

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended July 31, 2023**

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_ to \_\_\_\_**

**Commission File Number 000-54851**

**DEFENSE TECHNOLOGIES INTERNATIONAL CORP.**

(Exact name of registrant as specified in its charter)

Delaware  
(State of Incorporation)

99-0363802  
(I.R.S. Employer Identification Number)

**2683 Via De La Valle, Suite G418, Del Mar CA 92014**  
(Address of principal executive offices)

**(800) 520-9485**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of September 25, 2023, there were 3,303,259 shares of the registrant's common stock, 2,925,369 Series A preferred and 1,965,197 Series B preferred and 589 Series D preferred: \$0.0001 par value, outstanding.

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

**FOR THE THREE MONTH PERIODS ENDED JULY 31, 2023 AND 2022**  
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## PART I — FINANCIAL INFORMATION

### Item 1. Financial Statements

#### Defense Technologies International Corp. and Subsidiary Condensed Consolidated Balance Sheets

	July 31, 2023	April 30, 2023
	(Unaudited)	(Audited)
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,101	\$ 804
Inventory	34,512	34,512
Total current assets	35,613	35,316
Fixed assets, net of depreciation of \$34,911 and \$34,911	--	--
Total assets	\$ 35,613	\$ 35,316
Current liabilities:		
Accounts payable and accrued expense	\$ 284,516	\$ 260,765
Accrued licenses agreement payable	50,000	37,500
Accrued interest and fees payable	157,886	150,517
Convertible notes payable, net of discount	320,577	319,767
Derivative liabilities	34,248	65,826
Payables – related parties	994,074	910,524
Customer deposits	30,375	30,375
Notes payable	45,042	64,092
Note payable- related party	131,030	115,600
Total current liabilities	\$ 2,047,748	\$ 1,954,966
Total liabilities	\$ 2,047,748	\$ 1,954,966
Commitments and Contingencies	--	--
Stockholders' deficit:		
Preferred stock, \$0.0001 par value; 20,000,000 shares authorized, Series A –2,925,369 shares issued and outstanding, respectively	292	292

Series B 1,906,447 and 1,913,655 shares issued and outstanding, respectively	191	191
Series D – 589 and 600 shares issued and outstanding, respectively	--	--
Common stock, \$0.0001 par value; 600,000,000 shares authorized, 2,760,759 and 1,803,042 shares issued and outstanding, respectively	277	181
Additional paid-in capital	14,957,155	14,905,851
Shares not issued		--
Accumulated deficit	(16,661,960)	(16,527,130)
Total	<u>(1,704,045)</u>	<u>(1,620,615)</u>
Non-controlling interest	(308,090)	(299,035)
Total stockholders' deficit	<u>(2,012,135)</u>	<u>(1,919,650)</u>
Total liabilities and stockholders' deficit	<u>\$ 35,613</u>	<u>\$ 35,316</u>

See notes to condensed consolidated financial statements

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

	Three Months	
	2023	2022
Expenses:		
Depreciation	\$ --	\$ 2,915
Consulting	120,000	617,900
Development	322	259,243
General and administrative	21,061	60,151
Total expenses	(141,383)	(940,209)
Loss from operations		
Other income (expense):		
Interest and other income (expense)	(7,370)	(43,101)
Gain (loss) on debt settlement	--	(835,829)
Gain (loss) on derivative liability	12,224	(339,169)
Interest- note discount	--	(22,838)
Total other income (expense)	4,854	(1,240,937)
Income (loss) before income taxes	(136,529)	(2,181,146)
Provision for income taxes	--	--
Net income (loss) before non-controlling interest	(136,529)	(2,181,146)
Non- controlling interest in net loss of the consolidated subsidiary	9,055	11,526
Net income (loss) attributed to the Company	\$ (127,474)	\$ (2,169,620)
Net income (loss) per common share: Basic and dilutive	\$ (0.10)	\$ (4.43)
Weighted average common shares outstanding:		
Basic and dilutive	679,476	489,943

See notes to condensed consolidated financial statements





**Defense Technologies International Corp. and Subsidiary**  
**Condensed Consolidated Statements of Stockholders' Deficit**  
**For the Three Months Ended July 31, 2023 and 2022**  
**(Unaudited)**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance at April 30, 2022 (Reclassified)	4,103,864	\$ 410	487,408	\$ 49	\$ 10,657,126	\$ (13,916,844)	\$ (247,112)	\$ (3,506,430)
Preferred B shares issued for accrued expense – related parities	279,026	28	--	--	1,074,222	--	--	1,074,250
Preferred B shares issued for notes payable	53,750	4	--	--	322,496	--	--	322,500
Preferred B shares issued for accounts payable and accrued expenses	364,886	37	--	--	1,505,118	--	--	1,505,155
Preferred shares issued for service	25,000	2	--	--	162,498	--	--	162,500
Loss on debt settlement, accruals and/accounts payable	--	--	--	--	835,829	--	--	835,829
Rounding of common stock on reverse split	--	--	2,535	--	--	--	--	--
Dividends on Series D preferred	--	--	--	--	7,644	(7,644)	--	--
Net loss	--	--	--	--	--	(2,169,620)	(11,526)	(2,181,146)
<b>Balance at July 31, 2022</b>	<b>4,826,526</b>	<b>\$ 481</b>	<b>489,943</b>	<b>\$ 49</b>	<b>\$ 14,564,874</b>	<b>\$ (16,094,108)</b>	<b>\$ (258,638)</b>	<b>\$ (1,787,342)</b>
Balance at April 30, 2023	4,839,616	\$ 483	1,803,042	\$ 181	\$ 14,905,851	\$ (16,527,130)	\$ (299,035)	\$ (1,919,650)
Common stock issued for debt conversion	--	--	569,681	57	14,629	--	--	14,686
Common stock issued for cash	--	--	200,000	20	9,980	--	--	10,000
Common stock issued for preferred B share conversion	(7,208)	--	72,081	7	(15)	--	--	(8)
Common stock issued for D preferred shares conversion	(3)	--	115,955	12	--	--	--	12
Derivative at conversion	--	--	--	--	19,354	--	--	19,354
Dividends on Series D preferred	--	--	--	--	7,356	(7,356)	--	--
Net loss	--	--	--	--	--	(127,474)	(9,055)	(136,529)
<b>Balance at July 31, 2023</b>	<b>4,832,405</b>	<b>\$ 483</b>	<b>2,760,759</b>	<b>\$ 277</b>	<b>\$ 14,957,155</b>	<b>\$ (16,661,960)</b>	<b>\$ (308,090)</b>	<b>\$ (2,012,135)</b>

See notes to condensed consolidated financial statements

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

	<b>Three Months Ended July 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Net loss	\$ (136,529)	\$ (2,181,146)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Preferred shares issued for service	--	162,500
Amortization of debt discount to interest expense	--	22,838
(Gain) loss on settlement of accrued payments	--	835,829
(Gain) loss on derivative liability	(12,224)	339,169
Depreciation	--	2,915
Change in operating assets and liabilities:		
Increase (decrease) in accounts payable and accrued expenses	43,620	673,411
Increase in payables – related parties	79,930	113,611
Net cash provided by (used in) operating activities	(25,203)	(30,873)
Cash flows from financing activities		
Proceeds from notes payable- related party	1,000	60,000
Repayment of notes payable	(5,500)	(30,000)
Proceeds from convertible notes	20,000	--
Proceeds from common stock for cash	10,000	--
Net cash provided by financing activities	25,500	30,000
Net increase (decrease) in cash	297	(873)
Cash at beginning of period	804	5,761
Cash at end of period	\$ 1,101	\$ 4,888
Supplement Disclosures		
Interest Paid		
Income tax Paid		
Noncash financing and investing activities		
Retirement of derivative at debt conversion	\$ 19,354	\$ --
Interest accrued on preferred shares	\$ 7,356	\$ 7,644
Common stock issued for convertible debt	\$ 14,686	\$ --
Common stock issued for conversion of preferred shares	\$ (8)	\$ --

Series B preferred issued for notes payable and accrued interest	\$	--	\$	322,500
Series B preferred issued for accrued expense	\$	--	\$	1,505,155
Series B preferred issued for accrued expense – relate parties	\$	--	\$	1,074,250

See notes to condensed consolidated financial statements

**Defense Technologies International Corp. and Subsidiary**  
**Notes to Condensed Consolidated Financial Statements**  
**As of July 31, 2023**  
**(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 the 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's unique technology works precisely to specifications as required by our technology and as confirmed in the market. All sales and marketing activities will be executed through PSSI.

On June 28, 2022, the Company's common shares were reversed with each shareholder receiving one share of common stock for each 500 shares held before the reverse split. The number of shares throughout the disclosure have been retrospectively adjusted to represent the number of shares after the reverse split.

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, 2023 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 July 31, 2023, the consolidated results of its operations and its consolidated cash flows for the three months ended July 31, 2023 and 2022. 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 July 31, 2023 consist of parts used in assembly of the units being sold plus work in progress and finished goods. As of July 31, 2023, the value of the inventory was \$34,512, compared to an inventory value of \$34,512 as of April 30, 2023.

### 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.

### 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 July 31, 2023, the Company had potential shares issuable under convertible preferred shares and convertible debt for a total of 25,141,298.

### Recent Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No 2020-06 Debt with Conversion and Other Options (Subtopic 470-20) and Derivative and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contract’s in an Entity’s own Equity. The ASU simplifies accounting for convertible instruments by removing major separation models required under GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The ASU simplifies the diluted net income per share calculation in certain areas. The ASU is effective for annual and interim periods has been amended for small businesses to beginning after December 15, 2023 as early adoption was permitted for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. The Company evaluated there is no impact this new guidance will have on its financial statements.

## **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 July 31, 2023, the Company had no revenues, has accumulated deficit of \$16,661,960 and a working capital deficit of \$2,012,135 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, 2023 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 and renewed in August 21, 2020 plus the assumption of a Service Agreement with the subsidiary PSSI assumed on January 12, 2017 and renewed on August 21, 2020, 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.

On May 1, 2022, the Company entered into a loan agreement with EMAC Handels AG for short term loans up to \$100,000. The loans bear interest at 6% per annum. As of July 31, 2023, the outstanding balance on the loan agreement was \$131,030 plus accrued interest.

During the three months period ending July 31, 2022, the Company issued 279,026 series B preferred shares to three related parties for the payment of \$1,074,250 of accrued expenses.



As of July 31, 2023 and April 30, 2022, the Company had payable balances due to related parties totaling \$994,074 and \$910,524, respectively.

**NOTE – 5: NOTES PAYABLE**

On March 5, 2018, the Company subsidiary PSSI entered into a note agreement with Premium Marketing Associates, LLC for \$25,000. The funds were designated for use in a marketing agreement with the Edward Fitzgerald Group for raising funds for PSSI. The note was to be repaid from investment fund generated by the Fitzgerald group plus 15% of the funds generated are paid to the investor.

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 noteholder 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 which expired on April 30, 2022. On July 29, 2022, the Company issued 53,750 shares of series B preferred for the outstanding principal of \$300,000 and interest of \$22,500 leaving the balance due at zero.

On July 18, 2018, the Company entered into a promissory note of \$114,226.26 with interest rate of 8% per annum with Haynie & Company the Company's former auditors. Under the terms of the agreement commencing August 15, 2018 the Company is to pay Haynie \$5,000 per month. In addition the Company shall pay the noteholder 20% of any funding event of private or public equity. On July 11, 2022, the Company negotiated a settlement of \$37,500 with an initial payment of \$30,000 and the balance due of \$7,500 thirty days after the initial payment. As of July 31, 2023, the \$7,500 had not been paid leaving the balance due on the note of \$20,042.

On May 1, 2022, the Company entered into a loan agreement with EMAC Handels AG for short term loans up to \$100,000. The loans bear interest at 6% per annum. As of July 31, 2023, the outstanding balance on the loan agreement was \$131,030 plus accrued interest.

As of July 31, 2023 and April 30, 2023, the outstanding balances of notes payable was \$176,072 and \$179,692, respectively.

#### **NOTE – 6: CONVERTIBLE DEBT**

On March 10, 2016, the Company entered into a convertible promissory note for \$17,000 with ACM Services GmbH, which bears interest at an annual rate of 6% and is convertible into shares of the Company's common stock at \$0.05 per share. The Company recorded a debt discount and a beneficial conversion feature of \$17,000 at the inception of the note. As of July 31, 2023, the balance of the notes was \$7,000 plus interest.

On August 3, 2016, the Company entered into a convertible promissory note with an institutional investor for \$25,000, which bears interest at an annual rate of 12% and matures on February 4, 2017. The note holder has the right, after a period of 180 days of the note, to convert the note and accrued interest into shares of the common stock of the Company at a discounted price per share equal to 50% to 65% of the market price of the Company's common stock, depending upon the stock's liquidity as determined by the note holder's broker. On March 20, 2017, the lender converted \$12,500 principal into 1,000,000 shares of the Company's common stock. As of July 31, 2023, the note has a balance of \$12,500 plus interest and is currently in default.

On February 16, 2018, Passive Security Scan Inc, a subsidiary of the Company, issued a \$20,000 convertible note to Stuart Young. The note bears interest at 6% and is convertible after 6 months from the date of the note into stock of either PSSI or the Company at 50% discount to the 10 day trailing trading value of the Company's common stock.

On March 5, 2018, the Company subsidiary PSSI entered into a note agreement with Premium Marketing Associates, LLC for \$25,000. The funds were designated for use in a marketing agreement with the Edward Fitzgerald Group for raising funds for PSSI. The note was to be repaid from investment fund generated by the Fitzgerald group plus 15% of the funds generated are paid to the investor.

On October 4, 2018, the Company entered into an agreement with RAB Investments AG to consolidate all RAB outstanding notes issued by the Company prior to October 31, 2018. Under the terms of the agreement the Company agreed to accept a six percent interest to be calculated on all the notes since their inception. The agreement resulted in a new note for \$330,626 which included the additional interest and retired the original notes.

On March 10, 2022, the Company issued 657,895 shares of series A preferred with a value of \$ 25,000 for payment against the convertible note. As of July 31, 2023 and April 30, 2023, the outstanding balance of the note were \$285,627 plus interest.

On March 22, 2022, the Company entered into a one year convertible promissory note for \$91,350 with Red Road Holdings, LLC. The note has an OID discount of \$12,600, bears interest at an annual rate of 9% and is convertible into shares of the Company's common stock at 80% of the lowest trading price 15 days prior to conversion. The note at initial issuance using the Black Scholes model with computed volatility of 338% Discount rate of 0.25%, The Company recorded a debt discount of \$91,350 at the inception of the note. As of July 31, 2023, the balance of the notes was \$7,200, net of discount plus interest.

During the three months period ended July 31, 2022, the Company issued 53,750 shares of series B preferred with a value of \$322,500 for the payment of note of \$300,000 and interest of \$22,500.

During the three months ended July 31, 2023, the Company issued 569,681 shares of common stock with a value of \$14,686 for the conversion of debt.

As of July 31, 2023, and April 30, 2023, the convertible debt outstanding, net of discount, was \$320,577 and \$319,767, 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 July 31, 2023, 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 three months ended July 31, 2023:

	Level 1	Level 2	Level 3
Balance at April 30, 2023	\$ --	\$ --	\$ 65,826
Retirement of debt at conversion			(19,354)

Change in fair value of derivative liability	--	--	(12,224)
Balance at July 31, 2023	\$ --	\$ --	\$ 34,248

The estimated fair value of the derivative liabilities at July 31, 2023 was calculated using the Binomial Lattice pricing model with the following assumptions:

Risk-free interest rate	5.10%
Expected life in years	0.10
Dividend yield	0%
Expected volatility	333.00%

## **NOTE – 8: EQUITY**

### Common Stock

On April 26, 2022, the Company filed an amendment to the Articles of Incorporation increasing the authorized shares of common stock to 600,000,000 with a par value of \$0.0001 and the total number of preferred shares at 20,000,000, par value \$0.0001.

On June 28, 2022, the Company's common shares were reversed with each shareholder receiving one share of common stock for each 500 shares held before the reverse split. The number of shares for the three months ended January 31, 2022 and year ended April 30, 2022 have been calculated to represent the number of shares after the reverse split.

During the three months ended July 31, 2023, the Company issued 200,000 shares of common stock with a value of \$10,000 for cash.

During the three months ended July 31, 2023, the Company issued 188,036 shares of common stock for the conversion of 7,219 shares of preferred stock.

During the three months ended July 31, 2023, the Company issued 569,681 shares of common stock with a value of \$14,686 for the conversion of debt.

### Preferred Stock

The Company has 20,000,000 shares of \$0.0001 par value preferred stock authorized and has designated a Series A preferred stock, a Series B preferred stock, a series C preferred stock and a series D preferred stock. The Company has authorized 5,000,000 series A and B shares each plus 1,500,000 each of series C and D preferred shares. 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. Each of the Series C preferred shares are non-voting and are convertible to common stock as a "Blank Check" designation with terms and conditions as set by the board of directors. Each of the series D preferred shares are non-voting and may be converted into common shares as a Blank Check" designation with the terms and conditions as set forth by the board of directors.

On April 26, 2022, the Company filed an amendment to the Articles of Incorporation increasing the authorized shares of common stock to 600,000,000 with a par value of \$0.0001 and the total number of preferred shares at 20,000,000, par value \$0.0001.

During the three month period ended July 31, 2022, the Company issued 697,662 shares of series B preferred with for the reduction of \$2,901,905 of notes payable and accrued expenses. The issuance consisted of 279,026 shares to related parties for accrued expense of \$1,074,250, 53,750 shares for the payment of \$322,500 of notes payable and interest and 364,886 shares for the payment of \$1,505,155 of accounts payable and accrued expenses. The Company realized a loss on settlement of debt and accruals of \$835,829 from the issuance of the series B preferred. The fair value of the shares issued were determined by the closing price of the number of common shares to be issued at the conversion of 10 common shares for each series B preferred share.

During the three months period ended July 31, 2022, the Company issued 25,000 shares of series B preferred for \$162,500 for service.

During the three months ended July 31, 2023, the Company issued 188,036 shares of common stock for the conversion of 7,219 shares of preferred stock.

As of July 31, 2023, the Company had 4,832,405 shares of preferred stock consisting of; 2,925,369 Series A shares, 1,906,447 Series B shares and 589 Series D preferred share issued and outstanding. The conversion price for the 589 series D shares issued is \$0.50 or 80% of the lowest trading price 20 days prior to conversion.

## **NOTE – 9: COMMITMENTS AND CONTINGENCIES**

The Company has the following material commitments as of July 31, 2023:

- a) Administration Agreement with EMAC Handel’s AG, renewed effective May 1, 2017 for a period of three years and amended May 1, 2021. Monthly fee for administration services of \$7,500, 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. As of July 31, 2023, Mr. Hooper was terminated from the board of directors.
- d) Administration and Management Agreement of PSSI signed January 12, 2017 with EMAC Handel Investments AG, for general fees of \$7,500 per month, office rent of \$250 and telephone of \$125 beginning January 2017 and amended May 1, 2021, 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 10: SUBSEQUENT EVENTS**

Subsequent to the three months period ending July 31, 2023, the Company issued 262,500 shares of common stock for the conversion of 26,250 shares of series B preferred shares.



Subsequent to the three months period ended July 31, 2023, the Company issued 125,000 shares of common stock for the conversion of convertible debt with a value of \$1,780.

Subsequent to the three months period ended July 31, 2023, the Company issued 58,750 shares of series B preferred stock to two related parties.

Subsequent to the three months period ended July 31, 2023, the Company issued 155,000 shares of common stock for the conversion of debt with a value of \$7,750.

The Company has evaluated subsequent events to determine events occurring after July 31, 2023 through the filing of this report that would have a material impact on the Company's financial results or require disclosure other than those noted above.

## 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 three months ended July 31, 2023.

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 these 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 three months ended July 31, 2023, the Company did not receive any revenue.

Our operating expenses for the three months ended July 31, 2023 was \$141,383 compared to \$940,209 for the same period in 2022. The decrease was due primarily to lower consulting costs, which were \$120,000 and lower development costs of \$322 for the three months periods ending July 31, 2023. The Company recorded zero depreciation and general and administrative costs of \$21,061 for the three month periods ended July 31, 2023 compared to depreciation of \$2,915 and general and administrative expense of \$60,151 for the same periods in 2022.

Interest expenses incurred in the three months periods ended July 31, 2023 was \$7,370 compared to interest expense of \$43,101 for the three month periods in 2022.

Change in derivative liability resulted in a gain of \$12,224 for the three months period ended July 31, 2023, compared to a loss on derivative liability of \$339,169 for the same period in 2022. We estimate the fair value of the derivative for the conversion feature of our convertible notes payable using the American Binominal 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.

Other expenses for the three month periods ending July 31, 2023 includes no debt settlement compared to a loss on debt settlement of \$835,829 for the same periods in 2022. A loss on note discount of \$22,838 was recorded for the three month period ended July 31, 2022 compared to zero in the same period in 2023.

Total other income and expense for the three month periods ended July 31, 2023 was other income of \$4,854 compared to other loss of \$1,240,937 for the same periods in 2022. The gain in the three months periods ending July 31, 2023 are primarily due to gain on change in derivative liability of \$12,224.

Net loss before non-controlling interest for the three month periods ended July 31, 2023, were a net loss of \$136,529 compared net loss of \$2,181,146 for the same periods in 2022. After adjusting for our consolidated subsidiary, net loss and net income for the three month period ended July 31, 2023, were net loss of \$127,474 compared to a net loss of \$2,169,620 for the same period in 2022.

## **Liquidity and Capital Resources**

At July 31, 2023, the Company had total current assets of \$35,613 and total current liabilities of \$2,047,748 resulting in a working capital deficit of \$2,012,135. Included in our current liabilities and working capital deficit at July 31, 2023 are derivative liabilities totaling \$34,248 related to the conversion features of certain of our convertible notes payable, convertible notes of \$320,577, net of discount, payables due related parties of \$994,074, accounts payable and accrued expense of \$284,516 and notes payables of \$176,072. We anticipate that in the short term, operating funds will continue to be provided by related parties and other lenders.

During the three months ended July 31, 2023, net cash used in operating activities was \$25,203 compared to cash used of \$30,873 in the same period in 2022. Net cash used in the three month 2023 period consisted of net loss of \$136,529 , change in payables to related parties of 79,930 and increase in accounts payable of \$43,620.

During the three months ended July 31, 2023, net cash provided by financing activities was \$25,500 consisting of a note payable of \$1,000 convertible notes of \$20,000, cash for common stock of \$10,000 offset by repayment of a note payable of \$5,500.

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 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.

We have built 33 Passive Portal units, two of which were used in the previously announced BETA Test at a school near Austin, TX and 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 three months ended July 31, 2023, the Company issued 200,000 shares of common stock with a value of \$10,000 for cash.

During the three months ended July 31, 2023, the Company issued 188,036 shares of common stock for the conversion of 7,219 shares of preferred stock.

During the three months ended July 31, 2023, the Company issued 569,681 shares of common stock with a value of \$14,686 for the conversion of debt.

**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:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
31.1	<a href="#"><u>Section 302 Certification of Chief Executive Officer and Chief Financial Officer</u></a>
32.1	<a href="#"><u>Section 1350 Certification of Chief Executive Officer and Chief Financial Officer</u></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: September 25, 2023

By: /S/ MERRILL W. MOSES

**Merrill W. Moses**

Chief Executive Officer

Acting Chief Financial Officer