

DEFENSE METALS CORP.**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2021**

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

This Management Discussion and Analysis ("MD&A") presents an analysis of the financial position of Defense Metals Corp. ("Defense" or "DEFN" or the "Company") and prospects for the period ended September 30, 2021. The MD&A should be read in conjunction with the condensed interim period ended September 30, 2021, and the audited year end March 31, 2021 financial statements of the Company and related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in the Canadian dollar.

Management's Responsibility

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

Forward-Looking Statements

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 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" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to the Company completing the acquisition of Spectrum Mining Corporation (and directly and indirectly acquiring the Wicheeda Project), completion of the preliminary economic assessment (PEA) on the Wicheeda Project, 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; 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 and other services; the availability of capital on acceptable terms; failure to maintain or obtain all necessary government permits, approvals and authorizations; the impact of Covid-19 or other viruses and diseases on the Company's ability to operate; failure to maintain community acceptance (including First Nations); increase in costs; litigation; failure of counterparties to perform their contractual obligations; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under "Risks and

DEFENSE METALS CORP.

**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

Uncertainties" as well as in our public filings available at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

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.

This MD&A is current as at 26, 2021.

Scientific and Technical Disclosure

The scientific and technical information contained in this MD&A has been reviewed and approved by Kristopher J. Raffle, P.Geo. (BC) Principal and Consultant of APEX Geoscience Ltd. of Edmonton, AB, a Director of the Company and a "Qualified Person" as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

BACKGROUND AND RESOURCE ESTIMATES

The Company is an exploration stage company engaged in the acquisition and exploration of mineral properties with its focus on the Wicheeda Rare Earth Elements deposit located near Prince George, British Columbia (the "Wicheeda Project"). The Wicheeda Project has an **indicated mineral resource of 4,890,000 tonnes** averaging 3.02% LREO (Light Rare Earth Elements), and **inferred resources of 12,100,000 tonnes averaging 2.90% LREO**. Technical Report on the Wicheeda Property, British Columbia, effective June 27, 2020 and prepared by APEX Geoscience Ltd. (Steven J. Nicholls, B.A. Sc., MAIG and Kristopher J. Raffle, B.Sc., P.Geo) is available under the Company's profile on SEDAR (www.sedar.com).

The Company's primary business objective is to successfully earn into its key mineral project (the Wicheeda Project) and locate and develop this project into an economically viable mineral property. The Company is primarily a junior exploration and development company with no revenues from mineral producing operations. The recoverability of amounts shown for the mineral property and related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration of the property, and upon future profitable production. The Company received TSXV regulatory approval to change its name from First Legacy Mining Corp. to its current name effective from December 27, 2018.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The impact of the COVID-19 pandemic has major implications for all economic activities, including that of the Company. At this time, it is not possible to predict the duration or magnitude of the adverse results of the outbreak, however, management believes that the impact to the Company will be limited mainly to the curtailment of travel and access to mineral projects due to travel and social distancing restrictions as well as its ability to raise financing. There has been no material disruption to the Company's current operations to date. The Company's current focus is on its project located in British Columbia, Canada and as a result, access to the property is not prohibited at the current time.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

QUARTERLY HIGHLIGHTS

- Further developed the Company's Wicheeda Project; see Wicheeda Option discussion below.
- Completed an equity financing to support ongoing operations.

MINERAL PROPERTIES**Wicheeda Option**

On November 22, 2018, the Company entered into an option agreement to acquire all the issued and outstanding shares of Spectrum Mining Corporation ("Spectrum") which is 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 (REE) Project. In order to exercise the option, the Company must meet the following requirements:

- a) incur expenditures in respect of the Property totaling \$1,930,000 as follows:
 - i. \$680,000 within 12 months of the date of TSXV approval ("Effective Date") (fully incurred);
 - ii. an additional \$625,000 within 24 months of the Effective Date (fully incurred); and
 - iii. an additional \$625,000 within 36 months of the Effective Date (fully incurred).
- (b) pay to Spectrum an aggregate of \$370,000 as follows:
 - i. \$25,000 in cash (paid)
 - ii. \$95,000 in cash within five (5) business days of the Effective Date (paid);
 - iii. \$50,000 in cash on or before the first anniversary of the Effective Date (paid);
 - iv. \$100,000 in cash on or before the second anniversary of the Effective Date (paid); and
 - v. \$100,000 in cash on or before the third anniversary of the Effective Date.
- (c) issue to Spectrum:
 - i. 200,000 common shares of the Company on the Effective Date (issued); and
 - ii. \$50,000 in common shares of the Company on or before the first anniversary of the Effective Date (issued).

Once all of the requirements have been met, the Company may exercise its option through the following:

- (d) Issue common shares to the shareholders of Spectrum equal to 49% of the issued and outstanding shares of the Company at the time of the issuance; and
- (e) Pay \$100,000 in cash.

On January 8, 2019 the Company announced collection of a 30 tonne surface bulk sample from the Wicheeda Deposit, which was shipped to SGS Minerals Lakefield, ON ("SGS") facility. The bulk sample was to provide REE mineralized feed material for a for multi-phase program of bench-scale metallurgical testwork preparatory to commissioning larger scale flotation pilot plant testing. Subsequent composite head assay results announced March 14, 2019 for the 30 tonne bulk sample yielded 1.77% lanthanum-oxide, 2.34% cerium-oxide, 0.52% neodymium-oxide, and 0.18% praseodymium-oxide, for a total of 4.81% LREO (light rare-earth oxide).

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

On October 23, 2019 the Company announced the results from a total of 40 batch flotation tests completed by SGS designed to produce an optimized Wicheeda process flowsheet through iterative test procedures with varying process conditions informed the final Locked-Cycle Test ("LCT") that successfully produced (**Table 1**):

- 48.7% total rare earth oxide (TREO) high grade concentrate of cerium, lanthanum, neodymium, and praseodymium oxides ($\text{Ce}_2\text{O}_3 + \text{La}_2\text{O}_3 + \text{Nd}_2\text{O}_3 + \text{Pr}_2\text{O}_3$)
- 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_2O_3	La_2O_3	Nd_2O_3	Pr_2O_3	REO	Ce_2O_3	La_2O_3	Nd_2O_3	Pr_2O_3	REO
LCT-1 REE 3rd CI 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 CI 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 recently completed 2019 resource definition diamond drill program. The 2019 Wicheeda REE Deposit drill program, which commenced August 12, 2019, comprised 13 diamond drill holes totalling 2,007.5 metres. Drill hole WI19-31 (-55° dip / 275° azimuth) was drilled to test the northern extension of the Wicheeda REE Deposit and returned 4.43% Light Rare Earth Oxide (LREO; being cerium, lanthanum, neodymium, praseodymium, and samarium oxides ($\text{Ce}_2\text{O}_3 + \text{La}_2\text{O}_3 + \text{Nd}_2\text{O}_3 + \text{Pr}_2\text{O}_3 + \text{Sm}_2\text{O}_3$)) 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 at the Wicheeda Project (**Table 2**).

DEFENSE METALS CORP.

**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

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 the Company announced final bench-scale hydrometallurgical test program results from SGS. Samples of Wicheeda flotation concentrate used in a hydrometallurgical test program led to the successful development of a flowsheet capable of processing the concentrate to a high grade mixed REE hydroxide precipitate. Significant results of the hydrometallurgical test program include:

- Initial processing via mild hydrochloric acid leach to extract gangue minerals while leaving REE (Rare Earth Elements) 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% TREE (Total REE, 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 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.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021****Table 3: Final REE Hydroxide Product Assay**

REE Hydroxide Precipitate (g/t)		REE Hydroxide Precipitate (%)	
La	224000	Si	0.26
Ce	333000	Al	0.06
Pr	27500	Fe	0.03
Nd	76400	Mg	<0.01
Sm	7210	Ca	0.03
Eu	1606	Na	-
Gd	3720	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 May 13, 2020 the Company announced completion of an updated Mineral Resource Estimate (“MRE”) with respect to the Wicheeda Rare Earth Element (REE) Project. Highlights of the updated MRE include:

- 49% increase in overall tonnage¹ of Updated Wicheeda REE Project MRE based on the results of 2019 diamond drilling of 13 holes totalling 2,007.5 metres;
- 30% increase in overall average grade¹, in part though the incorporation of potentially economically significant praseodymium not previously estimated;
- Conversion of 4,890,000 tonnes to Indicated Resources¹ previously defined as Inferred;
- Increased Inferred Resources by 730,000 tonnes in comparison to Defense Metals Initial Wicheeda MRE¹; and
- Potential for expansion of the Wicheeda Deposit to the north and west in the down plunge direction.

¹In comparison to Defense Metals Initial Wicheeda MRE. Details with respect to the Initial Wicheeda REE Deposit MRE are summarized in the Defense Metals NI 43-101 technical report titled “Wicheeda Rare Earth Element Project, British Columbia, Canada” effective date of June 20, 2019 available on SEDAR at www.sedar.com.

The MRE disclosed on May 13, 2020, and having an effective date of June 27, 2020, has been superseded by an updated MRE in support of a preliminary economic assessment (PEA) for the Wicheeda Project disclosed on November 24, 2021 (see below). As such the June 27, 2020 is not a current MRE and should not be relied upon.

DEFENSE METALS CORP.

Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021

On August 4, and August 13, 2020, the Company 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 an additional five (5) pilot plant runs completed since the previous news release dated August 4, 2020 are presented in **Table 5 below**. Highlights of the recently completed bulk sample flotation pilot plant are:

- 26 tonnes bulk sample feed processed over 178 hours of operation
- Approximately 1,200 kg of high-grade REE flotation concentrate produced (dry weight at ~15% moisture content)
- Process run concentrate grades ranging from 45.4% up to 56.7% LREO (light rare earth oxide expressed as the sum of light rare earth elements expressed as oxides $\text{Ce}_2\text{O}_3 + \text{La}_2\text{O}_3 + \text{Nd}_2\text{O}_3 + \text{Pr}_2\text{O}_3$)
- Process recovery ranging from 53.8% up to 81.5% LREO
- Average 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)

Table 5: Wicheeda REE Deposit Flotation Pilot Plant Mass Balance Results

Pilot Run	Weight %	Assay %					% Distribution (Recovery)				
		Ce_2O_3	La_2O_3	Nd_2O_3	Pr_2O_3	LREO Concentrate Grade	Ce_2O_3	La_2O_3	Nd_2O_3	Pr_2O_3	LREO
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
PP-13	4.2	24.5	18.8	5.40	1.92	50.6	54.0	55.2	55.2	50.9	53.8
PP-12	7.1	23.5	18.4	5.26	1.87	49.0	75.5	77.1	76.6	78.9	77.0
PP-11	7.3	25.5	19.9	5.66	2.02	53.1	74.3	75.7	75.7	64.3	72.5
PP-10	6.9	25.5	20.1	5.68	1.99	53.3	77.9	79.6	79.6	79.4	79.1
PP-9	6.0	22.2	17.0	4.87	1.74	45.8	65.2	66.7	66.2	63.3	65.4
PP-8	5.7	25.8	20.0	5.79	2.03	53.6	72.0	73.9	71.5	63.7	70.3
PP-7	5.4	27.4	21.2	6.04	2.10	56.7	73.4	74.1	74.9	69.6	73.0
PP-5	6.2	26.0	20.3	5.81	2.01	54.1	73.9	75.3	75.9	71.2	74.1
PP-4	4.7	25.9	20.6	5.84	2.02	54.4	57.3	60.3	59.7	59.9	59.3
PP-3	7.4	21.8	17.0	4.86	1.71	45.4	70.0	71.7	71.0	71.0	70.9

On February 16, March 1, and May 11, 2021, the Company announced the results of ongoing pre-pilot hydrometallurgical test work. Highlights of the additional infill hydrometallurgical test results are as follows:

- Increased REE extraction 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, **Table 6**)
- Decreased REE losses via milder gangue leach compared to the base-case flowsheet

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

- Simplification of flowsheet by removing 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 6: 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.
Ore			
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.
Ore			
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, The Company announced that it received requests from two interested 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) and subsequent potential mineral concentrate offtake agreements. Defense Metals has initiated the process of preparing Canadian government export permit documentation required to export these critical REE mineral concentrate samples internationally. The Company announced a further two requests for mineral concentrate samples on April 12, 2021.

On March 30, 2021, the Company announced it had engaged SRK Consulting (Canada) Inc. ("SRK") to conduct an economic scenario analysis with respect to the Wicheeda REE Project. The scenario analysis will facilitate decision making related to performing a Preliminary Economic Assessment (PEA) with respect to the Wicheeda REE Project. The scenario analysis will evaluate the potential of multiple mine development scenarios through the completion of economic trade-off studies, which subject to results, will form the basis for the PEA.

SRK's initial scenario analysis work will comprise a detailed data review; followed by scenario definition; pit optimization; mine scheduling; mine costing; evaluation of mineral processing, hydrometallurgy and separation costs; economic modelling,

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

and ultimately reporting. The PEA work will build on the scenario analysis, with the addition of further geology and resource review; process metallurgy Capex/Opex; infrastructure layout; wastewater management; social, environmental, and permitting aspects; marketing; economic analysis; and reporting.

On May 26, 2021, the Company announced plans to complete a minimum of 2,000 metres and up to 5,000 metres of diamond drilling designed to expand the Wicheeda REE deposit and further delineate existing resources.

On August 10, 2021, The Company announced the execution of a non-binding Memorandum of Understanding ("MOU") with Sinosteel Equipment & Engineering Co., Ltd ("Sinosteel MECC"), a subsidiary of Sinosteel Corporation, consisting of information sharing, beneficiation test work and potential concentrator design research cooperation, and an investigation into the establishment of an on-site large-scale pilot plant at the Wicheeda Rare Earth Property ("Wicheeda") to assess the economic and technical feasibility of full-scale mine development.

On November 8, 2021, the Company announced completion of diamond drilling of a total of 5,349 metres in 29 holes designed to expand the deposit and further upgrade existing resource to measured and indicated categories. Drilling within the northern sector of the Deposit occurred over an area of approximately 200 x 100 metres where multiple drill holes intersected visually mineralized dolomite carbonatite beyond depths predicted in the geological model, both laterally and vertically. Drilling within the southern area of the deposit, primarily designed to upgrade existing inferred and indicated resources, has also confirmed and in some cases expanded the mineralized dolomite carbonatite zone. The Company expects to release the drilling results as they are received during Q1 2022.

On November 24, 2021, the Company announced completion of a positive Preliminary Economic Assessment (PEA) and updated mineral resource estimate. The PEA was prepared by SRK Consulting (Canada) Inc. (SRK). The effective date of the PEA is November 21, 2021, and a technical report relating to the PEA will be filed on SEDAR within 45 days. Highlights of the PEA include (for more detailed disclosure please refer to Defense Metals new release dated November 24, 2021 available on SEDAR at www.sedar.com):

Strong Financial Metrics

- The project has a pre-tax net present value (NPV) of \$765 million, and after-tax NPV of \$512 million, at 8% discount rate.
- The pre-tax internal rate of return (IRR) is 20%, and the after-tax IRR is 16%.
- The capital payback is 5 years from start of production and assumes partial self-funding of construction of hydrometallurgical plant from concentrate sales.
- Revenue average \$397 million per year from sale of REE mineral concentrate (years 2-4) and mixed REE hydrometallurgical precipitate (years 5-16).
- Operating margin of 65.2%.
- Production of a saleable high-grade flotation-concentrate, with average 43% total rare earth oxide (TREO) for the life of the mine. It will be sold to market directly for years 1-4 and will then feed a project hydrometallurgical plant starting in year 5.
- Project near to key infrastructure.
- Base case economics were calculated using rare earth oxide (REO) prices of US\$5.76/kg TREO in flotation concentrate and US\$14.04/kg TREO in mixed REE carbonate precipitates.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

Significant Production Potential

- The study contemplates a 1.8 Mtpa (million tonnes per year) mill throughput open pit mining operation with 1.75:1 (waste:mill feed) strip ratio over a 19 year mine (project) life that includes 3 years of construction, and early revenue generation via phased open pit development. Phase 1 initial pit strip ratio of 0.63:1 (waste:mill feed) yields rapid access to higher grade surface mineralization. Pre-production and first mill feed both in year 1.
- Average annual REO production of 25,423 tonnes.
- Operating costs average \$137 million per year over a 16-year life of mine (LOM).

Development Capital

- Initial capital expenditures (CAPEX) are \$461 million (includes a contingency allowance of 20% to 25% for major items), and the expansion capex under a cash-funded scenario is \$474 million. Sustaining capex for the life of the project is \$401 million.
- A scenario that uses concentrate sales to partially self fund the construction of a hydrometallurgical plant reduces overall project cash requirements compared to constructing the hydrometallurgical plant as part of Phase 1. This development scenario provides significant optionality to accelerate or defer the investment in the hydrometallurgical plant according to market conditions.

Mineral Resource Estimate

- The updated Wicheeda Mineral Resource Estimate (MRE) comprises a 5.0 million tonne Indicated Mineral Resource, averaging 2.95% TREO and a 29.5 million tonne 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. The current resource 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.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

Exploration and Expenditure Detailed Breakdown

	Wicheeda Option
	\$
Balance at March 31, 2020	1,834,842
Acquisition costs	100,000
Environmental	164,994
Field and camp costs	13,661
Geological	174,601
Geochemical (Note 7)	689,542
Management and administration	157,868
Survey	23,185
BC Mining Tax Credit Recovery	(279,132)
Balance at March 31, 2021	2,879,561
Drilling	297,717
Environmental	27,840
Field and camp costs	43,156
Geological	188,830
Geochemical	60,799
Management and administration	80,000
Preliminary economic assessment	92,563
Balance at September 30, 2021	3,670,466

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. The Company's financial success will be dependent upon the extent to which it can successfully exercise its option, discover mineralization and the economic viability of developing its properties.

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 by the Company is largely dependent upon factors beyond the Company's control, including the market value of the metals to be produced. The Company does not expect to receive significant income from any of its properties in the foreseeable future.

At September 30, 2021, the Company had working capital of \$2,910,737, including cash of \$2,888,253.

From September 30, 2021 to the date of this document, 961,000 share purchase warrants were exercised for \$0.25 per share.

On May 18, 2021, the Company closed a \$5,000,000 private placement with institutional investors by issuing 15,625,000 units at a price of \$0.32 per unit. Each unit is comprised of one common share and one share purchase warrant exercisable at \$0.425 per share for three years from the date of issuance. The agent was paid a cash finder's fee of \$400,000 and issued 1,250,000 compensation warrant exercisable for \$0.32 per share for three years from the date of issuance.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

During the year ended March 31, 2021, 9,234,806 share purchase warrants and options were exercised for \$0.16 to \$0.35 per share for gross proceeds of \$1,690,141. As at the date of this document, an additional 70,000 warrants were exercised at \$0.15 per share.

On May 18, 2021, the Company closed a \$5,000,000 private placement with institutional investors by issuing 15,625,000 units at a price of \$0.32 per unit. Each unit is comprised of one common share and one share purchase warrant exercisable at \$0.32 per share for three years from the date of issuance. The agent was paid a cash finder's fee of \$400,000 and issued 1,250,000 compensation warrant exercisable for \$0.32 per share for three years from the date of issuance.

On November 20, 2020, the Company closed a non-brokered private placement of 800,000 flow-through common shares at a price of \$0.25 per Share for gross proceeds of \$200,000.

On October 30, 2020, the Company completed a non-brokered private placement of 2,525,000 Units at a price of \$0.20 per Unit for gross proceeds of \$505,000. Each Unit comprised of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.25 per share for a period of 12 months from the date of closing of the private placement. In addition, the Company closed a non-brokered private placement of 405,000 flow-through common shares at a price of \$0.25 per share for gross proceeds of \$101,250. The Company paid cash finder's fees of \$7,087 and issued 28,350 non-transferable finder warrants to certain brokers on a portion of the private placements. The finder warrants otherwise have the same terms as the warrants issued with the private placement.

On July 15, 2020, the Company closed the second and final tranche of a non-brokered private comprising 80,000 flow-through units ("FT Unit") at a price of \$0.25 per FT Unit for gross proceeds of \$20,000. Each FT Unit is comprised of one flow-through share and one common share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.35 per share for a period of twenty-four (24) months from the date of closing. In addition, the Company also closed the second and final tranche of a non-brokered private placement comprising 100,000 Units ("Unit") at a price of \$0.20 per Unit for gross proceeds of \$20,000. Each Unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable to purchase one common share of the Company at a price of \$0.30 per share for a period of twenty-four (24) months from the date of closing the Private Placement.

On June 15, 2020, the Company closed the first tranche of a non-brokered private placement comprising 3,460,000 FT Units for gross proceeds of \$865,000. In addition, the Company also closed the first tranche of a non-brokered private placement comprising 675,000 Units for gross proceeds of \$135,000. The Company paid aggregate cash finder's fees of \$46,200 and issued 190,050 non-transferable finder warrants to certain brokers. The finder warrants otherwise have the same terms as the warrants.

On May 27, 2020, the Company closed a non-brokered private placement of 680,000 units for gross proceeds of \$74,800. Each unit was priced at \$0.11 and is comprised of one common share and one transferable common share purchase warrant ("Warrant"). Each Warrant is exercisable to purchase one common share of the Company at a price of \$0.15 per share for a period of 24 months from the date of closing the private placement.

On April 29, 2020, the Company closed a non-brokered private placement of 5,980,000 units (each a "Unit") for gross proceeds of \$598,000 (the "Private Placement"). As previously disclosed, each Unit was priced at \$0.10 and is comprised of one common share and one Warrant. The Company paid aggregate cash finder's fees of \$16,310 and issued 163,100 non-transferable finder

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

warrants to certain brokers on a portion of the Private Placement. The finder warrants otherwise have the same terms as the Warrants.

The Company's expected cash resources are sufficient to meet its working capital and mineral property requirements for the next year, however the Company has no source of revenue therefore management will continue to seek new sources of capital to maintain its operations and to further the development and acquisition of its mineral properties.

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.

OUTSTANDING SHARE DATA

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

	Balance
Shares issued and outstanding	81,303,939
Options issued and outstanding	7,166,333
Warrants issued and outstanding	24,581,600

RESULTS OF OPERATIONS***Three and Six Months Ended September 30, 2021***

The Company incurred a comprehensive loss of \$802,223 and 1,612,153 or the three and six ended September 30, 2021 compared to comprehensive net losses \$366,659 and \$563,445 to the comparable periods. During the three and six months ended September 30, 2021, the Company's net loss increased primarily due to an increase consulting expense related to the further ramp up of activity of the Company, in addition to increased marketing and investor relations activity with the goal of increasing investor awareness of the Company and within the Rare Earth Elements (REE) global industry, the Company's Wicheeda Project and its exploration programs carried out there, corresponding with advancing exploration and development. These efforts were also made in light of the ongoing demand and growth in the global rare earth elements market and associated international production and supply chain matters. Management is continually re-evaluating its marketing and investor relations activity to effectively control the flow of information between the Company and its investors, REE industry participants and stakeholders. Affecting the prior reporting period is the recognition of a flow through share premium which did not occur in the current periods. Additionally, professional fees and regulatory costs increased as a result of the Company preparing a base shelf prospectus which was filed on May 14, 2021. Continued volatility is expected within the expense accounts as the Company moves forward.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations**
For the Period Ended September 30, 2021**SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS**

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
	\$	\$	\$	\$
Comprehensive loss	(802,223)	(809,930)	(1,424,614)	(498,511)
Basic loss per share	(0.01)	(0.01)	(0.02)	(0.01)
Diluted loss per share	(0.01)	(0.01)	(0.02)	(0.01)

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
	\$	\$	\$	\$
Comprehensive loss	(366,659)	(196,796)	(436,478)	(287,415)
Basic loss per share	(0.01)	(0.00)	(0.00)	(0.01)
Diluted loss per share	(0.01)	(0.00)	(0.00)	(0.01)

SELECTED ANNUAL INFORMATION FOR MOST RECENT COMPLETED YEARS

	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2019
	\$	\$	\$
Income Statement			
Net profit (loss)	(2,643,293)	(1,231,589)	(1,847,438)
Loss per share (basic and diluted)	(0.05)	(0.04)	(0.10)
Balance Sheet			
Total resource properties	2,879,561	1,834,842	449,972
Total assets	4,142,436	2,043,736	734,601
Total long-term liabilities	-	-	-

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	Level	September 30, 2021	March 31, 2021
		\$	\$
Cash	1	2,888,253	849,466
Accounts payable and accrued liabilities	2	196,811	99,470

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

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

Management of Industry and Financial Risk

The Company is engaged primarily in mineral exploration 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 September 30, 2021, the Company has cash balance of \$2,888,253 (2021 - \$849,466) to fulfill accounts payable and accrued liabilities obligations of \$196,811 (2021 - \$99,470). Liquidity risk has been assessed as low. The financial liabilities as at September 30, 2021 are due within 90 days.

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.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

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 September 30, 2021. The Company is not subject to any externally imposed capital requirements.

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:

	September 30, 2021	September 30, 2020
	\$	\$
Exploration and evaluation	238,380	115,246
Share issuance cost	120,000	-
Office and administrative	6,300	6,000
Consulting	60,000	40,000
Professional fees	37,000	30,000
Stock-based compensation	-	87,409

Included in exploration and evaluation expenditures: During the period ended September 30, 2021, the Company incurred \$158,830 (September 30, 2020 - \$50,246) in geological services from APEX Geosciences Ltd., a company of which Kristopher Raffle, a director of the Company, is Principal of, and \$80,000 (September 30, 2020 - \$65,000) in Wicheeda administration and management costs charged by 576112 B.C. Ltd which is a BC-private company owed by the CEO. Included in share issuance cost is \$100,000 (September 30, 2020 - \$Nil) charged by 576112 B.C. Ltd for services related to the closing of the Company's private placement in May 2021. Included in consulting expense is \$60,000 charged by 576112 B.C. Ltd. For CEO services. In addition, \$20,000 was charged by a Max Sali, a director of the Company, for services related to the closing of the Company's private placement in May 2021.

Included in office and administrative expenses: During the period ended September 30, 2021, the Company incurred \$6,300 (September 30, 2020 - \$6,000) in office costs from MCPA Services Inc., a B.C.-private company owned by the CFO.

Included in consulting expenses: During the period ended September 30, 2021, the Company incurred \$40,000 (September 30, 2020 - \$30,000) in consulting expenses from 576112 B.C. Ltd which is a BC-private company owed by the CEO, and \$20,000 (September 30, 2020 - \$10,000) in consulting expenses from a Max Sali, a director of the Company.

Included in professional fees: During the period ended September 30, 2021, the Company incurred \$37,500 (September 30, 2020 - \$30,000) in professional accounting costs from Midland Management Ltd., a B.C.-private company owned by the CFO.

Included in stock-based compensation expense: During the period ended September 30, 2021, the Company realized stock-based compensation expense for the CEO, CFO, and three directors of the Company totalling \$Nil (September 30, 2021 - \$87,409).

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

As at September 30, 2021, \$2,693 was owing to a private company owned by the Chief Financial Officer for regulatory and filing fees paid on behalf of the Company. As at September 30, 2021, \$89,957 was owing to APEX Geosciences Ltd. for geological services. As at September 30, 2021, \$10,150 was owing to 576112 B.C. Ltd for consulting services. All related party balances were repaid subsequent to September 30, 2021.

Off-Balance Sheet Transactions

The Company has not entered into any significant off-balance sheet arrangements or commitments.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these interim 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. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include: impairment of exploration and evaluation assets, share-based payments, and determination of functional currency.

i) Impairment

The Company assesses its exploration and evaluation assets at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments may require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, and exploration potential.

ii) Share based payments

The Company follows accounting guidelines in determining the fair value of stock-based compensation. The computed amount is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model. The model requires that management make forecasts as to future events, including estimates of: the expected life of options; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Stock-based compensation incorporates an expected forfeiture rate. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable. It is management's view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

iii) Functional and presentational currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

iv) Deferred tax assets & liabilities

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

v) Flow-Through Shares

The Company's flow-through share premium estimate is based on the price of flow-through shares in relation to the price of ordinary shares.

v) 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 and exploration programs undertaken by the Company are the sale of equity capital and 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.

DEFENSE METALS CORP.**Management's Discussion and Analysis of Financial Condition and Results of Operations
For the Period Ended September 30, 2021**

- c) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.
- d) The prices of metals, minerals, and other elements greatly affect the value and potential value of its exploration and evaluation assets. This, in turn, greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.
- e) The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.
- 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. 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 Company, is available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.