cash payments to Spectrum.

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

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

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

On January 8, 2019, the Company announced collection of a 30-tonne surface bulk sample from the Wicheeda REE Deposit, which was shipped to SGS Minerals (“SGS”) facility in Lakefield, Ontario. The bulk sample provided REE mineralized feed material for a multi-phase program of bench-scale metallurgical test work preparatory to larger-scale pilot plant flotation testing. Composite head assay results, announced March 14, 2019 for the 30-tonne bulk sample, were 1.77% lanthanum oxide (“La₂O₃”), 2.34% cerium oxide (Ce₂O₃) 0.52% neodymium oxide (“Nd₂O₃”), and 0.18% praseodymium oxide (“Pr₂O₃”) for a total of 4.81% light rare earth oxide (“LREO”).

On October 23, 2019, Defense Metals announced the results of 40 batch flotation tests completed by SGS, designed to produce an optimized process flowsheet through iterative test procedures with varying process conditions, which informed the final Locked-Cycle Test (“LCT”) that successfully produced (**see Table 1**):

- 48.7% total rare earth oxide (“TREO”) high-grade concentrate; in this case expressed as the sum of cerium, lanthanum, neodymium, and praseodymium oxides (Ce₂O₃+La₂O₃+Nd₂O₃+ Pr₂O₃)
- 85.7% TREO metallurgical recovery
- 10.1 times upgrading ratio from head grade of 4.81% TREO
- 8.2% concentrate mass yield

Table 1: Wicheeda Rare Earth Deposit Locked-Cycle Test Results

Combined Products	Weight		Assays %					Global Distribution %				
	g	%	Ce ₂ O ₃	La ₂ O ₃	Nd ₂ O ₃	Pr ₂ O ₃	REO	Ce ₂ O ₃	La ₂ O ₃	Nd ₂ O ₃	Pr ₂ O ₃	REO
LCT-1 REE 3rd Cl Conc	1,050	8.2	23.7	17.9	5.26	1.84	48.7	85.4	86.6	85.6	82.0	85.7
LCT-1 REE 1st Cl Scav Tail	2,093	16.4	0.47	0.32	0.09	0.03	0.91	3.4	3.1	3.0	3.0	3.2
LCT-1 REE Ro Scav Tail	9,643	75.4	0.34	0.23	0.08	0.04	0.69	11.3	10.3	11.4	15.0	11.1
Total Feed	12,786	100	2.28	1.70	0.50	0.18	4.66	100	100	100	100	100
Direct Feed			2.34	1.77	0.52	0.18	4.81					

On December 12, 2019, the Company announced assay results for the final two drill holes of the Wicheeda REE Deposit Mineral Resource Estimate (“MRE”) 2019 core drill program, which commenced August 12, 2019, and comprised 13 core drill holes totalling 2,007.5 metres (“m”). Drill hole WI19-31 (-55° dip / 275° azimuth) was drilled to test the northern extension of the Wicheeda REE Deposit and returned 4.43% LREO”; in this case being the sum of cerium, lanthanum, neodymium, praseodymium, and samarium oxides (Ce₂O₃ + La₂O₃ + Nd₂O₃ + Pr₂O₃ + Sm₂O₃) over a drill core interval of 83 metres; including an interval assaying 5.47% LREO over a drill core interval of 33 metres¹; the highest grade drill intercepts to date for the Wicheeda Project (**see Table 2**).

Table 2: Significant Wicheeda REE Project 2019 Diamond Drill Intercepts

Hole ID	From (m)	To (m)	Interval (m)	Ce ₂ O ₃ (%)	La ₂ O ₃ (%)	Nd ₂ O ₃ (%)	Pr ₂ O ₃ (%)	Sm ₂ O ₃ (%)	LREO (%)
WI19-20	4.6	68.8	64.2	2.1	1.54	0.46	0.18	0.04	4.32
WI19-21	3.9	114	110.1	1.57	1.16	0.36	0.14	0.04	3.26
WI19-22	7	113	106	1.31	0.98	0.28	0.11	0.03	2.71
WI19-23	4	109	105	1.49	1.14	0.34	0.13	0.03	3.12
WI19-24	2.9	83	80.1	1.18	0.83	0.29	0.1	0.03	2.43
WI19-25	1.1	143.4	142.3	1.08	0.78	0.24	0.09	0.03	2.22
including	1.1	25	23.9	1.89	1.42	0.39	0.14	0.04	3.87
and	60	83	23	1.9	1.42	0.43	0.15	0.04	3.93
WI19-26	1.8	128	126.2	1.34	1.07	0.29	0.1	0.03	2.82
including	32	80	48	1.99	1.61	0.42	0.15	0.04	4.21
WI19-27	2	120.3	118.3	1.22	0.92	0.27	0.1	0.03	2.54
WI19-28	3.2	72.6	69.5	1.17	0.9	0.27	0.1	0.03	2.46
WI19-29	73	162	89	1.44	1.07	0.35	0.12	0.04	3.01
WI19-30	47	177.8	130.8	1.24	0.91	0.31	0.11	0.03	2.59
including	47	74	27	2.11	1.59	0.5	0.18	0.05	4.43
WI19-31	55.7	138.5	82.9	2.08	1.6	0.51	0.19	0.05	4.43
including	64	97	33	2.58	1.96	0.64	0.23	0.06	5.47
WI19-32	86	114	28	1.25	1.01	0.3	0.11	0.03	2.71
and	142	217	75	1.74	1.33	0.37	0.14	0.04	3.63
including	151	209	58	1.92	1.49	0.4	0.16	0.04	4.01

On February 18, 2020, Defense Metals announced final bench-scale hydrometallurgical test program results received from SGS wherein samples of Wicheeda flotation concentrate were used in hydrometallurgical test work by SGS that led to the successful development of a flowsheet for the processing of the flotation concentrate to a high-grade mixed REE hydroxide precipitate. Significant results of this hydrometallurgical test program included:

- Initial flotation concentrate processing via mild hydrochloric acid leach to extract gangue minerals while leaving REEs in the leach residue.
- High REE extraction from flotation concentrate of ~ 90% into a chloride-based leach solution with opportunities identified to increase recoveries even further.
- Simple treatment of the leach solution with limestone achieved high (94-100%) removal of impurities such as iron, phosphorous, and thorium with only minor (2-4 %) REE losses.
- Simple treatment of purified liquor with hydrated lime led to the production of a high grade 67.5% total rare earth element ("TREE"; see **Table 3** for detailed composition) mixed REE hydroxide precipitate at high (99-100%) Critical REE recovery from solution.
- Overall recoveries of 70-75% TREE from the bulk sample to a high-grade mixed REE hydroxide precipitate, and up to 76-78% TREE with reprocessing of the final leach residue.
- Regeneration of 20% (w/w) hydrochloric acid from final process liquors for re-use in the leaching operation.

Table 3: Final REE Hydroxide Product Assay

REE Hydroxide Precipitate (g/t)		REE Hydroxide Precipitate (%)	
La	224,000	Si	0.26
Ce	333,000	Al	0.06
Pr	27,500	Fe	0.03
Nd	76,400	Mg	<0.01
Sm	7,210	Ca	0.03
Eu	1,606	Na	-
Gd	3,720	K	<0.01
Tb	260	Ti	<0.01
Dy	718	P	<0.01
Ho	51.6	Mn	0.02
Y	<700		
Er	55		
Tm	2.6		
Yb	4.1		
Lu	<0.5		
Sc	<40		
Th	5.4		
U	2		
TREE (%)	67.5		
LREE (%)	66.8		
HREE (%)	0.7		

On August 4, and August 13, 2020, Defense Metals announced the results of a total of 20 pilot plant processing runs with respect to flotation pilot plant processing of the Wicheeda bulk sample. Mass balance assay results for the confirmatory stages of the pilot plant are presented in **Table 4 below**. Highlights of the bulk sample flotation pilot plant testing are:

- 26 tonnes of bulk sample feed were processed over 178 hours of flotation pilot plant operation
- Approximately 1,200 kilograms (“kg”) of high-grade REE flotation concentrate was produced (dry weight at ~15% moisture content)
- Process run concentrate grades ranged from 45.4% up to 56.7% LREO (expressed as the sum of light rare earth element oxides $Ce_2O_3+La_2O_3+Nd_2O_3+Pr_2O_3$)
- Process recovery ranged from 53.8% up to 81.5% LREO
- Average rare earth oxide (“REO”) recovery was 77.3%, in concentrate grading 51.6% LREO with a mass pull of 7.0% from pilot runs PP14 to PP16C (the confirmatory stages of the pilot plant test work)

Table 4: Wicheeda Flotation Pilot Plant Confirmatory Mass Balance Results

Pilot Run	Weight	Assay %				% Distribution (Recovery)				
		Ce_2O_3	La_2O_3	Nd_2O_3	Pr_2O_3	Ce_2O_3	La_2O_3	Nd_2O_3	Pr_2O_3	LREO

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	%					LREO Concentrate Grade					
PP-16C	7.1	25.73	19.98	5.74	2.03	53.47	76.97	78.27	77.03	78.12	77.60
PP-16A	7.4	24.22	18.58	5.41	1.90	50.11	77.39	78.19	76.44	83.81	78.96
PP-15D	7.3	23.90	18.36	5.28	1.84	49.38	79.90	81.26	81.95	82.71	81.46
PP-15C	6.8	26.40	20.15	5.80	2.03	54.39	78.72	80.44	81.40	75.98	79.13
PP-15B	6.3	24.75	18.88	5.43	1.94	51.00	69.27	70.86	69.92	68.53	69.64
PP-14	6.8	24.8	19.1	5.52	1.93	51.3	76.5	78.5	77.9	74.3	76.8

On February 16, March 1, and May 11, 2021, Defense Metals announced the results of ongoing pre-hydrometallurgical pilot plant test work. Highlights of these additional hydrometallurgical test results were:

- Increased REE extraction, ranging from 91.5% to 97.3%, from flotation concentrate (~75% from bulk sample feed) into a chloride-based leach solution compared to initial testing (CC-21, see **Table 5**)
- Decreased REE losses via milder gangue leaching compared to the base-case flowsheet
- Simplification of flowsheet by removing a re-grind step and reducing caustic dosage on re-crack (CC-20) yielded comparable REE extraction of 95.8% from flotation concentrate (~74% from bulk sample feed)

Table 5: Comparison of 2019/2020 and 2021 Hydrometallurgical Nd Recoveries

Initial Bench Program (2019-2020)	Stage Extraction (Nd)	Nd Recovery from Bulk Sample Feed	Nd Recovery from Conc.
Flotation Conc.	86%	85.7%	100%
Gangue Leach	8%		
Caustic Crack 1	100%		
Acid Leach 1	91%	71.7%	83.7%
Caustic Crack 2	100%		
Acid Leach 2	86%	77.8%	91.5%
Second Bench Program (2020-2021) CC21 Data Set	Stage Extraction (Nd)	Nd Recovery from Bulk Sample Feed	Nd Recovery from Conc.
Flotation Conc.	77%	77.3%	100%
Gangue Leach	0%		
Caustic Crack 1	0%		
Acid Leach 1	89%	68.6%	88.7%
Caustic Crack 2	0%		
Acid Leach 2	76%	75.2%	97.3%

On March 23, 2021, Defense Metals announced that it received requests from two third-party REE processors for samples of Wicheeda mineral concentrate for the purposes of evaluation prior to entering discussions with respect to the negotiation of an initial Memorandum of Understanding (“MOU”) regarding potential mineral concentrate offtake agreements. Defense Metals initiated the process of preparing Canadian government export permit documentation required to export Wicheeda REE mineral concentrate samples internationally. The Company announced a further two requests from interested parties for mineral concentrate samples on April 12, 2021. An export permit was granted by the Canadian government in the period ended March 31, 2023, but in the interim processing time the associated license expired such that the Company will be required to re-apply for the license if it elects to proceed with any sample shipments.

On August 10, 2021, Defense Metals announced the execution of a non-binding MOU with Sinosteel Equipment & Engineering Co., Ltd (“Sinosteel MECC”), a subsidiary of Sinosteel Corporation, regarding information sharing, beneficiation test work, potential concentrator design research cooperation, and an investigation into the establishment of an on-site, large-scale pilot plant at the Wicheeda Property to help assess the economic and technical feasibility of full-scale mine development. As of the date hereof, there has been minimal progress and no work carried out with Sinosteel MECC; the Sinosteel MOU has terminated/expired.

On November 8, 2021, Defense Metals announced the completion of an additional 5,349 metres of core drilling in 29 holes. This drill program was designed to expand the deposit and provide data allowing for an upgrade of the existing MRE to measured and indicated categories. On April 27, 2022, the Company announced the final drill results from this drilling (see Table 8 below).

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On November 24, 2021, as amended January 6, 2022, Defense Metals announced an updated Mineral Resource Estimate (the "2021 MRE") and Preliminary Economic Assessment ("PEA") NI 43-101 Technical Report for the Wicheeda REE Project (the "Technical Report") had been filed on SEDAR. The Technical Report, dated January 6, 2022 with an effective date of November 7, 2021, is titled "Preliminary Economic Assessment for the Wicheeda Rare Earth Element Project" and was prepared by SRK Consulting (Canada) Inc. See Table 6 for summary financial results and assumptions from this PEA.

Table 6: Wicheeda PEA Summary

Project Metric	Units	Current
Pre-tax Net Present Value @ 8% Discount Rate	\$K (CAD)	\$760,585
Post-tax NPV @ 8%	\$K (CAD)	\$516,500
Pre-tax Internal Rate of Return	% (real)	22%
Post-tax IRR	% (real)	18%
Undiscounted After-tax Cashflow (Life of Mine)	\$K (CAD)	\$1,668,640
Payback Period from start of production	Years	5
Initial Capital Expenditure	\$K (CAD)	\$440,068
Maximum Production Rate	mtpa	1.8
Mine Life	years	16
Average Production Rate after Ramp-up	mtpa	1.73
Mill Feed for Concentrate Sales	tonnes	5,416,388
Mill Feed for HM Plant Precipitate Sales	tonnes	20,712,812
Life Mine ROM Grade	% REO in mill feed	2.33%
Life of Mine Strip Ratio	Waste:Mill feed	1.75
Net Revenue from Concentrate	\$K (CAD)	\$862,520
Net Revenue from Precipitate	\$K (CAD)	\$5,236,095
Operating Margin	%	60%
Total Unit Operating Costs	\$(CAD)/t Total Mill feed	\$90.64

The 2021 MRE for Wicheeda represents a 36% increase on a contained metal basis in comparison to the prior 2020 MRE due to the estimation of additional economically significant medium and heavy REE's and a lower cut-off grade established based on consideration of TREO and concentrate payable, metallurgical recovery, and operating cost assumptions. The 2021 MRE comprises a 5.0 million tonne Indicated Mineral Resource, averaging 2.95% TREO (in this case expressed as the sum of the oxides: CeO₂, La₂O₃, Nd₂O₃, Pr₆O₁₁, Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃ and Ho₂O₃), and a 29.5 million tonnes Inferred Mineral Resource, averaging 1.83% TREO, reported at a cut-off grade of 0.5% TREO within a conceptual Lerchs-Grossman (LG) pit shell and is provided in **Table 7**.

Table 7: Wicheeda Mineral Resource Estimate (effective date November 7, 2021)

Category	Tonnes	TREO	TREO	CeO ₂	La ₂ O ₃	Pr ₆ O ₁₁	Nd ₂ O ₃	Sm ₂ O ₃	Gd ₂ O ₃	Eu ₂ O ₃	Dy ₂ O ₃	Tb ₄ O ₇	Ho ₂ O ₃
	(Million)	(%)	(kt)	(%)	(%)	(%)	(%)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)	(ppm)
Indicated	5.0	2.95	148	1.44	1.04	0.11	0.30	296	126	60	33	11	3
Inferred	29.5	1.83	539	0.89	0.61	0.08	0.21	240	112	50	32	10	4

Notes for 2021 Mineral Resource Estimate:

- The 2021 MRE was prepared by Warren Black, M.Sc., P.Geo. of APEX Geoscience Ltd under the supervision of the QP, André M. Deiss, BSc (Hons), Pri.Sci.Nat. of SRK Consulting (Canada) Inc., in accordance with CIM Definition Standards.

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- The 2021 MRE is classified according to the CIM "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines" dated November 29th, 2019, and CIM "Definition Standards for Mineral Resources and Mineral Reserves" dated May 10th, 2014.
- Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There is no guarantee that any part of the mineral resources discussed herein will be converted to a mineral reserve in the future.
- All figures are rounded to reflect the relative accuracy of the estimates. Total may not sum due to rounding.
- Mean rock densities supported by 795 measurements applied: 2.94 g/cm³ (dolomite-carbonatite), 2.87 g/cm³ (xenolithic-carbonatite), 2.70 g/cm³ (syenite), and 2.74 g/cm³ (limestone).
- The reasonable prospect for eventual economic extraction is met by reporting the Mineral Resource Estimate at a cut-off grade of 0.50% TREO (total rare earth oxide, sum of 10 oxides: CeO₂, La₂O₃, Nd₂O₃, Pr₆O₁₁, Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃ and Ho₂O₃), contained within a Lerchs-Grossman (LG) optimized pit shell
- The cut-off grade is calculated, and the LG pit is optimized based on the assumption that the hydrometallurgical processes can produce mixed REE carbonate precipitates. The parameters utilized include the following considerations:
 - TREO price: \$18.66/kg
 - Exchange rate of 1.30 C\$:US\$
 - Precipitate production grades of 81.09% of TREO
 - Processing cost includes \$21.47/t of mill feed for flotation plus a variable cost for hydrometallurgical plant that varies based on the feed grade. The average cost of hydrometallurgical plant is assumed to be \$1,204/t of concentrate.
 - Mining cost of C\$2.00/t for mill feed and waste
 - G&A Costs included in the processing cost is C\$6M/yr.
 - The overall process recoveries: For TREO ≥2.3%, recovery is 69.6%; between 2.3% and 1.5% TREO, recovery is 65.3%; and less than 1.5% TREO, recovery is 52.2%. These assume variable flotation recoveries and a constant 87% hydrometallurgical recovery.
 - Overall pit slope angles vary by zone between 40 and 48 degrees

On April 27, 2022 Defense Metals announced the final drill results from its 29 hole, 5,349 metre diamond drill program completed during fall 2021 (**Table 8**)

Table 8. Wicheeda REE Deposit 2021 Diamond Drill Intercepts

Hole ID	From (m)	To (m)	Interval (m)	TREO ¹ (%)	Ce ₂ O ₃ (%)	La ₂ O ₃ (%)	Nd ₂ O ₃ (%)	Pr ₂ O ₃ (%)	Sm ₂ O ₃ (ppm)	Gd ₂ O ₃ (ppm)	Eu ₂ O ₃ (ppm)	Dy ₂ O ₃ (ppm)	Tb ₄ O ₇ (ppm)	Ho ₂ O ₃ (ppm)
WI21-33 (350/-80)	5.00	201.00	196	3.17	1.52	1.07	0.37	0.13	382	181	81	42	14	4
<i>including</i>	5.00	55.25	50.25	3.63	1.74	1.26	0.41	0.14	396	181	84	52	16	6
<i>including</i>	146.00	201.00	55.00	4.29	2.07	1.48	0.47	0.17	489	232	112	52	18	5
WI21-34 (040/-55)	3.00	117.00	114.00	2.97	1.46	1.02	0.33	0.11	323	134	58	23	9	2
<i>including</i>	3.00	70.00	67.00	3.84	1.89	1.34	0.41	0.15	379	160	69	29	11	3

¹TREO % sum of CeO₂, La₂O₃, Nd₂O₃, Pr₆O₁₁, Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃ and Ho₂O₃. The true width of REE mineralization is estimated to be 70-100% of the drilled interval.

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WI21-35 (080/-55)	1.20	121.00	119.80	3.87	1.87	1.34	0.43	0.15	434	200	88	52	17	6
WI21-36 (108/-80)	1.10	174.00	172.90	2.34	1.14	0.78	0.27	0.09	293	134	59	35	11	4
<i>including</i>	1.10	35.65	34.55	3.45	1.66	1.21	0.38	0.13	374	170	72	37	13	4
<i>including</i>	136.00	174.00	38.00	3.02	1.46	1.05	0.33	0.12	337	157	68	40	13	4
WI21-37 (108/-45)	2.00	139.85	137.85	3.19	1.56	1.10	0.35	0.12	351	144	66	30	11	3
<i>including</i>	2.00	57.00	55.00	4.00	1.96	1.38	0.42	0.15	427	164	76	35	12	3
WI21-38 (220/-70)	1.35	82.00	80.65	3.08	1.50	1.07	0.33	0.12	346	154	70	40	13	4
<i>including</i>	1.35	24.75	23.4	6.01	2.91	2.14	0.62	0.23	607	246	114	60	20	6
WI21-39 (285/-60)	4	114	110	2.62	1.28	0.87	0.30	0.10	320	158	73	42	13	5
<i>and</i>	114	224.8	110.8	0.72	0.35	0.21	0.10	0.03	129	75	31	30	8	4
WI21-40 (345/-65)	2.75	165	162.25	3.23	1.57	1.11	0.36	0.13	370	158	70	39	13	4
<i>including</i>	2.75	47.5	44.75	4.21	2.05	1.46	0.46	0.16	452	197	92	61	18	7
<i>including</i>	96	167	71	3.67	1.79	1.26	0.41	0.14	411	173	75	35	13	3
WI21-43 (045/-85)	10.75	124.1	113.35	0.55	0.26	0.17	0.07	0.02	121	84	33	35	9	5
WI21-44 (240/-60)	17.5	125.6	108.1	1.72	0.83	0.57	0.20	0.07	266	141	69	47	14	6
<i>including</i>	35	89	54	2.59	1.24	0.87	0.29	0.10	384	205	102	70	20	9
WI21-45 (240/-75)	47.8	106.9	59.1	1.46	0.67	0.51	0.17	0.06	230	134	83	43	13	6
<i>including</i>	47.8	74	26.2	2.48	1.13	0.88	0.29	0.10	384	225	151	67	21	8
WI21-46 (190/-50)	18.9	135.3	116.4	1.66	0.80	0.56	0.20	0.06	229	108	47	28	9	3
<i>including</i>	48	90	42	2.27	1.09	0.79	0.25	0.09	271	112	48	22	8	2
<i>including</i>	117.55	135.3	17.75	2.32	1.12	0.74	0.30	0.09	350	170	75	42	14	5
WI21-47 (280/-60)	17	98.36	81.36	0.58	0.28	0.18	0.08	0.02	108	67	30	29	7	4
WI21-48 (145/-45)	12	188	176	2.50	1.22	0.84	0.29	0.10	306	130	57	27	10	3
<i>including</i>	12	32	20	6.15	2.98	2.11	0.69	0.24	669	311	142	80	25	9
WI21-49 (190/-70)	33	183	150	3.79	1.80	1.36	0.41	0.14	430	197	86	45	16	5
<i>including</i>	82	142	60	4.77	2.28	1.71	0.51	0.18	520	228	103	54	18	5
WI21-50 (215/-50)	23	149.7	126.7	1.60	0.76	0.55	0.18	0.06	205	110	47	34	10	4
<i>including</i>	50.35	85.65	35.3	3.34	1.59	1.23	0.33	0.12	341	166	72	40	13	4
WI21-51 (030/-55)	4.25	92.7	88.45	2.47	1.18	0.88	0.26	0.09	267	127	56	25	9	3
<i>and</i>	92.7	251	158.3	1.27	0.62	0.39	0.17	0.05	206	103	46	32	9	4
WI21-52 (260/-45)	3.25	72.8	69.55	3.31	1.58	1.16	0.37	0.13	395	188	84	53	17	6
WI21-53 (260/-65)	2.7	83	80.3	3.06	1.48	1.08	0.32	0.12	319	148	68	37	13	4

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WI21-54 (320/-45)	2.4	147	144.6	3.06	1.48	1.10	0.31	0.12	306	132	61	32	11	3
WI21-55 (320/-65)	2.2	119	116.8	3.81	1.85	1.36	0.39	0.15	364	169	77	36	13	4
<i>including</i>	2.2	41	38.8	4.33	2.11	1.51	0.46	0.17	459	208	92	45	16	5
<i>including</i>	67	104.5	37.5	4.87	2.36	1.79	0.47	0.18	403	188	87	39	14	4
WI21-56 (065/-45)	5.35	56.5	51.15	3.56	1.74	1.27	0.35	0.14	323	140	66	33	11	3
<i>and</i>	56.5	225.2	168.7	1.41	0.69	0.47	0.16	0.06	196	89	43	20	7	2
WI21-57 (290/-50)	21.6	137.5	115.9	3.45	1.68	1.24	0.35	0.13	318	140	68	36	13	4
<i>and</i>	137.5	234	96.5	1.37	0.67	0.48	0.15	0.05	158	77	36	23	7	3
WI21-58 (355/-60)	1.8	252.6	250.8	3.09	1.51	1.08	0.33	0.12	315	134	62	29	11	3
<i>including</i>	51	131	80	3.92	1.93	1.39	0.40	0.14	358	153	71	34	13	3
WI21-59 (015/-70)	2.4	214	211.6	2.76	1.32	0.99	0.29	0.10	279	120	56	27	10	3
<i>including</i>	2.4	92	89.6	3.25	1.58	1.18	0.32	0.12	302	123	60	32	11	3
WI21-60 (205/-55)	1.3	154.9	153.6	2.93	1.43	1.01	0.31	0.11	320	145	67	36	12	4
<i>including</i>	1.3	40	38.7	5.47	2.69	1.93	0.55	0.21	490	217	99	56	18	6
WI21-61 (210/-50)	57	170	113	3.44	1.64	1.22	0.38	0.13	368	168	71	31	12	3
<i>and</i>	170	248.5	78.5	0.93	0.45	0.28	0.12	0.04	151	84	36	31	8	4

On June 7, 2022, Defense Metals announced the start of its 2022 Wicheeda Project core drill program of up to 5,000 metres designed to further delineate existing resources, assess near deposit exploration targets, collect geotechnical and hydrogeological data for the purpose of optimization of open pit slope design, and generate additional REE mineralized material for continued metallurgical testwork. This 2022 drill campaign was also expected to include up to 1,500 metres of pit geotechnical and hydrogeological drilling.

On May 31, 2022, Defense Metals announced initial test results of an alternative hydrometallurgical process to the PEA base case gangue-leach caustic crack process. Initial test work shows that adoption of the hydrometallurgical acid-bake process results in improved REE extraction, with potential improvements in capital and operating costs. The preliminary results show that the acid-bake process yields >95% recovery of neodymium and praseodymium from flotation concentrate into a leach solution.

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.

On October 17, 2022, the Company announced partial flotation variability results across a range of grades and lithologies throughout the Wicheeda deposit. The variability samples were representative of the three key REE-bearing lithologies in the Wicheeda REE deposit: 1) the higher-grade dolomite carbonatite ("DC") which makes up 73% of the deposit, 2) the xenolithic carbonatite ("XE") that represents 24%; and 3) the syenite ("SYN"). Figure 2 shows the mine plan as presented in the PEA.

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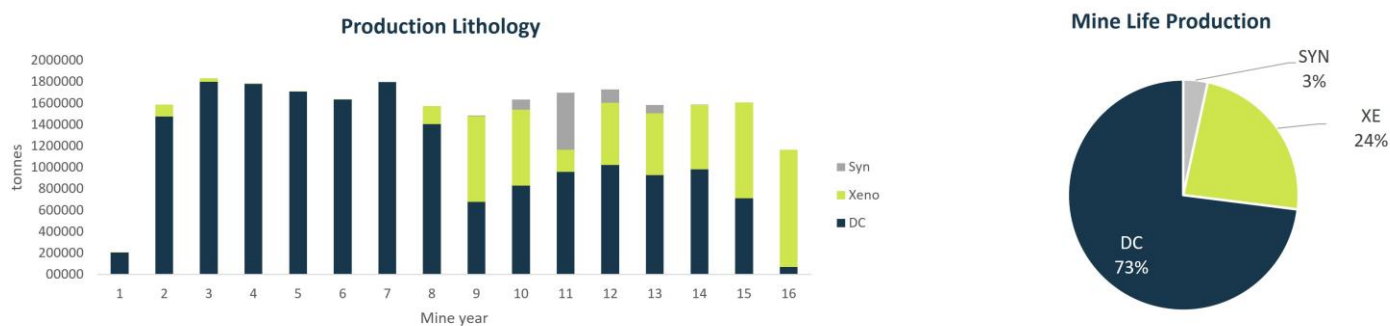


Figure 2: Wicheeda REE Deposit Lithologies During Mine Life

This flotation variability test work showed that a high-grade mineral concentrate containing more than 40% TREO at greater than 80% recovery, is achievable from both dolomite carbonatite and master composite materials with head grades >2% TREO. Xenolithic dolomite carbonatite samples yielded a 38% TREO concentrate at approximately 70% recovery at 1.44% head grade, while syenite lithologies comprising about 3% of the PEA mine schedule tonnage yielded a 14.6% TREO concentrate at approximately 79% recovery.

On October 26, 2022, the Company announced completion of the 2022 Wicheeda Project core drill program that comprised 18 holes totalling 5,510 metres; including five (5) pit slope geotechnical and hydrogeologic holes totalling 1,150 m.

Through January 24, 2023, Defense Metals announced results for the 2022 core drilling campaign (see **Table 9**).

Table 9. Wicheeda REE Deposit 2022 Diamond Drill Intercepts

Hole ID	From (m)	To (m)	Interval (m)	TREO ² (%)	Ce ₂ O ₃ (%)	La ₂ O ₃ (%)	Nd ₂ O ₃ (%)	Pr ₂ O ₃ (%)	Sm ₂ O ₃ (ppm)	Gd ₂ O ₃ (ppm)	Eu ₂ O ₃ (ppm)	Dy ₂ O ₃ (ppm)	Tb ₄ O ₇ (ppm)	Ho ₂ O ₃ (ppm)
WI22-62 (204/-50)	93	260	167	1.39	0.68	0.43	0.18	0.06	222	101	43	29	9	4
<i>including</i>	121	169	48	2.29	1.13	0.72	0.29	0.10	316	123	54	22	9	2
WI22-63 (204/-60)	148	187	39	2.29	1.12	0.79	0.25	0.09	246	120	47	26	9	3
<i>including</i>	175	184	9	5.08	2.45	1.84	0.52	0.19	472	215	91	49	17	5
WI22-64 (204/-65)	77	269.3	192.3	1.78	0.86	0.58	0.22	0.08	230	116	51	34	10	4
<i>including</i>	77	150	73	3.13	1.51	1.06	0.37	0.13	353	156	71	30	12	3
WI22-67 (197/-60)	30.7	137	106.3	2.53	1.22	0.87	0.28	0.10	307	149	66	36	13	4
<i>including</i>	41	100	59	3.42	1.65	1.19	0.37	0.14	381	184	80	40	16	4
WI22-68 (220/-55)	109.4	233	123.6	3.58	1.69	1.29	0.38	0.14	376	160	71	35	12	3
<i>including</i>	212	230	18	6.70	3.11	2.50	0.71	0.27	619	260	111	47	18	5
WI22-69 (230/-50)	93	314	221	2.14	1.02	0.74	0.24	0.09	260	126	56	36	11	4
<i>including</i>	93	204	111	3.52	1.68	1.25	0.37	0.14	390	181	81	45	16	5

²TREO % sum of CeO₂, La₂O₃, Nd₂O₃, Pr₆O₁₁, Sm₂O₃, Eu₂O₃, Gd₂O₃, Tb₄O₇, Dy₂O₃ and Ho₂O₃. The true width of REE mineralization is estimated to be 70-100% of the drilled interval.

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WI22-70 (234/-55)	117	230	113	2.50	1.20	0.84	0.29	0.10	352	180	74	58	17	7
WI22-71 (163/-50)	3.5	210	206.5	1.47	0.72	0.48	0.18	0.06	203	99	43	31	9	4
<i>including</i>	3.5	69	65.5	2.83	1.38	0.96	0.32	0.11	327	147	66	36	12	4
WI22-72 (167/-70)	3	125	122	2.56	1.25	0.85	0.29	0.11	308	139	63	40	12	5
<i>including</i>	3	58	55	3.02	1.47	1.02	0.34	0.12	345	135	69	34	12	4
<i>and</i>	125	222	97	0.90	0.44	0.27	0.12	0.04	152	80	35	30	8	4
WI22-73 (134/-60)	2.3	224	221.7	1.42	0.69	0.46	0.17	0.06	203	100	45	35	10	5
<i>including</i>	2.3	83.5	81.2	2.35	1.14	0.80	0.26	0.09	281	123	57	34	11	4
WI22-74 (139/-65)	2.5	194	191.5	2.03	0.99	0.68	0.23	0.08	247	111	50	30	9	4
<i>including</i>	2.5	32.5	30	3.77	1.83	1.33	0.39	0.15	342	144	68	38	12	4
<i>and</i>	59	115.8	56.8	2.52	1.22	0.87	0.27	0.10	279	120	55	30	10	4
WI22-76 (242/-55)	125	276	151	0.64	0.31	0.20	0.08	0.03	104	60	27	27	7	4
WI22-77 (348/-70)	16.5	93	76.5	0.67	0.32	0.20	0.09	0.03	160	104	44	45	11	6
WI22-78 (200/-60)	4.6	172.3	167.7	2.03	0.99	0.70	0.21	0.08	221	102	48	25	9	3
<i>including</i>	4.6	101.6	97.0	2.63	1.29	0.93	0.26	0.10	253	113	54	26	9	3
WI22-79 (095/-65)	3	141	138.0	3.66	1.74	1.31	0.39	0.15	381	175	82	38	14	4
<i>and</i>	141	183.7	43	0.50	0.23	0.13	0.08	0.02	171	118	45	49	13	7

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

On February 14, 2023, the Company announced completion of the SGS flotation tests on variability samples and a master composite; see Table 10. Flotation tests on variability samples from the DC unit gave an average of 81% recovery to a concentrate assaying 45% rare earth oxide. If 50% TREO were targeted, recovery would be expected to be 77%. If the flotation plant is fed DC material mixed with other lithological types, as planned for later in the mine life, recoveries when producing a 40% TREO flotation concentrate the recovery rate averaged 80% with higher recoveries when the DC content was higher. Flotation testwork results show that if the lower grade XE and SYN material are processed alone, at a target flotation concentrate grade of 40% TREO, the average recovery rate will be 59%.

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	Variability Samples				
	Avg. Head Grade REO%	40% REO	45% REO	50% REO	55%REO
DC Samples (n=9)	3.3	85	81	77	71
DC-XE-SYN Blends (n=4)	2.5	80	77	75	68
XE-SYN Samples (n=10)	1.3	59	-	-	-

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

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

On April 12, 2023, Defense Metals announced the completion of Phase I of its hydrometallurgical pilot plant testing at SGS. Preliminary results indicate that the extraction of praseodymium and neodymium from the acid-bake calcine was more than 90%, the impurity removal circuits were very efficient, and reagent regeneration and water recirculation were effective. The fully-integrated pilot plant included sulphuric acid baking, water leaching, three stages of impurity removal, rare earth precipitation, magnesia regeneration and recycling, and process water recycle. The plant ran continuously and without interruption for 24 h/day over a total run time of 110 hours.

On April 25, 2023, the Company announced the start of Phase II of its hydrometallurgical pilot plant testing and on June 6, 2023 announced its completion. The Phase II pilot plant operations confirm the Phase I results achieving extraction of praseodymium and neodymium from the acid-bake calcine of more than 90%. The PFS has been commenced by SRK and Hatch based on the results of earlier flotation pilot plant testing, the Phase I and Phase II hydrometallurgical pilot plant studies, variability flotation and hydrometallurgical work, and other tests.

On August 1, 2023 Defense Metals announced that it had engaged Hatch Ltd. ("Hatch") and SRK Consulting (Canada) Inc. as principal consultants for the completion of a preliminary feasibility study for the Wicheeda Project. Both SRK and Hatch have extensive experience and knowledge of working in the REE sector and as directed by Defense Metals, have agreed to a partition of responsibilities that allows each group to focus on their strengths.

SRK is one of four key consultants chosen by Defense Metals to facilitate the PFS and will take the lead role as overall coordinator of the National Instrument 43-101 PFS report, as well as handling the mining and tailings scope of work with support from APEX Geoscience Ltd., Defense Metals' exploration, geology, and resource consultants. SRK is uniquely positioned to advance the Wicheeda Project given their prior involvement in both an extensive scenario analysis evaluation conducted in 2021 and the PEA completed by them in 2021 and published in 2022. SRK will build upon the knowledge gained in these studies and improve upon the analyses completed then, to create an optimal development plan for the Wicheeda Project. SRK will focus on resource estimation, geotechnical engineering, mining engineering, tailings management, and economic analysis. Added scope for SRK in the PFS includes the project lead, risk assessment, surface water management, contact water treatment and environmental geochemistry.

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Hatch will focus on the REE concentrating and hydrometallurgical, Hatch will be responsible for the process design including the concentrator and hydrometallurgical processes and plant facilities as well as the infrastructure for mining, tailings, and other processing areas and both capital and operating costs.

One-eighty Consulting Group Inc. will be responsible for the environmental studies, permitting, and social or community impact scope.

Wicheeda Project Exploration and Evaluation Assets and Exploration Expenditures Summary:

	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	128,991
Prefeasibility study	5,150
Preliminary economic assessment	258,674
Balance at March 31, 2023	30,279,409
Environmental	39,074
Field and camp costs	23,101
Geological (Note 7)	221,021
Helicopter survey	15,194
Geochemical	49,721
Management and administration (Note 7)	59,116
Permitting related	176,091
Pilot plant	1,402,572
Prefeasibility study	106,022
Balance at June 30, 2023	32,371,321

LIQUIDITY AND CAPITAL RESOURCES

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

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The sales value of any minerals discovered and developed by Defense Metals is largely dependent upon factors beyond our control,

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including the market value of the metals to be produced in the future. The Company does not expect to receive significant income from any of its properties in the immediate future.

On April 5, 2022, the Company closed a non-brokered private placement of 8,996,267 units and 6,340,057 flow-through shares for gross proceeds of \$4,558,050. Each unit was priced at \$0.26 and is comprised of one common share and one transferable common share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.40 per share for a period of 24 months from the date of closing the private placement. No value was allocated to warrants. Each flow-through share was priced at \$0.35 per share. The Company paid aggregate cash finder's fees of \$162,152 and issued 487,087 broker warrants exercisable at a price of \$0.35 per share for 24 months.

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

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

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

At June 30, 2023, Defense Metals had working capital of \$10,200,761 including cash of \$10,615,673.

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

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

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations****For the First Quarter Ended June 30, 2023****OUTSTANDING SHARE DATA**

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

	Balance
Shares issued and outstanding	255,779,571
Options issued and outstanding	20,306,333
Warrants issued and outstanding	35,974,018

RESULTS OF OPERATIONS***Three Months Ended June 30, 2023***

The Company incurred a comprehensive loss of \$297,957 for the three months ended June 30, 2023, compared to comprehensive net loss of \$959,451 for the comparable period. During the three months ended June 30, 2023, the Company's net loss decreased primarily due to decreased: stock-based compensation expense, office and administrative, professional fees and communications, marketing, investor, and public relations expenses. The Company is focussing its cash resources on the Wicheeda Property.

SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
	\$	\$	\$	\$
Comprehensive loss	(297,957)	(721,157)	(878,922)	(150,687)
Basic loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
	\$	\$	\$	\$
Comprehensive loss	(959,451)	(1,917,277)	(251,726)	(802,223)
Basic loss per share	(0.01)	(0.01)	(0.00)	(0.01)
Diluted loss per share	(0.01)	(0.01)	(0.00)	(0.01)

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the First Quarter Ended June 30, 2023****SELECTED ANNUAL INFORMATION FOR MOST RECENT COMPLETED YEARS**

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	Level	June 30, 2023	March 31, 2023
		\$	\$
Cash	1	10,615,673	1,762,556
Accounts payable and accrued liabilities	1	600,570	282,698

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

Management of Industry and Financial Risk

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

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash and the Company's liabilities. The Company's cash is held in corporate bank accounts available on demand. As at June 30, 2023, the Company has cash balance of \$10,615,673 (2023 - \$1,762,556) to fulfill accounts payable

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and accrued liabilities obligations of \$600,570 (2023 - \$282,698). The financial liabilities as at June 30, 2023 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.

Market Risk

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

Currency Risk

The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

Interest Rate Risk

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

Price Risk

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

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of components of shareholders' equity. There were no changes in the Company's approach to capital management during the period ended June 30, 2023. The Company is not subject to any externally imposed capital requirements.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the First Quarter Ended June 30, 2023****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 three months ended June 30, 2023	For the three months ended June 30, 2022
	\$	\$
Exploration and evaluation	176,800	172,238
Office and administrative	3,150	3,150
Consulting	88,500	82,500
Professional fees	30,000	23,500

Included in exploration and evaluation expenditures: During the three months ended June 30, 2023, the Company incurred \$116,300 (June 30, 2022 - \$95,738) in geological services from APEX Geosciences Ltd., a company of which Kristopher Raffle, a director of the Company, is Principal of, and \$37,500 (June 30, 2022 - \$37,500) in Wicheeda administration and management costs charged by 576112 B.C. Ltd which is a BC-private company owned by the CEO. In addition, \$15,000 (June 30, 2022 - \$30,000) is included in exploration and evaluation expenditures for geological services provided by Dr. Luisa Moreno, a director and President of the Company. For the three months ended June 30, 2023, \$8,000 (June 30, 2022 - \$9,000) in geological services was charged by Blue Heron Productions Ltd., a B.C.-private company owned by William Bird who is a director of the Company.

Included in office and administrative expenses: During the three months ended June 30, 2023, the Company incurred \$3,150 (June 30, 2022 - \$3,150) in office costs from MCPA Services Inc., a B.C.-private company owned by the CFO.

Included in consulting expenses: During the three months ended June 30, 2023, the Company incurred \$37,500 (June 30, 2022 - \$37,500) in consulting expenses from 576112 B.C. Ltd which is a BC-private company owned by the CEO, and \$30,000 (June 30, 2022 - \$50,000) in consulting expenses from a Max Sali, a former director of the Company. \$15,000 (June 30, 2022 - \$Nil) is included in consulting expenses for management services provided by Dr. Luisa Moreno, a director and President of the Company. In addition, \$6,000 (June 30, 2022 - \$Nil) is included in consulting expenses for management services provided by a private company owned by Len Clough a director of the Company.

Included in professional fees: During the three months ended June 30, 2023, the Company incurred \$30,000 (June 30, 2022 - \$23,500) in professional accounting costs from Midland Management Ltd., a B.C.-private company owned by the CFO.

As June 30, 2023, \$18,882 (2022 - \$2,280) was owing to a private company owned by the Chief Financial Officer for expenses paid on behalf of the Company; \$19,275 (2022 - \$19,750) was owing to Max Sali, a former director, and \$21,000 owing to Dr. Luisa Moreno. 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 \$26,250 (2023 - \$26,250) to a private company owned by the Chief Executive Officer.

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Off-Balance Sheet Transactions

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

Basis of measurement

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

PROPOSED TRANSACTIONS

None.

RISK AND UNCERTAINTIES

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

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

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations****For the First Quarter Ended June 30, 2023**

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

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

ADDITIONAL INFORMATION

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