





**DEFENSE TECHNOLOGIES INTERNATIONAL CORP.**  
**FORM 10-Q**

**FOR THE THREE AND SIX MONTH PERIODS ENDED October 31, 2020 AND 2019**  
**TABLE OF CONTENTS**

<b>PART I — FINANCIAL INFORMATION</b>		<b><u>Page</u></b>
Item 1.	<u>Financial Statements:</u>	
	<u>Condensed Consolidated Balance Sheets as of October 31, 2020 (Unaudited) and April 30, 2020 (Audited)</u>	3
	<u>Condensed Consolidated Statements of Operations for the Three and Six Month Periods Ended October 31, 2020 and 2019 (Unaudited)</u>	4
	<u>Condensed Consolidated Statements of Shareholders Deficit for the Three and Six Months Ended October 31, 2020 and 2019 (Unaudited)</u>	5
	<u>Condensed Consolidated Statements of Cash Flows for the Six Month Periods Ended October 31, 2020 and 2019 (Unaudited)</u>	6
	<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	17
Item 4.	<u>Controls and Procedures</u>	17
<b>PART II — OTHER INFORMATION</b>		
Item 1.	<u>Legal Proceedings</u>	18
Item 1A.	<u>Risk Factors</u>	18
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	18
Item 3.	<u>Defaults upon Senior Securities</u>	18
Item 4.	<u>Mine Safety Disclosure</u>	18
Item 5.	<u>Other Information</u>	18
Item 6.	<u>Exhibits</u>	19
	<u>Signatures</u>	19

**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Defense Technologies International Corp.  
Condensed Consolidated Balance Sheets**

	<u>October 31, 2020</u>	<u>April 30, 2020</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 80,518	\$ 70,416
Inventory	34,627	21,368
Prepaid	20,000	20,000
Total current assets	<u>135,145</u>	<u>111,784</u>
Fixed assets, net of depreciation	26,166	31,996
Total assets	<u>\$ 161,311</u>	<u>\$ 143,780</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued expense	\$ 421,521	\$ 364,199
Accrued licenses agreement payable	96,300	71,300
Accrued interest and fees payable	171,581	178,066
Convertible notes payable, net of discount	776,813	821,949
Derivative liabilities	1,530,506	1,333,288
Payables – related parties	1,083,872	970,547
Customer deposits	30,375	45,694
Notes payable	382,542	424,226
Total current liabilities	<u>4,493,510</u>	<u>4,209,270</u>
Total liabilities	<u>4,493,510</u>	<u>4,209,270</u>
Commitments and Contingencies	<u>--</u>	<u>--</u>
Stockholders' deficit:		
Preferred stock, \$0.0001 par value; 20,000,000 shares authorized, Series A – 2,925,369 and 2,925,369 shares issued and outstanding, respectively	292	292
Series B – 520,000 shares issued and outstanding, respectively	52	52
Common stock, \$0.0001 par value; 200,000,000 shares authorized, 48,395,998 and 9,056,524 shares issued and outstanding, respectively	4,838	905
Additional paid-in capital	7,467,979	6,288,325
Accumulated deficit	(11,623,522)	(10,193,808)
Total	<u>(4,150,361)</u>	<u>(3,904,234)</u>
Non-controlling interest	(181,838)	(161,256)
Total stockholders' deficit	<u>(4,332,199)</u>	<u>(4,065,490)</u>
Total liabilities and stockholders' deficit	<u>\$ 161,311</u>	<u>\$ 143,780</u>

See notes to condensed consolidated financial statements

**Defense Technologies International Corp.**  
**Condensed Consolidated Statements of Operations**  
**As of October 31,**  
**(Unaudited)**

	Three Months		Six Months	
	2020	2019	2020	2019
Revenue	\$ 15,320	\$ --	\$ 15,320	\$ --
Cost of goods	13,085	--	13,085	--
Gross Profit	2,235	--	2,235	
Expenses:				
Depreciation	5,830	--	5,830	--
General and administrative	168,257	189,840	357,965	411,662
Total expenses	174,087	189,840	363,795	411,662
Loss from operations	(171,852)	(189,840)	(363,560)	(411,662)
Other income (expense):				
Interest expense	(20,237)	(5,558)	(55,097)	(50,082)
Interest expense- loan penalty	(27,658)	--	(27,658)	--
Gain (loss) on derivative liability	(299,700)	(38,636)	(233,645)	824,396
Gain (loss) on extinguishment of debt	--	(9,910)	--	199,544
Gain (loss) on cancellation of stock	--	96,517	--	96,517
Gain (loss) on debt settlement	54,831	--	54,831	--
Finance costs	(97,731)	--	(103,111)	--
Interest- note discount	(128,926)	(43,916)	(257,856)	(49,241)
Gain (loss) on notes	(466,200)	5,325	(466,200)	(64,223)
Total other income (expense)	(985,621)	3,822	(1,088,736)	956,911
Income (loss) before income taxes	(1,157,473)	(186,018)	(1,450,296)	545,249
Provision for income taxes	--	--	--	--
Net income (loss) before non-controlling interest	(1,157,473)	(186,018)	(1,450,296)	545,249
Non- controlling interest in net loss of the consolidated subsidiary	9,755	5,769	20,582	13,923
Net income (loss) attributed to the Company	\$ (1,147,718)	\$ (180,249)	\$(1,429,714)	\$ 559,172
Net income (loss) per common share:				
Basic	\$ (0.04)	\$ (0.03)	\$ (0.06)	\$ (0.09)
Diluted	\$ (0.04)	\$ (0.03)	\$ (0.06)	\$ (0.01)
Weighted average common shares outstanding:				
Basic	31,137,581	5,766,950	23,361,626	5,730,368
Diluted	31,137,581	5,766,950	23,361,626	44,884,736

See notes to condensed consolidated financial statements

**Defense Technologies International Corp. and Subsidiary**  
**Condensed Consolidated Statements of Stockholders' Deficit**  
**For the Three and Six Months Ended October 31, 2020 and 2019**  
**(Unaudited)**

	Preferred Stock		Common Stock	Additional Paid-In Capital	Accumulated Deficit	Non- Controlling Interest	Total Stockholders' Deficit			
	Series A	Series B								
Balance, April 30, 2019	2,925,369	\$ 292	520,000	\$ 52	5,022,224	\$ 502	\$5,496,972	\$(9,276,082)	\$(129,603)	\$(3,908,211)
Common stock issued for debt	--	--	--	--	161,050	16	39,694	--	--	39,711
Common stock issued for service	--	--	--	--	325,000	33	80,567	--	--	80,600
Net loss	--	--	--	--	--	--	--	739,421	(8,154)	731,267
Balance July 31, 2019	2,925,369	292	520,000	52	5,508,294	551	5,616,979	(8,536,661)	(137,757)	(3,056,289)
Common stock issued for debt	--	--	--	--	818,773	82	65,578	--	--	65,660
Common stock issued for service	--	--	--	--	253,200	25	33,154	--	--	33,179
Common stock issued for service cancellation	--	--	--	--	(408,333)	(41)	(96,478)	--	--	(96,517)
Common stock issued for accounts payable	--	--	--	--	186,091	19	50,226	--	--	50,245
Retirement of derivatives on debt conversion	--	--	--	--	--	--	149,153	--	--	149,153
Net loss	--	--	--	--	--	--	--	(180,249)	(5,769)	(186,018)
<b>Balance at October 31, 2019</b>	<b>2,925,369</b>	<b>\$ 292</b>	<b>520,000</b>	<b>\$ 52</b>	<b>6,358,025</b>	<b>\$ 636</b>	<b>\$5,818,331</b>	<b>\$(8,716,910)</b>	<b>\$(143,526)</b>	<b>\$(3,041,125)</b>
Balance April 30, 2020	2,925,369	\$ 292	520,000	\$ 52	9,056,524	\$905	\$6,288,325	\$(10,193,808)	\$(161,256)	\$(4,065,490)
Common stock issued for debt	--	--	--	--	10,635,623	1,063	130,446	--	--	131,509
Retirement of derivative on debt conversion	--	--	--	--	--	--	237,433	--	--	237,433
Net income (loss)	--	--	--	--	--	--	--	(281,996)	(10,827)	(292,823)
Balance July 31, 2020	2,925,369	292	520,000	52	19,692,147	1,968	6,656,204	(10,475,804)	(172,083)	(3,989,371)
Common stock issued for debt	--	--	--	--	28,703,851	2,870	231,868	--	--	234,738
Retirement of derivatives on debt conversion	--	--	--	--	--	--	579,907	--	--	579,907
Net loss	--	--	--	--	--	--	--	(1,147,719)	(9,755)	(1,157,473)
<b>Balance at October 31, 2020</b>	<b>2,925,369</b>	<b>\$ 292</b>	<b>520,000</b>	<b>\$ 52</b>	<b>48,395,998</b>	<b>\$ 4,838</b>	<b>\$7,467,979</b>	<b>\$(11,623,522)</b>	<b>\$(181,838)</b>	<b>\$(4,332,199)</b>

See notes to condensed consolidated financial statements

**Defense Technologies International Corp.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Six Months Ended October 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Net income (loss)	\$ (1,450,296)	\$ 545,249
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Common stock issued for service	--	113,779
Common stock issued for service cancelled	--	(96,517)
Amortization of debt discount to interest expense	257,854	49,241
(Gain) loss on derivative liability	233,645	(824,396)
Operating lease expense	--	19,281
(Gain) loss on debt extinguishment	(41,684)	
Loss on note	466,200	64,223
Depreciation	5,830	--
Change in operating assets and liabilities:		
Deposits		7,500
( Increase) decrease in inventory	(13,259)	--
Increase (decrease) in accounts payable and accrued expenses	217,092	131,479
Operating lease liability	--	(19,281)
Customer deposits	(15,320)	45,695
Increase in payables – related parties	113,325	114,744
Net cash provided by (used in) operating activities	(226,613)	(48,547)
Cash flows from financing activities		
Repayment of convertible notes payable	(78,000)	(65,000)
Proceeds from convertible notes	314,715	115,000
Net cash provided by financing activities	236,715	50,000
Net increase (decrease) in cash	10,102	1,453
Cash at beginning of period	70,416	60
Cash at end of period	\$ 80,518	\$ 1,513
Supplement Disclosures		
Interest Paid	\$ --	\$ --
Income tax Paid	\$ --	\$ --
Noncash financing and investing activities		
Retirement of derivative at debt conversion	\$ 817,340	\$ 149,153
Derivative of convertible notes on day one	\$ 780,913	\$ -
Notes issued for accounts payable	\$ --	\$ 50,245
Common stock issued for convertible debt	\$ 366,247	\$ 104,833

See notes to condensed consolidated financial statements

**Defense Technologies International Corp.**  
**Notes to Condensed Consolidated Financial Statements**  
**As of October 31, 2020**  
**(Unaudited)**

**NOTE -1: BASIS OF PRESENTATION AND ORGANIZATION**

Defense Technologies International Corp. (the "Company ") was incorporated in the State of Delaware on May 27, 1998. Effective June 15, 2016, the Company changed its name to Defense Technologies

International Corp. from Canyon Gold Corp. to more fully represent the Company's expansion goals into the advanced technology sector.

On October 19, 2016, the Company entered into a Definitive Agreement with Controlled Capture Systems, LLC ("CCS"), representing the inventor of the technology and assets previously acquired by DTC, that included a new exclusive Patent License Agreement and Independent Contractor agreement. Under the license agreement with CCS, the Company acquired the world-wide exclusive rights and privileges to the CCS security technology, patents, products and improvements. The Company agreed to pay CCS an initial licensing fee of \$25,000 and to pay ongoing royalties as defined in the Definitive Agreement. On May 30, 2018 the Company and Control Capture Systems, LLC amended their license agreement as follows (1) Royalty payments of 5% of gross sale from the license agreement will be calculated and paid quarterly with a minimum of \$12,500 paid each quarter (2) All payment will be in US dollars or stock of the Company and or its subsidiary. The value of the stock will be a discount to market of 25% of the average trading price for the 10 days prior to conversion. The number of shares received by Control Capture prior to any reverse split are anti-dilutive (3)Invoices for parts and materials will be billed separate of the license fees noted above.

Effective January 12, 2017, Passive Security Scan, Inc. ("PSSI") was incorporated in the state of Utah as subsidiary controlled by the Company. The Company transferred to PSSI its exclusive world-wide license to the defense, detection and protection security products previously acquired by the Company. The Company currently owns 76.28% of PSSI with 23.72% acquired by several individuals and entities. The Company plans to continue the development of the technology and conduct all sales and marketing activities in PSSI.

#### Basis of Presentation

These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The Company's fiscal year end is April 30.

The interim condensed consolidated financial statements have been prepared without audit in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Securities and Exchange Commission ("SEC") Form 10-Q. They do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended April 30, 2020 included in its Annual Report on Form 10-K filed with the SEC.

The interim condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the Company's consolidated financial position as of October 31, 2020, the consolidated results of its operations and its consolidated cash flows for the three and six months ended October 31, 2020 and 2019 The results of operations for any interim period are not necessarily indicative of the results to be expected for the full fiscal year.



## Consolidation and Non-Controlling Interest

These consolidated financial statements include the accounts of the Company, and its majority-owned subsidiary, PSSI, from its formation on January 12, 2017 to date. All inter-company transactions and balances have been eliminated.

## Inventory

Inventories are stated at the lower of cost using the first-in, first-out (FIFO) cost method of accounting. Inventories as of October 31, 2020 consist of parts used in assembly of the units being sold plus work in progress and finished goods. As of October 31, 2020 and April 30, 2020 the value of the inventory was \$34,627 and \$21,368, respectively.

## Equipment

Equipment is carried at the cost of acquisition and depreciated over the estimated useful lives of the assets. Costs associated with repair and maintenance is expensed as incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency of our property and equipment are capitalized and depreciated over the remaining life of the related asset. Gains and losses on dispositions of equipment are reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Impairment of Long-Lived Assets

We continually monitor events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. On April 30, 2019, the Company elected to impair its licenses agreement of \$378,600 so as of October 31, 2020, no impairment of asset was necessary.

## Net Income (Loss) per Common Share

Basic net income or loss per common share is calculated by dividing the Company's net income or loss by the weighted average number of common shares outstanding during the period. Diluted net income or loss per common share is calculated by dividing the Company's net income or loss by sum of the weighted average number of common shares outstanding and the dilutive potential common share equivalents then outstanding. Potential dilutive common share equivalents consist of shares issuable upon exercise of outstanding stock options and warrants, using the treasury stock method and the average market price per share during the period, and conversion of convertible debt, using the if converted method. As of October 31, 2020, the Company had potential shares issuable under convertible preferred shares, outstanding options, warrants and convertible debt for a total of 127,265,783. With the loss in operations for the six-month period ended October 31, 2020, the additional shares were determined to be non-dilutive.

## Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)". The amendments in this ASU revise the accounting related to lessee accounting. Under the new guidance, lessees is required to recognize a lease liability and a right-of-use asset for all leases. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2018 and are to be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. The Company has adopted the new accounting pronouncement and is recording a lease use asset and lease liability as of May 31, 2019.

## **NOTE- 2: GOING CONCERN**

These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to a going concern. Through October 31, 2020, the Company had revenues of \$15,320, has accumulated deficit of \$11,623,522 and a working capital deficit of \$4,358,365 and expects to incur further losses in the development of its business. The Company has not yet established an ongoing source of revenue sufficient to cover operating costs, which raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Management plans to continue to provide for the Company's capital needs during the year ending April 30, 2020 by issuing debt and equity securities and by the continued support of its related parties. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## **NOTE – 3: INVESTMENTS**

Effective January 12, 2017, Passive Security Scan, Inc. ("PSSI") was incorporated in the state of Utah as subsidiary controlled by the Company. The Company transferred to PSSI its exclusive world-wide license to the defense, detection and protection security products previously acquired by the Company for 17,500 shares of PSSI valued at \$378,600 for 76.28% of PSSI. The balance of PSSI was acquired by four individuals and entities. The Company plans to continue the development of the technology and conduct all sales and marketing activities in PSSI. The investment was impaired as of April 30, 2019.

## **NOTE -4: RELATED PARTY TRANSACTIONS**

Management and administrative services are currently compensated as per a Service Agreement between the Company and its Chief Executive Officer and Director executed on April 25, 2016 and a Service Agreement with the subsidiary PSSI executed on January 12, 2017, a Service Agreement between the Company and a Director executed on May 20, 2016, and an Administration Agreement with a related party executed on March 15, 2011 and renewed on May 1, 2017 plus the assumption of a Service Agreement with the subsidiary PSSI assumed on January 12, 2017, whereby the fee is based on services provided and invoiced by the related parties on a monthly basis and the fees are paid in cash when possible or with common stock. The Company also, from time to time, has some of its expenses paid by related parties with the intent to repay. These types of transactions, when incurred, result in payables to related parties in the Company's consolidated financial statements as a necessary part of funding the Company's operations.

As of October 31, 2020 and April 30, 2020, the Company had payable balances due to related parties totaling \$1,083,872 and \$970,547, respectively, which resulted from transactions with these related parties and other significant shareholders.

#### **NOTE – 5: NOTES PAYABLE**

On July 6, 2018, the Company signed an investment agreement with a third party. Under the terms of the agreement the Company received \$250,000 through the Company attorney's trust account. On July 12, 2018, the Company received the \$250,000 less wire and legal payment of \$10,045. In addition the note holder will receive a royalty of 5% up to \$250,000 and then a royalty of 3.5% for two years thereafter. The note holder will receive 150,000 shares of the Company's common stock plus 100,000 warrants to purchase common shares within three years at \$2.50 per share.

On January 26, 2019, the Company approved a loan from Brian McLain of \$275,000. The note is convertible into common stock of the Company and is non-dilutive for 2 years from date of the note. In addition the Company granted the lender 100,000 warrants convertible into common shares at \$1.00 per share. As of October 31, 2020, \$25,000 of the loan was funded by the lender.

During the six months ended October 31, 2020, the Company settled a portion of a note payable resulting on a gain on settlement of debt of \$41,685.

As of October 31, 2020 and April 30, 2020 the outstanding balances of notes payable was \$382,542 and \$424,226, respectively.

#### **NOTE – 6: CONVERTIBLE DEBT**

On May 22, 2018, the Company signed an agreement with an investor for a loan of \$25,000. The note is convertible 180 days after the date of the note to shares of the Company's common stock at \$0.75 per share or a 25% discount to the 10 day trading average prior to conversion; whichever is lower. The total amount of the loan must be converted on the date of conversion. The note has an annual interest rate of 6%.

On July 10, 2018 RAB Investments AG agreed to buy the outstanding convertible debt from Jabro Funds for \$35,000. The Company as part of the agreement paid Jabro Funds the \$35,000 for the debt and considered it retired and paid in full.

On May 6, 2019, the Company issued an 8% convertible note to Black Ice Advisors, LLC for \$57,500 which matures on May 6, 2020. The note redeemable at a premium up to 140% of the face value within 180 days of issuance or is convertible after 180 days to the Company common stock at 60% of the lowest trading price twenty days prior to conversion.

On May 10, 2019, the Company entered into a settlement agreement with Firstfire Global for payment of the original note for \$189,000 issued on July 18, 2016. Under the terms of the agreement the Company paid Firstfire \$65,000 on May 10, 2019 and \$10,000 to be paid on or before May 31, 2019. In addition Firstfire received 150,000 shares of the Company. On September 12, 2019, the \$10,000 was converted in to 123,456 shares of common stock.

On July 11, 2019, the Company issued an 8% convertible note to GS Capital Partners, LLC for \$58,000 which matures on July 11, 2020. The note redeemable at a premium up to 135% of the face value within 180 days of issuance or is convertible after 180 days to the Company common stock at 62% of the lowest trading price twenty days prior to conversion. On January 16, 2020, the Company paid GS Capital partners \$80,620 consisting of principal of the face amount of the note of \$58,000 plus \$22,600 in prepayment penalty which was charged to interest.

On December 20, 2019, the Company issued a convertible note to Lliah for \$63,950 with an original discount of \$8,950. The note matures on December 19, 2020 bearing interest at the rate of 8% per annum. The note is convertible into common stock of the Company after 180 days at the rate of 60% of the lowest trading price for twenty days prior to conversion. The note may be repaid to the issuer within 180 days from issuance at variable premium rates of 115% to 135% above face value.

On January 10, 2020, the Company issued a convertible note to Crown Bridge Partners, LLC with a principal amount of \$171,000 and a prorated original discount of \$15,000. The first tranche of the note received by the Company was a face value of \$57,000 and net amount received of \$50,000. Each tranche of the note matures twelve months from receipt of the tranche and bears interest at the rate of 10% per annum with a default rate of 15%. The note is convertible into common stock of the Company after 180 days at the rate of 60% of the lowest trading price for twenty days prior to conversion. The note may be repaid to the issuer within 180 days from issuance at variable premium rates of 125% above face value.

On January 13, 2020, the Company issued an additional note to Ionic Ventures, LLC for \$220,000 with an original discount of \$20,000. The note is part of a securities purchase agreement dated August 31, 2018. The note matures on June 20, 2020 bearing interest at the rate of 15% per annum. The note is convertible into common stock of the Company at \$0.60 per share or 60% of the lowest trading price for twenty days prior to conversion, whichever is the lowest.

On September 8, 2020, the Company issued a note to Diamond Investment II LLC for \$75,350 with an original discount of \$6,850. The note matures on September 8, 2021 bearing interest at the rate of 8% per annum. The note is convertible into common stock of the Company at 70% of the lowest trading price for twenty days prior to conversion.

On October 16, 2020, the Company issued an additional note to Ionic Ventures, LLC for \$272,500 with an original discount of \$20,000. The note is part of a securities purchase agreement dated August 31, 2018. The note matures on January 1, 2022 bearing interest at the rate of 8% per annum. The note is convertible into common stock of the Company at \$0.50 per share or the lowest VWAP pricing 5 days prior to conversion, whichever is the lowest.

During the six months ended October 31, 2019 the Company issued 979,823 shares of common stock with a value of \$104,833 for debt.

During the six months ended October 31, 2020 the Company issued 39,339,474 shares of common stock with a value of \$366,247 for debt.

As of October 31, 2020, and April 30, 2020, the convertible debt outstanding, net of discount, was \$776,813 and \$821,949, respectively.

#### **NOTE – 7: FAIR VALUE MEASUREMENTS AND DERIVATIVE LIABILITIES**

As defined in (Financial Accounting Standards Board ASC 820), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilized the market data of similar entities in its industry or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

- Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.
- Level 3 - Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

As of October 31, 2020, the Company believes the amounts reported for cash, payables, accrued liabilities and amounts due to related parties approximate their fair values due to the nature or duration of these instruments.

The following table represents the change in the fair value of the derivative liabilities during the six months ended October 31, 2020:

	Level 1	Level 2	Level 3
Balance at April 30, 2020	\$ --	\$ --	\$ 1,333,288
Derivative assigned day of initial issuance			780,913
Retirement of derivative at conversion			(817,340)
Change in fair value of derivative liability	\$ --	\$ --	\$ 233,645
Balance at October 31, 2020	\$ --	\$ --	<u>\$ 1,530,506</u>

The estimated fair value of the derivative liabilities at October 31, 2020 was calculated using the Binomial Lattice pricing model with the following assumptions:

Risk-free interest rate	.18%
Expected life in years	0.25 to 1.25
Dividend yield	0%
Expected volatility	260.00%

## **NOTE – 8: EQUITY**

### Common Stock

During the six months ended October 31, 2019 the Company issued 979,823 shares of common stock with a value of \$104,833 for debt.

During the six months ended October 31, 2019 the Company issued 186,091 shares of common stock with a value of \$50,245 for accounts payable.

During the six month period ended October 31, 2019, the Company issued 578,200 shares of its common stock for service with a value of \$113,779.

During the six month period ended October 31, 2019, the Company cancelled 408,333 shares of its common stock for service with a value of \$96,517. The shares were cancelled as they had been authorized by the Company but never issued by the transfer agent thus the Company elected to cancel the shares. The cancellation resulted in a gain on cancellation of shares of \$96,517.

During the six months ended October 31, 2020 the Company issued 39,339,474 shares of common stock with a value of \$366,247 for debt.

#### Preferred Stock

The Company has 20,000,000 shares of \$0.0001 par value preferred stock authorized and has designated Series A and Series B preferred stock. Each share of the Series A preferred stock is convertible into ten common shares and carries voting rights on the basis of 100 votes per share. Each share of the Series B preferred stock is convertible into ten common shares and carries no voting rights.

On May 20, 2019, the Company approved the issuance of 2,831,350 shares of its common stock for the conversion of 283,135 for Series A preferred with a value of \$28. As of October 31, 2020 the common shares had not been issued and the conversion was not completed.

As of October 31, 2020 the Company had 2,925,369 Series A and 520,000 Series B preferred share issued and outstanding.

#### **NOTE – 9: STOCK OPTIONS AND WARRANTS**

A summary of the Company's stock options and warrants as of October 31, 2020, and changes during the six months then ended is as follows:

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contract Term (Years)</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at April 30, 2020	850,000	\$ 1.14	2.00	\$ 882,300
Granted	--	\$ --	--	--
Exercised	--	\$ --	--	--
Forfeited or expired	--	\$ --	--	--
Outstanding and exercisable at October 31, 2020	<u>850,000</u>	<u>\$ 1.14</u>	1.50	\$ 967,185

#### **NOTE – 10: COMMITMENTS AND CONTINGENCIES**

The Company has the following material commitments as of October 31, 2020:

- a) Administration Agreement with EMAC Handel's AG, renewed effective May 1, 2017 for a period of three years. Monthly fee for administration services of \$5,000, office rent of \$250 and office supplies of \$125. Extraordinary expenses are invoiced by EMAC on a quarterly basis. The fee may be paid in cash and or with common stock.
- b) Service Agreement signed April 25, 2016 with Merrill W. Moses, President, Director and CEO, for services of \$7,500 per month beginning May 2016 and the issuance of 233 restricted common shares of the Company. The fees may be paid in cash and or with common stock.
- c) Service Agreement signed May 20, 2016 with Charles C. Hooper, Director, for services of \$5,000 per month beginning May 2016 and the issuance of 233 restricted common shares of the Company. The fees may be paid in cash and or with common stock.

- d) Administration and Management Agreement of PSSI signed January 12, 2017 with EMAC Handel Investments AG, for general fees of \$5,000 per month, office rent of \$250 and telephone of \$125 beginning January 2017, the issuance of 2,000 common shares of PSSI and a 12% royalty calculated on defines sales revenues payable within 10 days after the monthly sales.
- e) Service Agreement of PSSI signed January 12, 2017 with Merrill W. Moses, President, Director and CEO, for services of \$2,500 per month beginning February 2017 and the issuance of 333 common shares of PSSI.
- f) Business Development and Consulting Agreement of PSSI signed January 15, 2017 with WSMG Advisors, Inc., for finder's fees of 10% of funding raised for PSSI and the issuance of 1,000 common shares of PSSI.

On May 30, 2018, the Company and Control Capture Systems, LLC amended their license agreement as follows.

- Royalty payments of 5% of gross sale from the license agreement will be calculated and paid quarterly with a minimum of \$12,500 paid each quarter.
- All payment will be in US dollars or stock of the Company and or its subsidiary. The value of the stock will be a discount to market of 25% of the average trading price for the 10 days prior to conversion. The number of shares received by Control Capture prior to any reverse split are anti-dilutive.
- Invoices for parts and materials will be billed separate of the license fees noted above.

#### **NOTE 11: LEASE**

On October 16, 2018, the Company signed a three year lease for the Company's warehouse space effective on November 1, 2018 through October 31, 2021. The lease is for approximately 4,700 square feet of warehouse space with a gross monthly rental cost including common area charges of \$3,250. The lease was terminated by the landlord on August 30, 2019 with the outstanding balance due of \$11,230.

#### **NOTE 12: SUBSEQUENT EVENTS**

On November 13, 2020 and corrected on December 1, 2020 the Company designated 1,500,000 preferred shares as Series C nonvoting preferred shares. The shares are convertible into common stock with terms and conditions set by the Company's Board of Directors.

On December 8, 2020, the Company issued 120,000 shares Series C nonvoting preferred for \$100,000 in cash. The Company may redeem the shares up to 180 days after issuance at a premium up to 120%. The shares are convertible 180 days after the purchase at 80% of the lowest trading price 15 days prior to conversion.

On November 20, 2020, the Company filed a certificate of amendment to their articles of incorporation increasing the authorized shares to 400,000,000 of common stock, par value \$0.0001 and 20,000,000 shares of preferred stock, par value \$0.0001. The preferred shares were designated 5,000,000 series A, 5,000,000 series B and 1,500,000 series C. Series A is convertible into 10 shares of common stock and has 100 votes per preferred share. Series B is convertible into 10 shares of common stock with no voting rights. Series C is convertible into common stock of the Company as set by the board of directors with no voting rights.

The Company has evaluated subsequent events to determine events occurring after October 31, 2020 through December 15, 2020 that would have a material impact on the Company's financial results or require disclosure and have determined none exist.

## **Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Overview**

The following information should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere in this Form 10-Q.

Defense Technologies International Corp. (the "Company ") was incorporated in the State of Delaware on May 27, 1998. Effective June 15, 2016, the Company changed its name to Defense Technologies International Corp. from Canyon Gold Corp. to more fully represent the Company's expansion goals into the advanced technology sector.

On October 19, 2016, the Company entered into a Definitive Agreement with Controlled Capture Systems, LLC ("CCS"), representing the inventor of the technology and assets previously acquired by DTC, that included a new exclusive Patent License Agreement and Independent Contractor agreement. Under the license agreement with CCS, the Company acquired the world-wide exclusive rights and privileges to the CCS security technology, patents, products, and improvements. The Company agreed to pay CCS an initial licensing fee of \$25,000 and to pay ongoing royalties as defined in the Definitive Agreement.

On May 30, 2018, the Company and Control Capture Systems, LLC amended their license agreement as follows (1) Royalty payments of 5% of gross sale from the license agreement will be calculated and paid quarterly with a minimum of \$12,500 paid each quarter (2) All payment will be in US dollars or stock of the Company and or its subsidiary. The value of the stock will be a discount to market of 25% of the average trading price for the 10 days prior to conversion. The number of shares received by Control Capture prior to any reverse split are anti-dilutive.

Effective January 12, 2017, Passive Security Scan, Inc. ("PSSI") was incorporated in the state of Utah as subsidiary controlled by the Company. The Company transferred to PSSI its exclusive world-wide license to the defense, detection and protection security products previously acquired by the Company. The Company owns 79.8% of PSSI with 20.2% acquired by several individuals and entities. The Company plans to continue the development of the technology. All sales and marketing activities are through PSSI.

The extent to which the COVID-19 pandemic may directly or indirectly impact our business, financial condition, and results of operations is highly uncertain and subject to change. We considered the potential impact of the COVID-19 pandemic on our estimates and assumptions and there was not a material impact to our consolidated financial statements as of and for the six months ended October 31, 2020.

The Company's security products are licensed from CCS and developed by the company designed for personal and collateral protection. Products derived from this technology are intended to provide passive security scanning units for either walk-through or hand-held use to improve security for schools and other public facilities. Passive Portal units use electromagnets and do not emit anything (such as x-rays) through the subject. We have also completed a prototype with optional "Digital Imaging", which will give the user of the scanner the ability to recall the entire traffic passing through the scanner at any time thereafter.

As of May 19, 2020 the Company added an IR Camera for detection of elevated body temperatures and is presently offering three products:

- PASSIVE PORTAL – Screens for Weapons only;
- PASSIVE PORTAL with EBT – Screens for Weapons and elevated body temperature;
- EBT Station – Screens for elevated body temperature only.

### **Forward Looking and Cautionary Statements**

This report contains forward-looking statements relating to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential,"



“continue,” or similar terms, variations of such terms or the negative of such terms. These statements are only predictions and involve known and unknown risks, uncertainties and other factors. Although forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment, actual results could differ materially from those anticipated in such statements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

## **Results of Operations**

During the six months ended October 31, 2020 the Company had revenue of \$15,320. The Company recorded cost of goods of \$13,085 and holds customer deposits of \$30,375 which will be recognized as revenue when units are shipped to the buyers.

Our general and administrative expenses for the three and six months ended October 31, 2020 was \$168,257 and \$357,965 compared to \$189,840 and \$411,662 for the same periods ended October 31, 2019. The decrease was due primarily to consulting costs. The Company recorded depreciation of \$5,830 for the three and six month periods ended October 31, 2020 compared to zero for the same periods in 2019.

Interest expenses incurred in the three and six months ended October 31, 2020 was \$20,237 and \$55,097 compared to \$5,558 and \$50,082 for the three and six month periods ended October 31, 2019.

Change in derivative liability resulted in a loss of \$233,645 for the six months period ended October 31, 2020, compared to a gain of \$824,396 for the same period in 2019. We estimate the fair value of the derivative for the conversion feature of our convertible notes payable using the American Binomial Lattice pricing model at the inception of the debt, at the date of conversions to equity, cash payments and at reporting date, recording a derivative liability, debt discount and a gain or loss on change in derivative liability as applicable. These estimates are based on multiple inputs, including the market price of our stock, interest rates, our stock price volatility, and variable conversion prices based on market prices as defined in the respective loan agreements. These inputs are subject to significant changes from period to period; therefore, the estimated fair value of the derivative liability will fluctuate from period to period and the fluctuation may be material.

Total other income and expense for the three and six month periods ended October 31, 2020 was expense of \$985,621 and \$1,088,736 compared to other income of \$3,822 and \$956,911 for the same periods in 2019. The variance is primarily due to the change in derivative liability and debt extinguishment plus loss on notes in the six months periods in both 2020 and 2019 plus finance costs and interest attributed to note discount in, 2020 versus the same period in 2019.

Net income and loss before non-controlling interest for the three and six months periods ended October 31, 2020 was a net loss of \$1,157,473 and \$1,450,296 compared net loss of \$186,018 for the three months periods in 2019 and net income of \$545,249 for the six months period in 2019. After adjusting for our consolidated subsidiary, net loss and net income for the three and six month periods ended October 31, 2020 were a net loss of \$ 1,147,718 and \$1,429,714 compared to a net loss of \$180,249 and net income of \$559,172 for the same periods in 2019, respectively.

## **Liquidity and Capital Resources**

At October 31, 2020, we had total current assets of \$135,145, and total current liabilities of \$4,493,510, resulting in a working capital deficit of \$4,358,365. Included in our current liabilities and working capital deficit at October 31, 2020 are derivative liabilities totaling \$1,530,506 related to the conversion features of certain of our convertible notes payable, convertible notes of \$776,813, net of discount, notes payable related parties of \$1,083,872, accounts payable and accrued expense of \$421,522 and notes payables of \$382,542. We anticipate that in the short-term, operating funds will continue to be provided by related parties and other lenders.

As of October 31, 2020, we had total convertible notes payable of \$776,813, net of discount. Several of the note agreements require repayment through conversion of principal and interest into shares of the Company's common stock. We anticipate, therefore, converting these notes payable into shares of our common stock without the need for replacement financing; however, there can be no assurance that we will be successful in accomplishing this.

During the six months ended October 31, 2020, net cash used in operating activities was \$226,613 compared to cash used of \$48,547 in the same period in 2019. Net cash used in 2020 consisted of net loss of \$1,450,296, a loss in derivative liability of \$233,645 and increase in payables to related parties of \$113,325 and accounts payable of \$252,829.

During the six months ended October 31, 2020, net cash provided by financing activities was \$236,715 consisting of proceeds from convertible notes of \$314,715 offset by repayment of convertible notes of \$113,737.

We have had minimal revenue and paid expenses and costs with proceeds from the issuance of securities as well as by loans from investor, stockholders and other related parties.

Our immediate goal is to provide funding for the completion of the initial production of the Offender Alert Passive Scan licensed from CCS. The Offender Alert Passive Scan is an advanced passive scanning system for detecting and identifying concealed threats.

On September 6, 2018, we received funding for the production of up to 100 units at a cost of \$84,500. We built 11 Passive Portal units, two of which were used in the previously announced BETA Test at a school near Austin Tx 5 were sold. The units have been tested multiple times and performed with a 100% success every time. We are confident that upon the successful conclusion of the Beta Test, we will receive the first orders from school districts that will generate initial revenues to the Company.

We believe a related party and other lenders will provide sufficient funds to carry on general operations in the near term and fund DTC's production and sales. We expect to raise additional funds from the sale of securities, stockholder loans and convertible debt. However, we may not be successful in our efforts to obtain financing to carry out our business plan.

See the notes to our condensed consolidated financial statements for a discussion of recently issued accounting pronouncements that we have either implemented or that may have a material future impact on our financial position or results of operations.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

This item is not required for a smaller reporting company.

#### **Item 4. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures.* As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our management including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) ("Exchange Act"). Based on this evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective in ensuring that information required to be disclosed by us in

the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, in a manner that allows timely decisions regarding required disclosures.

We operate with a limited number of accounting and financial personnel. Although we retain the services of an experienced certified public accountant, we have been unable to implement proper segregation of duties over certain accounting and financial reporting processes, including timely and proper documentation of material transactions and agreements. We believe these control deficiencies represent material weaknesses in internal control over financial reporting.

Despite the material weaknesses in financial reporting noted above, we believe that our consolidated financial statements included in this report fairly present our financial position, results of operations and cash flows as of and for the periods presented in all material respects.

*Changes in Internal Control over Financial Reporting.* There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

### **Item 1. Legal Proceedings**

There are no material pending legal proceedings to which we are a party or to which any of our property is subject and, to the best of our knowledge, no such actions against us are contemplated or threatened.

### **Item 1A. Risk Factors**

This item is not required for a smaller reporting company.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the six months ended October 31, 2020 the Company issued 39,339,474 shares of common stock with a value of \$366,247 for debt.

The issuances of the Company's common stock set forth above were in private transactions to a persons familiar with the Company's business, pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933.

### **Item 3. Defaults Upon Senior Securities**

This item is not applicable.

### **Item 4. Mine Safety Disclosure**

This item is not applicable.

### **Item 5. Other Information**

Not applicable

**Item 6. Exhibits**

The following exhibits are filed as part of this report:

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
31.1	<a href="#">Section 302 Certification of Chief Executive Officer and Chief Financial Officer</a>
32.1	<a href="#">Section 1350 Certification of Chief Executive Officer and Chief Financial Officer</a>
101 INS*	XBRL Instance Document
101SCH*	XBRL Taxonomy Extension Schema
101 CAL*	XBRL Taxonomy Extension Calculation Linkbase
101 DEF*	XBRL Taxonomy Extension Definition Linkbase
101 LAB*	XBRL Taxonomy Extension Label Linkbase
101 PRE*	XBRL Taxonomy Extension Presentation Linkbase

\* The XBRL related information in Exhibit 101 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Exchange Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**DEFENSE TECHNOLOGIES INTERNATIONAL  
CORP.**

Date: December 15, 2020

By: /S/ MERRILL W. MOSES  
**Merrill W. Moses**  
Chief Executive Officer  
Acting Chief Financial Officer