



UCORE RARE METALS INC.
(A Development Stage Enterprise)

Unaudited Condensed Interim Consolidated Financial Statements

First Quarter
For the three month period ended March 31, 2021

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. Management of Ucore Rare Metals Inc. has prepared these condensed interim consolidated financial statements. Management has compiled the unaudited condensed interim consolidated statement of financial position of Ucore Rare Metals Inc. as at March 31, 2021, the audited condensed consolidated statement of financial position as at December 31, 2020 and the unaudited condensed interim consolidated statements of comprehensive loss, changes in shareholder's equity and cash flows for the three month period ended March 31, 2021 and March 31, 2020. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 31, 2021 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

(Unaudited - Prepared by Management)

	March 31, 2021	December 31, 2020
	\$	\$
ASSETS		
Current assets		
Cash	7,142,090	1,008,838
Marketable securities	70,000	27,833
Prepaid expenses and other	372,728	216,538
Receivables (note 8)	709,244	154,827
	<u>8,294,062</u>	<u>1,408,036</u>
Plant and equipment (note 9)	52,809	53,091
Restricted cash (note 7)	56,085	56,187
Right-of-use asset (note 10)	229,049	251,215
Intellectual property (note 6)	8,089,154	8,089,154
Resource properties and related exploration costs (note 11)	36,641,915	36,838,028
	<u>53,363,074</u>	<u>46,695,711</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	822,259	742,552
Current portion of lease liability (note 12)	81,690	78,701
Loan payable (note 13)	1,168,517	1,166,159
	<u>2,072,466</u>	<u>1,987,412</u>
Long-term liabilities		
Lease liability (note 12)	157,025	178,602
Convertible debentures (note 14)	1,718,396	3,117,123
	<u>3,947,887</u>	<u>5,283,137</u>
Shareholders' equity		
Share capital (note 15)	82,828,914	75,965,504
Contributed surplus (note 15)	22,839,449	22,799,469
Warrants (note 15)	5,037,309	2,641,188
Accumulated other comprehensive income	3,551,503	3,821,362
Deficit	(64,841,988)	(63,814,949)
	<u>49,415,187</u>	<u>41,412,574</u>
	<u>53,363,074</u>	<u>46,695,711</u>

Going concern (note 1)

Approved on behalf of the Board of Directors

(s) Patrick Ryan

Patrick Ryan, CEO and Director

(s) Geoff Clarke

Geoff Clarke, Director

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

For the quarters ended March 31

(Unaudited - Prepared by Management)

	2021	2020
	\$	\$
EXPENSES		
Amortisation	27,685	23,139
Investor relations and marketing	46,351	50,020
Office and premises	87,894	68,024
Professional services	204,558	357,263
Salaries and consultants	514,248	503,155
Securities and regulatory	23,155	25,080
Research and development	314,649	-
Share-based payments	39,980	117,774
Travel	868	30,126
	<u>1,259,388</u>	<u>1,174,581</u>
OTHER INCOME (LOSS)		
Interest income	984	8,527
Interest and accretion expense	(136,424)	(48,626)
Loss on the settlement of convertible debentures (note 14)	(533,941)	-
Fair value adjustment of derivative liabilities (note 14)	(623,203)	-
Gain on the sale of pilot plant (note 8)	1,491,545	-
Foreign exchange	33,388	(66,120)
	<u>232,349</u>	<u>(106,219)</u>
NET LOSS	<u>(1,027,039)</u>	<u>(1,280,800)</u>
Net Loss per share - basic and diluted	<u>(0.02)</u>	<u>(0.04)</u>
Weighted average number of basic and diluted common shares outstanding	<u>42,169,914</u>	<u>36,511,641</u>
COMPREHENSIVE LOSS:		
Net loss for the period	(1,027,039)	(1,280,800)
<i>Items which may be subsequently recycled through profit or loss</i>		
Foreign currency translation difference arising on translation of foreign subsidiaries	(269,859)	2,101,505
Unrealized gain (loss) on available-for-sale securities	-	(500)
	<u>(1,296,898)</u>	<u>820,205</u>

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Changes in Equity

Expressed in Canadian dollars

(Unaudited - Prepared by Management)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at January 1, 2020	36,511,641	\$ 68,250,324	\$ 22,391,955	\$ 2,195,536	\$ 4,281,828	\$ (58,288,812)	\$ 38,830,831
Net loss	-	-	-	-	-	(1,280,800)	(1,280,800)
Unrealized gain (loss) on available for sale securities	-	-	-	-	(500)	-	(500)
Foreign currency translation adjustment	-	-	-	-	2,101,505	-	2,101,505
Share-based payments	-	-	117,774	-	-	-	117,774
Balance at March 31, 2020	36,511,641	\$ 68,250,324	\$ 22,509,729	\$ 2,195,536	\$ 6,382,833	\$ (59,569,612)	\$ 39,768,810
Balance at January 1, 2021	41,049,981	\$ 75,965,504	\$ 22,799,469	\$ 2,641,188	\$ 3,821,362	\$ (63,814,949)	\$ 41,412,574
Net loss	-	-	-	-	-	(1,027,039)	(1,027,039)
Foreign currency translation adjustment	-	-	-	-	(269,859)	-	(269,859)
Financing (net of costs) (note 15)	6,700,000	4,776,664	-	1,794,346	-	-	6,571,010
Shares issued on the exercise of warrants (note 15)	46,666	106,693	-	(22,695)	-	-	83,998
Shares and warrants issued on the conversion of convertible debentures (note 14)	1,287,483	1,980,053	-	624,470	-	-	2,604,523
Share-based payments (note 15)	-	-	39,980	-	-	-	39,980
Balance at March 31, 2021	49,084,130	\$ 82,828,914	\$ 22,839,449	\$ 5,037,309	\$ 3,551,503	\$ (64,841,988)	\$ 49,415,187

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian dollars

For the quarters ended March 31

(Unaudited - Prepared by Management)

	2021	2020
	\$	\$
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES		
Net loss for the period	(1,027,039)	(1,280,800)
Adjustments and items not involving cash:		
Amortisation	27,685	23,139
Change in fair value of derivative liability (note 14)	623,203	-
Loss on settlement of convertible debentures (note 14)	533,941	-
Share-based payments (note 15)	39,980	117,774
Interest expense	-	30,764
Accretion expense	73,894	18,171
Proceeds from the sale of the MRT pilot plant (note 8)	(939,844)	-
Unrealized gain (loss) on available-for-sale securities	(42,167)	-
Unrealized foreign exchange (gain) loss	(13,074)	70,348
	<u>(723,421)</u>	<u>(1,020,604)</u>
Change in non-cash operating working capital:		
Receivables	(554,418)	104,952
Prepaid expenses and other	(145,398)	40,431
Accounts payable and accrued liabilities	79,632	17,022
	<u>(1,343,605)</u>	<u>(858,199)</u>
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES		
Interest paid on lease liabilities (note 12)	(9,073)	(2,581)
Repayment of lease liabilities (note 12)	(18,588)	(25,021)
Proceeds from the issuance of common shares (net of costs) (note 15)	6,571,010	-
Issuance of common shares on exercise of warrants (note 15)	83,998	-
	<u>6,627,347</u>	<u>(27,602)</u>
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES		
Purchase of plant and equipment	(5,237)	(7,683)
Proceeds from the sale of the MRT pilot plant (note 8)	939,844	-
Additions to resource properties and related exploration costs	(84,462)	(44,509)
	<u>850,145</u>	<u>(52,192)</u>
INCREASE (DECREASE) IN CASH	6,133,887	(937,993)
Foreign exchange impact on cash	(635)	(1,302)
CASH, beginning of period	<u>1,008,838</u>	<u>2,813,492</u>
CASH, end of period	<u><u>7,142,090</u></u>	<u><u>1,874,197</u></u>

Supplementary Cash Flow Information (note 18)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2021

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Ucore Rare Metals Inc. ("Ucore" or the "Company") is a corporation domiciled in Canada. The address of the Company's head office is 210 Waterfront Drive, Suite 106, Halifax N.S., B4A 0H3. The Company is engaged in the exploration for and separation of rare earth elements within Canada and the United States. The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues and is considered to be a development stage enterprise.

On May 8, 2020, the Company acquired 100% of the issued and outstanding shares of Innovation Metals Corp. ("IMC"), the developer of its proprietary RapidSX™ process for the low-cost separation and purification of rare earth elements ("REEs"), nickel ("Ni"), cobalt ("Co"), lithium ("Li") and other technology metals, via an accelerated form of solvent extraction. IMC is commercializing this approach for a number of metals, to help enable mining and metal-recycling companies to compete in today's global marketplace.

2. GOING CONCERN

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, as described in the following paragraphs.

The Company has no sources of revenue, experienced significant losses and negative cash flows from operations in previous years and has a deficit. Management estimates current working capital may not be sufficient to fund all of the Company's planned expenditures through the next 12 months. The ability of the Company to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business and continue with, or expand upon its exploration programs is contingent upon securing financing or monetizing assets. The timing and availability of additional financing will be determined largely by market conditions and the results of the Company's ongoing exploration programs. There is no certainty that the Company will be able to raise funds as they are required in the future.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

3. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*.

The date the Board of Directors approved the financial statements is May 30, 2021.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2021

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

3. BASIS OF PRESENTATION (continued)

Basis of measurement

These condensed interim consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments that have been measured at fair value. All intercompany transactions, balances, and expenses are eliminated on consolidation.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

Use of estimates and judgments

The preparation of financial statements requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgments based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

The use of estimates and judgments are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2020.

4. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

The accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2020.

New accounting standards not yet adopted

The IASB issued the following standards that have not been applied in preparing these consolidated financial statements as their effective date falls within annual periods beginning subsequent to the current reporting period.

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or noncurrent depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The Company is currently assessing the financial impact of the amendments and expects to apply the amendments at the effective date.

IAS 16 – Property, Plant and Equipment

On May 14, 2020, the IASB issued an amendment to IAS 16 Property, Plant and Equipment to prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items, and the cost of producing those items are to be recognized in profit and loss. The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The amendment is to be applied retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the earliest period presented in the financial statements in the year in which the amendments are first applied. The Company is currently assessing the financial impact of the amendment and expects to apply the amendment at the effective date.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
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4. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS (continued)

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

On May 14, 2020, the IASB issued an amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendment specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to the contract can either be incremental costs of fulfilling the contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which the Company has not yet fulfilled all its obligations on or after January 1, 2022 with early adoption permitted. The Company is currently assessing the financial impact of the amendment and expects to apply the amendment at the effective date.

5. CAPITAL MANAGEMENT

The Company's capital at March 31, 2021 consists of shareholders' equity of \$49,415,187 (December 31, 2020 - \$41,412,574). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resources properties, the advancement of the Company's prospective separation technology, and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity-based financings. Future financings are dependent on market conditions, and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in a high interest savings account. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements as except as noted in note 14.

6. ACQUISITION OF IMC

On May 8, 2020, the Company acquired 100% of the issued and outstanding shares of Innovations Metals Corp. ("IMC"), a company focused on research and development of technologies for the separation of critical metals including rare earth elements, pursuant to the terms and conditions set forth in a share purchase agreement dated April 27, 2020.

The total fair value of the consideration paid by the Company was \$7,716,180 representing cash consideration of \$1,000 and the issuance of 4,538,341 common shares of the Company from treasury at a fair value of \$1.70 per share on the closing date. The Company incurred transaction expenses in connection with the acquisition totaling \$498,767. These transaction costs include legal fees, stock exchange fees related to the listing of the additional 4,538,341 common shares of the Company, and financial advisory fees related to an independent formal valuation of IMC. These transaction expenses have been recorded as part of the acquisition.

Management has assessed the acquisition of IMC to be an asset acquisition due to the concentration test. The assets and liabilities of IMC assumed on acquisition are as follows:

Cash	\$	12,165
Receivables		71,800
Prepaid expense and other		23,708
Marketable securities		28,750
Intellectual property		8,089,154
Accounts payable and accrued liabilities		(10,630)
Net assets acquired	\$	8,214,947

The total consideration for the acquisition was as follows:

Cash	\$	1,000
Fair value of shares issued		7,715,180
Transaction costs		498,767
Total consideration	\$	8,214,947

Amortization of the intellectual property will commence when the assets are available for commercial production.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
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(Unaudited – Prepared by Management)
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7. RESTRICTED CASH

Restricted cash consists of US dollar reclamation bonds required by government agencies to ensure proper decommissioning of structures built at the Bokan property. These bonds accrue interest at a fixed rate that is updated annually. Funds can be released with government approval.

8. RECEIVABLES

On February 19, 2021, the Company and its named individual officers and IBC Advanced Technologies Inc., its named individual officers and all IBC shareholders that are party to the Option to Purchase Agreement, reached a settlement agreement regarding all litigation activities between the parties and any other associated individuals.

The terms include IBC purchasing the MRT pilot plant from the Company for \$1,491,545 (\$1,175,000 USD) pursuant to a series of payments. Additionally, the agreement includes the termination of the option to purchase agreement and any other existing agreements between the parties, and an agreement by all parties to dismiss all lawsuits with prejudice and to mutually release and waive all claims.

During the period ended March 31, 2021, the Company received its first payment towards the sale of the MRT pilot plant in the amount of \$939,844 (\$750,000 USD). As at March 31, 2021, \$535,118 (\$425,000 USD) remains outstanding. A reconciliation of the Company's receivables is provided below:

	March 31, 2021	December 31, 2020
Goods and Services Tax / Harmonized Sales Tax	\$ 174,126	\$ 154,827
Proceeds from sale of pilot plant	535,118	-
Total	\$ 709,244	\$ 154,827

9. PLANT AND EQUIPMENT

	Office Equipment	Exploration Equipment	Research Equipment	Total
Cost				
Balance, January 1, 2020	\$ 243,825	\$ 142,746	\$ -	\$ 386,571
Additions	9,408	-	24,000	33,408
Balance, December 31, 2020	253,233	142,746	24,000	419,979
Additions	-	-	5,237	5,237
Balance, March 31, 2021	253,233	142,746	29,237	425,216
Accumulated amortisation				
Balance, January 1, 2020	\$ 214,444	\$ 140,564	\$ -	\$ 355,008
Amortisation	10,658	222	1,000	11,880
Balance, December 31, 2020	225,102	140,786	1,000	366,888
Amortisation	2,218	39	3,262	5,519
Balance, March 31, 2021	227,320	140,825	4,262	372,407
Net book value				
Balance, December 31, 2020	\$ 28,131	\$ 1,960	\$ 23,000	\$ 53,091
Balance, March 31, 2021	\$ 25,913	\$ 1,921	\$ 24,975	\$ 52,809

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2021

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

10. RIGHT OF USE ASSET

The Company recognized a right-of-use asset for the lease of the Company's head office located in Bedford, Nova Scotia.

Cost	
Balance, December 31, 2019	\$ 150,209
Additions	265,992
Balance, December 31, 2020	416,201
Additions	-
Balance, March 31, 2021	416,201
Depreciation	
Balance, December 31, 2019	\$ 81,932
Charge for the year	83,054
Balance, December 31, 2020	164,986
Charge for the period	22,166
Balance, March 31, 2021	187,152
Net book value	
Balance, December 31, 2020	\$ 251,215
Balance, March 31, 2021	\$ 229,049

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

11. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

The Company's interest in resource properties and related exploration costs consist of the following:

	December 31, 2020	Deferred exploration costs	Movement in exchange rates	March 31, 2021
Bokan Mountain, Alaska	\$ 36,838,028	\$ 73,746	\$ (269,859)	\$ 36,641,915

	December 31, 2019	Deferred exploration costs	Movement in exchange rates	December 31, 2020
Bokan Mountain, Alaska	\$ 37,050,367	\$ 248,127	\$ (460,466)	\$ 36,838,028

12. LEASE LIABILITIES

In February 2012, the Company entered into a five-year operating lease for its head office premises in Halifax, Nova Scotia which began in October 2012. This lease was extended until October 2020 and further extended to October 2023. The Company is required to make monthly lease payments of \$9,221 per month until the expiration of the lease. The Company entered into a lease for a research facility in Salt Lake City, Utah in February 2016 which expired in January 2019. This lease was extended until July 2019 and then extend into a month to month lease with three months notice to terminate the lease. The Company formally terminated this lease in March 2021. The Company's subsidiary, IMC, entered into a research facility lease in Kingston, Ontario in June 2020 which either party can terminate with 60 days notice.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2021

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

12. LEASE LIABILITIES (continued)

The following table reconciles the changes attributable to the Company's finance lease obligations:

	December 31, 2020	Additions	Principal payments	Current portion	March 31, 2021
Office lease liability	\$ 257,303	\$ -	\$ (18,588)	\$ (81,690)	\$ 157,025
	\$ 257,303	\$ -	\$ (18,588)	\$ (81,690)	\$ 157,025

	December 31, 2019	Additions	Principal payments	Current portion	December 31, 2020
Office lease liability	\$ 77,949	\$ 265,992	\$ (86,638)	\$ (78,701)	\$ 178,602
	\$ 77,949	\$ 265,992	\$ (86,638)	\$ (78,701)	\$ 178,602

13. LOAN PAYABLE

Orca Loan

On March 30, 2019, the Company entered into a secured loan agreement with Orca Holdings, LLC ("Orca") in the amount of \$3,637,875 (\$2,725,000 USD) (the "Orca Loan"). Proceeds were used to repurchase the Pilot Plant for \$2,670,000 (\$2,000,000 USD) and settle the related lease liability as further described in note 17, settle accrued and unpaid lease payments totaling \$133,500 (\$100,000 USD); settlement of the remaining lease payments for the period April 1, 2019 to June 30, 2019 of \$100,132 (\$75,000 USD), settle payment of \$400,500 (\$300,000 USD) under a consulting agreement with Orca, and provide the Company with cash of \$333,750 (\$250,000 USD). A discount on the loan payable was determined to be \$194,869, which has been recorded in the statement of loss. The discount represents the fair value adjustment on the loan. Interest was payable monthly and the principal amount was to be repaid in full on March 31, 2021. The loan had an interest at a rate of 12.5% annually for the first 9 months commencing July 1, 2019 and then a rate of 15% annually for the 12 months commencing April 1, 2020.

Amended Orca Loan

On November 27, 2019, the Company renegotiated the Orca Loan. This included revised terms that saw the Company pay off \$2,500,000 (\$1,890,696 USD) in principal and issue 5,000,000 share purchase warrants to Orca, extend the maturity date of the loan to November 30, 2021, and reduce the interest rate to 9% (the "Amended Orca Loan")

Each share purchase warrant will entitle Orca to acquire one common share of the Company at an exercise price of \$1.20 during the term ending on November 30, 2021. The amendment was treated as a modification of the remaining principal owing as the modifications to the existing terms did not result in a substantive change in the loan agreement. The repayment of principal resulted in a loss on extinguishment of \$269,994 which has been recorded through the statement of loss and comprehensive loss. The remaining portion of the loan that was modified resulted in a gain on modification of \$120,381. The effective interest rate used for the loan is 15%. The fair value of the warrants was determined to be \$249,106 using the Black -Scholes model using the following assumptions: (risk-free interest rate – 1.60%, expected life – 2.025 years, expected annual volatility – 102%, expected dividends – Nil, expected forfeiture rate – Nil). The remaining loan balance is secured by a first charge on the Company's assets.

The following is a loan continuity schedule for the loan with Orca:

	March 31, 2021	December 31, 2020
Opening balance	\$ 1,166,159	\$ 1,126,207
Interest and accretion expense	16,170	63,249
Foreign exchange	(13,812)	(23,297)
Ending balance	\$ 1,168,517	\$ 1,166,159

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For the three month period ended March 31, 2021

(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

14. CONVERTIBLE DEBENTURES

On May 21 and May 29, 2020, the Company issued 1,280 and 1,520 respectively, of convertible debentures, with a face value of \$1,000 each for total gross proceeds of \$2.8 million. The convertible debentures bear interest of 7.5% payable semi-annually and the principal amount matures on May 31, 2023. The Company has the option to extend the term to May 31, 2024 in the final year of the original term. If the Company elects to extend the term the Company shall pay an extension fee to the debenture holder in an amount equal to six months interest. The debenture holder has the right at any time on or prior to the maturity date to convert all or any portion of the outstanding principal into units of the Company at a conversion price of \$1.20 per unit. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable by the holder to purchase one common share at an exercise price of \$1.80 per common share, exercisable until the maturity date of the debenture.

Should the common shares of the Company trade at a closing price of \$2.20 per common share or higher on the TSX Venture Exchange for twenty consecutive trading days, the debentures shall automatically convert into units at a conversion price of \$1.20 per unit.

In conjunction with the convertible debenture offering the Company issued 140,000 commitment warrants, each warrant entitles the holder to acquire one common share at an exercise price of \$1.80 per common share prior to May 31, 2022.

For accounting purposes, the debentures represent a hybrid financial instrument, consisting of a host loan obligation, and embedded derivative instruments comprising the conversions, extension and early conversion features of the debenture. The Company accounts for the host loan obligation at amortized cost, accrued to maturity over the term of the debenture. The embedded conversion and extension options are accounted for as a financial liability measured at fair value through profit or loss. The commitment warrants are accounted for as equity.

At the dates of issue, the convertible debentures and its components were measured at fair values, as follows:

	May 21, 2020	May 29, 2020
	Tranche	Tranche
Host liability component at issue	\$ 813,114	\$ 988,160
Conversion and extension options at issue date	555,086	672,096
Fair value of commitment warrants	202,964	244,550
Loss on initial recognition	291,164	384,806
Net proceeds from issue	\$ 1,280,000	\$ 1,520,000

The following table summarizes the continuity of the host liability components of the loan for the period ended March 31, 2021:

	May 21, 2020	May 29, 2020	
	Tranche	Tranche	Total
Carrying value, date of issue	\$ 813,114	\$ 988,160	\$ 1,801,274
Accretion on discount	78,423	87,534	165,957
Balance, December 31, 2020	\$ 891,537	\$ 1,075,694	\$ 1,967,231
Conversion of debentures	\$ (872,661)	\$ (216,335)	(1,088,996)
Accretion on discount	13,177	35,476	48,653
Balance, March 31, 2021	\$ 32,053	\$ 894,835	\$ 926,888

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14. CONVERTIBLE DEBENTURES (continued)

The following table summarizes the continuity of the conversion option components of the loan for the period ended March 31, 2021:

	May 21, 2020		May 29, 2020		
	Tranche		Tranche		
				Total	
Carrying value, date of issue	\$	555,086	\$	672,096	\$ 1,227,182
Fair value adjustment		(29,421)		(47,869)	(77,290)
Balance, December 31, 2020	\$	525,665	\$	624,227	\$ 1,149,892
Conversion of debentures	\$	(792,545)	\$	(189,042)	\$ (981,587)
Fair value adjustment		289,124		334,079	623,203
Balance, March 31, 2021	\$	22,244	\$	769,264	\$ 791,508

The fair value of the conversion option was determined using a binomial option valuation model, using the following key assumptions:

	Tranche 1 - May 21, 2020		Tranche 2 - May 29, 2020	
	Conversion Date	December 31, 2020	Conversion Date	December 31, 2020
Expected volatility	102%	116%	102%	116%
Risk-free interest rate	0.29%	0.29%	0.27%	0.29%
Conversion option term	3.0 years	2.4 years	3.0 years	2.4 years
Credit spread	27.02%	20.69%	25.94%	20.69%
Underlying share price	\$ 1.60	\$ 1.18	\$ 1.50	\$ 1.18

During the period ended March 31, 2021, the Company issued 643,746 warrants in connection with the conversion of the debentures into units of the Company. The fair value of the warrants granted is estimated on the grant date using the Black-Scholes pricing model using the following weighted average variables:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Expected volatility	124%	-
Risk-free interest rate	0.23%	-
Conversion option term	2.3 years	-
Expected dividend rate	Nil	-

As at March 31, 2021, the Company received conversion notices for \$1,255,000. The face value of the convertible debentures outstanding as at March 31, 2021 is \$1,545,000 (2020 - \$2,800,000).

15. SHARE CAPITAL

Authorized:

- Unlimited number of common voting shares
- Unlimited number of first preferred non-voting shares issuable in series
- Unlimited number of second preferred non-voting shares issuable in series

a) Share consolidation

During the year ended December 31, 2020, the board of directors authorized a 10-for-1 share consolidation. The number of issued and outstanding shares, warrants, deferred share units, and per share amounts have been retrospectively restated for all periods presented unless otherwise stated.

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15. SHARE CAPITAL (continued)

b) Financing

On February 9, 2021, the Company closed a non-brokered private placement which consisted of an aggregate of 6.7 million units at a subscription price of \$1.00 per unit for aggregate gross proceeds to the Company of \$6.7 million.

Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share at a price of \$1.50 per share for a period of 36 months from the date of issuance, provided that, if, over a period of 10 consecutive trading days between the date that is four months and a day from the date of issuance of the warrants and the date that the warrants would otherwise expire, the closing price of the common shares on the TSX Venture Exchange is equal to or greater than \$1.75, then the Company may, at its option, elect to accelerate the expiry of the warrants by providing notice to the holders thereof within 10 calendar days following the end of such 10-consecutive-trading-day period, in which case the warrants will expire 30 calendar days following the end of such 10-consecutive-trading-day period. The Company determined that the fair value of the warrants issued was \$1,485,146. The fair value was determined using the Black-Scholes pricing model to perform an iterative calculation to allocate the actual proceeds received between the common shares and the warrants. The assumptions in the Black-Scholes pricing model used to calculate the fair value of the warrants were: volatility of 115%, an expected life of 3 years, risk free rate of 0.24%, and zero expected dividend yield.

The Company issued a total of 306,060 finder's warrants pursuant to certain subscriptions. Each finder's warrant issued entitles the holder to acquire one common share at a price of \$1.00 per unit for a period of 36 months from the date of issuance. The value allocated to the warrants was determined based on the Black-Scholes pricing model, using an assumed volatility of 115%, an expected life of 3 years, risk free rate of 0.24%, and zero expected dividend yield resulting in the following allocation of proceeds and costs between common shares and warrants. Other costs associated with the private placement totaled \$128,990. A summary of the allocation of proceeds is provided below:

	Allocation of proceeds		
	Shares	Warrants	Total
Proceeds	\$ 5,214,854	\$ 1,485,146	\$ 6,700,000
Cash costs	(100,398)	(28,592)	(128,990)
Finder's warrants	(337,793)	337,793	-
Closing balance	\$ 4,776,663	\$ 1,794,347	\$ 6,571,010

c) Acquisition of IMC

On May 8, 2020, the Company issued 4,538,341 common shares of the Company at \$1.70 with a value of \$7,715,180 as part of the acquisition of IMC (note 6).

d) Stock options

Changes in stock options during the three month period ended March 31, 2021 and year ended December 31, 2020 are summarized below:

	Period ended March 31, 2021		Year ended December 31, 2020	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Opening balance	1,829,000	2.22	1,958,333	2.40
Granted	190,000	1.30	265,000	1.65
Expired	-	-	(318,333)	2.86
Forfeited	-	-	(76,000)	1.84
Closing balance	2,019,000	2.13	1,829,000	2.22

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15. SHARE CAPITAL (continued)

The fair value of options granted during the period has been estimated using the Black-Scholes option pricing model. The assumptions used in the pricing model for options granted during the period are as follows: risk free interest rate 0.93%, expected life of 3 years, volatility of 118%, dividend yield rate of zero, and a forfeiture rate of zero resulting in a weighted average grant date fair value of \$1.13 per stock option.

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2021:

Exercise price per share \$	Number of outstanding options	Expiry Date	Number of exercisable options
1.20	384,000	November 15, 2024	292,000
1.30	190,000	March 26, 2026	-
1.55	40,000	September 23, 2024	40,000
1.65	265,000	May 15, 2025	176,667
1.90	20,000	February 12, 2023	20,000
2.30	20,000	July 30, 2023	20,000
2.65	810,000	August 21, 2022	810,000
3.00	230,000	November 4, 2021	230,000
3.00	30,000	November 4, 2021	30,000
3.10	30,000	November 16, 2021	30,000
	2,019,000		1,648,667
Weighted average remaining life			2.46 years

In addition, there are currently 557,100 (December 31, 2020 – 557,100) deferred share units outstanding which have been fully vested.

e) Warrants:

Changes in share purchase warrants during the three month period ended March 31, 2021 and year ended December 31, 2020 are summarized as follows:

	Period ended March 31, 2021		Year ended December 31, 2020	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Opening balance	1,412,128	1.92	1,274,578	1.90
Granted	4,299,806	1.51	140,000	1.80
Exercised	(46,666)	1.80	-	-
Expired	-	-	(2,450)	1.80
Closing balance	5,665,268	1.61	1,412,128	1.92
Weighted average remaining life	2.20 years			2.47 years

During the year ended December 31, 2020, 2,450 warrants expired unexercised. This resulted in an increase to contributed surplus of \$1,862.

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15. SHARE CAPITAL (continued)

The following table summarize information about the warrants outstanding and exercisable at March 31, 2021:

Exercise price per share	Expiry date	Number of warrants
1.00	February 8, 2024	306,060
1.20	November 30, 2021	500,000
1.50	February 8, 2024	3,350,000
1.80	May 21, 2022	59,000
1.80	May 29, 2022	76,000
1.80	May 31, 2021	602,080
2.00	December 10, 2021	136,666
2.50	June 8, 2021	579,907
2.50	June 28, 2021	55,555
		5,665,268
Weighted average remaining life		2.20 years

16. RELATED PARTY TRANSACTIONS

Related parties consist of key management personnel, directors, and entities that are associated with the Company as well as significant shareholders including Orca Holdings, LLC (“Orca”).

The Company has defined key management personnel as senior executive officers, as well as the Board of Directors. The total remuneration of key management personnel and the Board of Directors was as follows:

	Three month period ended March 31, 2021	Three month period ended March 31, 2020
Director's fees	\$ 40,750	\$ 40,750
Special and independent committee fees	-	175,000
Share-based payments to directors	3,907	19,632
Key management short-term benefits	75,364	230,966
Share-based payments to key management	10,328	15,237
	\$ 130,349	\$ 481,585

Key management short-term benefits include all salary, bonuses, and health/dental benefits earned by officers during the period.

During the period ended March 31, 2021, the Company paid \$167,599 (2020 - \$176,731) in legal fees to Miller Thomson LLP. Mr. Geoff Clarke, a director of the Company, is a partner of that law firm. Payments made by the Company to Miller Thomson LLP are for the various legal services provided to the Company by several lawyers and law clerks at the firm, which includes lawyers and law clerks in multiple provinces and offices across Canada.

All related party transactions were valued at the exchange amount agreed to between the parties.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Assets and liabilities measured at fair value in the consolidated financial statements are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate fair values. The three levels of fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

UCORE RARE METALS INC.

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The fair value hierarchy of assets and liabilities measured at fair value of the consolidated statements of financial position are disclosed in the notes to the financial statements is as follows:

	March 31, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Cash	7,142,090	-	-	1,008,838	-	-
Restricted cash	56,085	-	-	56,187	-	-
Marketable securities	70,000	-	-	27,833	-	-
Financial liabilities:						
Loan payable	-	-	(1,168,517)	-	-	(1,166,159)
Convertible debenture - host debt	-	(926,888)	-	-	(1,227,182)	-
Convertible debenture - conversion option	-	(791,508)	-	-	(1,889,941)	-

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and to continue to fund its exploration and evaluation activities. The Company's accounts payable and accrued liabilities are due within six months. Their contractual cash flow is equal to their carrying value. Short term deposits are held in interest bearing instruments that can be converted to cash without penalty at any time and are recorded at fair value.

Restricted cash is held in interest bearing instruments which can only be converted to cash with the written consent of a government agency.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign currency rates, interest rates, and commodity and equity prices.

Foreign currency risk

A significant portion of the Company's transactions occur in United States dollars and accordingly, the related financial assets and liabilities are subject to fluctuations in the respective exchange rates. To limit exposure to this risk, cash and short-term investments are primarily held with high quality financial institutions in Canada.

The Company's exposure to US dollar currency risk as measured in Canadian dollars was as follows:

	2021		2020	
Cash	\$	352,430	\$	59,728
Restricted cash		56,085		62,230
Accounts payable and accrued liabilities		(49,780)		(87,628)
Loan payable		(1,168,517)		(1,246,549)
	\$	(809,782)	\$	(1,212,219)

A 10% change in the US dollar exchange rate would affect net and comprehensive loss and deficit by \$80,978 (2020 - \$121,222).

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

The Company has cash and restricted cash that bears interest, and periodically holds short-term deposits. The Company's short-term funds are held in a high interest savings account, as is the case at March 31, 2021, or guaranteed investment certificates, the rates of which are fixed for periods ranging up to one year. Therefore, a change in interest rates at the reporting date would not affect interest income or the carrying amount of these instruments.

18. SUPPLEMENTARY CASH FLOW INFORMATION

	Period Ended March 31, 2021	Period Ended March 31, 2020
	\$	\$
Non-cash financing and investment activities:		
Accounts payable and accrued liabilities related to resources properties and related exploration costs	75	46,790
Prepays related to resource properties and related exploration costs	10,792	32,883
Reversal of reserves relating to the exercise of warrants	22,695	-
Shares issued on conversion of convertible debentures	1,980,053	-
Warrants issued on conversion of convertible debentures	624,470	-

Refer to note 6 for further disclosure relating to non-cash transactions.