



UCORE RARE METALS INC.
(A Development Stage Enterprise)

Unaudited Condensed Interim Consolidated Financial Statements

First Quarter
For the three month period ended March 31, 2022

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, 2022, the audited condensed consolidated statement of financial position as at December 31, 2021 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, 2022 and March 31, 2021. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 31, 2022 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, 2022	December 31, 2021
	\$	\$
ASSETS		
Current assets		
Cash	1,802,462	3,331,164
Marketable securities	1,500	1,000
Receivables (note 6)	153,231	292,670
Prepaid expenses and other	161,298	233,347
	<u>2,118,491</u>	<u>3,858,181</u>
Other asset	64,849	55,995
Plant and equipment (note 7)	96,145	72,935
Right-of-use asset (note 9)	140,385	162,551
Intellectual property (note 10)	8,089,154	8,089,154
Resource properties and related exploration costs (note 11)	36,956,776	37,205,010
	<u>47,465,800</u>	<u>49,443,826</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	418,419	902,837
Current portion of lease liability (note 12)	94,822	91,353
	<u>513,241</u>	<u>994,190</u>
Long-term liabilities		
Lease liability (note 12)	62,203	87,250
Loan payable (note 13)	1,100,071	1,103,025
Convertible debentures (note 14)	1,290,903	1,231,609
	<u>2,966,418</u>	<u>3,416,074</u>
Shareholders' equity		
Share capital (note 15)	84,252,990	84,252,990
Contributed surplus (note 15)	24,146,666	24,033,093
Warrants (note 15)	3,178,387	3,178,387
Accumulated other comprehensive income	3,540,971	3,888,978
Deficit	(70,619,632)	(69,325,696)
	<u>44,499,382</u>	<u>46,027,752</u>
	<u>47,465,800</u>	<u>49,443,826</u>

Going concern (note 2)

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)

	2022	2021
	\$	\$
EXPENSES		
Amortisation	33,066	27,685
Investor relations and marketing	63,475	46,351
Office and premises	67,551	87,894
Professional services	164,897	204,558
Salaries and consultants	519,553	514,248
Securities and regulatory	13,063	23,155
Research and development	187,580	314,649
Share-based payments (note 15)	113,573	39,980
Travel	17,796	868
	<u>1,180,554</u>	<u>1,259,388</u>
OTHER INCOME (EXPENSES)		
Interest income	126	984
Interest and accretion expense	(107,606)	(136,424)
Loss on the conversion of convertible debentures (note 14)	-	(533,941)
Fair value adjustment of derivative liabilities (note 14)	(22,645)	(623,203)
Gain on the sale of the MRT pilot plant (note 8)	-	1,491,545
Foreign exchange	16,743	33,388
	<u>(113,382)</u>	<u>232,349</u>
NET LOSS	<u>(1,293,936)</u>	<u>(1,027,039)</u>
Net Loss per share - basic and diluted	<u>(0.03)</u>	<u>(0.02)</u>
Weighted average number of basic and diluted common shares outstanding	<u>49,084,130</u>	<u>42,169,914</u>
COMPREHENSIVE LOSS:		
Net loss for the period	(1,293,936)	(1,027,039)
<i>Items which may be subsequently recycled through profit or loss</i>		
Foreign currency translation difference arising on translation of foreign subsidiaries	(348,507)	(269,859)
Unrealized gain (loss) on available-for-sale securities	500	-
	<u>(1,641,943)</u>	<u>(1,296,898)</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, 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)	6,700,000	4,776,664	-	1,794,346	-	-	6,571,010
Shares issued on the exercise of warrants	46,666	106,693	-	(22,695)	-	-	83,998
Shares and warrants issued on the conversion of convertible debentures	1,287,483	1,980,053	-	624,470	-	-	2,604,523
Share-based payments	-	-	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
Balance at January 1, 2022	49,084,130	\$ 84,252,990	\$ 24,033,093	\$ 3,178,387	\$ 3,888,978	\$ (69,325,696)	\$ 46,027,752
Net loss	-	-	-	-	-	(1,293,936)	(1,293,936)
Unrealized gain (loss) on available for sale securities	-	-	-	-	500	-	500
Foreign currency translation adjustment	-	-	-	-	(348,507)	-	(348,507)
Share-based payments (note 15)	-	-	113,573	-	-	-	113,573
Balance at March 31, 2022	49,084,130	\$ 84,252,990	\$ 24,146,666	\$ 3,178,387	\$ 3,540,971	\$ (70,619,632)	\$ 44,499,382

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

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)

	2022	2021
	\$	\$
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	(1,293,936)	(1,027,039)
Adjustments and items not involving cash:		
Amortisation	33,066	27,685
Change in fair value of derivative liability (note 14)	22,645	623,203
Loss on the conversion of convertible debentures (note 14)	-	533,941
Share-based payments (note 15)	113,573	39,980
Accretion expense	56,667	73,894
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	(15,549)	(13,074)
	<u>(1,083,535)</u>	<u>(723,421)</u>
Change in non-cash operating working capital:		
Receivables	139,439	(554,418)
Prepaid expenses and other	81,856	(145,398)
Accounts payable and accrued liabilities	(483,841)	79,632
Cash flow used in operating activities	<u>(1,346,081)</u>	<u>(1,343,605)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Interest paid on lease liabilities (note 12)	(6,084)	(9,073)
Repayment of lease liabilities (note 12)	(21,578)	(18,588)
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
Cash flows (used in) from financing activities	<u>(27,662)</u>	<u>6,627,347</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of plant and equipment	(34,110)	(5,237)
Proceeds from the sale of the MRT pilot plant (note 8)	-	939,844
Additions to other asset	(8,986)	-
Additions to resource properties and related exploration costs	(110,656)	(84,462)
Cash flows from (used in) investing activities	<u>(153,752)</u>	<u>850,145</u>
INCREASE (DECREASE) IN CASH	(1,527,495)	6,133,887
Foreign exchange impact on cash	(1,207)	(635)
CASH, beginning of period	<u>3,331,164</u>	<u>1,008,838</u>
CASH, end of period	<u>1,802,462</u>	<u>7,142,090</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, 2022

(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 focused on rare and critical metal resources, extraction, beneficiation, and separation technologies with the potential for production, growth and scalability. The Company has an effective 100-per-cent ownership stake in the Bokan-Dotson Ridge rare earth element project in southeast Alaska, United States (see note 11). The Company's vision and plan is to become a leading advanced technology company, providing best-in-class metal separation products and services to the mining and mineral extraction industry. Through strategic partnerships, the Company's vision includes disrupting the People's Republic of China's (PRC) control of the United States rare earth element supply chain through the development of a heavy rare earth processing facility -- the Alaska strategic metals complex in southeast Alaska and the long-term development of the Company's heavy rare earth element mineral resource property located at Bokan Mountain on Prince of Wales Island, Alaska. 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 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 2022 and 2021 and has a deficit. Management estimates current working capital may not be sufficient to fund all of the Company's planned expenditures in 2022. The ability of the Company to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, expand upon its exploration and development programs, and advance the Company's RapidSX™ technology is contingent upon securing financing or monetizing assets. The timing and availability of additional financing will be determined largely by market conditions, the results of the Company's ongoing exploration and development programs, and the advancement of Company's RapidSX™ technology. 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. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, supplies, and workforce. Given the daily evolution of the pandemic and the global response to curb its spread the Company is not able to predict its effects on the Company's business liquidity or ability to raise funds.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

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 16, 2022.

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, 2021.

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, 2021.

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.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

4. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS (continued)

The Company adopted the following accounting standards and amendments to accounting standards effective January 1, 2022:

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. These amendments had no impact on the Company's condensed interim consolidated financial statements.

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. These amendments had no impact on the Company's condensed interim consolidated financial statements.

IFRS 9 – Financial Instruments

On May 14, 2020, the IASB issued an amendment to IFRS 9 Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included. The amendment is effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. These amendments had no impact on the Company's condensed interim consolidated financial statements.

5. CAPITAL MANAGEMENT

The Company's capital at March 31, 2022 consists of shareholders' equity of \$44,499,382 (December 31, 2021 - \$46,027,752). 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.

6. RECEIVABLES

As at March 31, 2022, \$153,231, (2021 - \$292,670) is comprised of Good and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

7. PLANT AND EQUIPMENT

	Office Equipment	Exploration Equipment	Research Equipment	Total
Cost				
Balance, January 1, 2021	\$ 253,233	\$ 142,746	\$ 24,000	\$ 419,979
Additions	3,097	-	43,043	46,140
Balance, December 31, 2021	256,330	142,746	67,043	466,119
Additions	-	-	34,110	34,110
Balance, March 31, 2022	256,330	142,746	101,153	500,229
Accumulated amortisation				
Balance, January 1, 2021	\$ 225,102	\$ 140,786	\$ 1,000	\$ 366,888
Amortisation	9,027	155	17,114	26,296
Balance, December 31, 2021	234,129	140,941	18,114	393,184
Amortisation	1,707	27	9,166	10,900
Balance, March 31, 2022	235,836	140,968	27,280	404,084
Net book value				
Balance, December 31, 2021	\$ 22,201	\$ 1,805	\$ 48,929	\$ 72,935
Balance, March 31, 2022	\$ 20,494	\$ 1,778	\$ 73,873	\$ 96,145

8. GAIN ON SALE OF THE MRT PILOT PLANT:

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 included IBC purchasing the MRT pilot plant from the Company for \$1,491,545 (\$1,175,000 USD) pursuant to a series of payments which were all received during 2021. During the year ended December 31, 2019 the Company recorded an impairment for the full cost of the MRT pilot plant of \$2,914,106. The payments received during the year ended December 31, 2021 were recorded through the statement of loss and comprehensive loss as a gain on the sale of the MRT pilot plant.

9. 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, 2020	\$ 416,201
Additions	-
Balance, December 31, 2021	416,201
Additions	-
Balance, March 31, 2022	416,201
Depreciation	
Balance, December 31, 2020	\$ 164,986
Charge for the year	88,664
Balance, December 31, 2021	253,650
Charge for the period	22,166
Balance, March 31, 2022	275,816
Net book value	
Balance, December 31, 2021	\$ 162,551
Balance, March 31, 2022	\$ 140,385

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

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

10. INTELLECTUAL PROPERTY

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. Management has assessed the acquisition of IMC to be an asset acquisition due to the concentration test. As part of the acquisition the Company acquired intellectual property with a value of \$8,089,154. The following table reconciles the changes attributable to the Company’s intellectual property:

	December 31, 2021	Additions	Amorization	March 31 2022
Intellectual property	\$ 8,089,154	\$ -	\$ -	\$ 8,089,154

	December 31, 2020	Additions	Amorization	December 31 2021
Intellectual property	\$ 8,089,154	\$ -	\$ -	\$ 8,089,154

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

11. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

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

	December 31, 2021	Deferred exploration costs	Movement in exchange rates	March 31 2022
Bokan Mountain, Alaska	\$ 37,205,010	\$ 100,273	\$ (348,507)	\$ 36,956,776

	December 31, 2020	Deferred exploration costs	Movement in exchange rates	December 31 2021
Bokan Mountain, Alaska	\$ 36,838,028	\$ 299,366	\$ 67,616	\$ 37,205,010

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.

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

	December 31, 2020	Additions	Principal payments	Current portion	March 31, 2022
Office lease liability	\$ 178,603	\$ -	\$ (21,578)	\$ (94,822)	\$ 62,203
	\$ 178,603	\$ -	\$ (21,578)	\$ (94,822)	\$ 62,203

	December 31, 2020	Additions	Principal payments	Current portion	December 31, 2021
Office lease liability	\$ 257,303	\$ -	\$ (78,700)	\$ (91,353)	\$ 87,250
	\$ 257,303	\$ -	\$ (78,700)	\$ (91,353)	\$ 87,250

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

13. LOAN PAYABLE

On March 30, 2019, the Company entered into a secured loan agreement with Orca Holdings, LLC (“Orca”), a related party, in the amount of \$3,637,875 (\$2,725,000 USD) (the “Orca Loan”). Proceeds were used to repurchase the MRT Pilot Plant for \$2,670,000 (\$2,000,000 USD) and settle the related lease liability, settle accrued and unpaid lease payments totalling \$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 loan payable was determined to be \$194,869 which was recorded in the 2019 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.

First Amended Orca Loan

On November 27, 2019, the Company renegotiated the Orca Loan. This included revised terms that saw the Company pay \$2,500,000 (\$1,890,696 USD) in principal and issue 500,000 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”).

Second Amended Orca Loan

On November 29, 2021, the Company renegotiated the Orca Loan extending the maturity date by 24 months to November 30, 2023 and in conjunction with the extension the Company issued 1,000,000 share purchase warrants to Orca. Each share purchase warrant entitles Orca to acquire one common share of the Company at an exercise price of \$1.20 to November 30, 2023. The amendment was treated as an extinguishment and creation of a new debt instrument as the amendments resulted in a substantive change to the loan agreement.

The effective interest rate used to determine the fair value of the amended loan for initial recognition was 15%. The fair value of the warrants was determined to be \$403,063 using the Black -Scholes model using the following assumptions: (risk-free interest rate – 0.95%, expected life – 2.00 years, expected annual volatility – 108%, expected dividends – Nil, expected forfeiture rate – Nil.

	March 31, 2022	December 31, 2021
Opening balance	\$ 1,103,025	\$ 1,166,159
Extinguishment of debt		\$ (1,230,240)
Value of amended loan	-	1,103,003
Interest and accretion expense	13,935	66,680
Foreign exchange	(16,889)	(2,577)
Ending balance	\$ 1,100,071	\$ 1,103,025

As a result of the extension of the loan the Company has a net gain of \$127,237, along with the fair value of the warrants issued of \$403,063 resulting in a loss on debt restructuring of \$275,827. The loan balance is secured by a first charge on the Company’s assets.

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.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

14. CONVERTIBLE DEBENTURES (continued)

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

During the year ended December 31, 2021, 1,545 convertible debentures were converted to units. In connection with the conversion of convertible debentures into units the Company issued 1,287,483, common shares and 643,746 share purchase warrants. The fair value of the shares issued was calculated using the fair value of the common shares of the Company on the date of conversion. Using the Black Scholes pricing model, the Company determined the fair value of the warrants issued was \$624,470. The assumptions in the Black-Scholes pricing model used to calculate the fair value of the warrants issued was determined using the Black-Scholes pricing model using the following weight average assumptions: volatility of 124.19%, an expected life of 2.31 years, risk free rate of 0.23%, and a zero expected dividend yield.

A summary of the conversions during the period ended March 31, 2022 and year ended December 31, 2021 is provided below:

Conversion Date	Principal Converted (\$)	Number of Common Shares Issued	Fair Value of		Fair Value of Warrants Issued (\$)	Gain or (Loss) on Conversion
			Common Shares Issued (\$)	Number of Warrants Issued		
January 8, 2021	50,000	41,666	40,833	20,833	10,933	3,269
January 11, 2021	50,000	41,666	38,749	20,833	10,176	3,564
January 29, 2021	518,000	431,652	561,164	215,832	167,192	(71,984)
February 10, 2021	600,000	500,000	835,000	250,000	268,973	(254,182)
February 16, 2021	250,000	208,333	383,333	104,166	126,701	(173,003)
February 26, 2021	52,000	43,333	84,933	21,666	28,804	(30,375)
March 22, 2021	25,000	20,833	36,041	10,416	11,691	(11,230)
Total	1,545,000	1,287,483	1,980,053	643,746	624,470	(533,941)

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

14. CONVERTIBLE DEBENTURES (continued)

The following table summarizes the continuity of the host liability components of the loan:

	May 21, 2020		May 29, 2020		
	Tranche		Tranche		Total
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		16,022		137,448	153,470
Balance, December 31, 2021	\$	34,898	\$	996,807	\$ 1,031,705
Accretion on discount		993		35,656	36,649
Balance, March 31, 2022	\$	35,891	\$	1,032,463	\$ 1,068,354

The following table summarizes the continuity of the conversion option components of the loan:

	May 21, 2020		May 29, 2020		
	Tranche		Tranche		Total
Balance, December 31, 2020	\$	525,665	\$	624,227	\$ 1,149,892
Conversion of debentures		(792,545)		(189,042)	(981,587)
Fair value adjustment		272,455		(240,856)	31,599
Balance, December 31, 2021	\$	5,575	\$	194,329	\$ 199,904
Fair value adjustment		3,068		19,577	22,645
Balance, March 31, 2022	\$	8,644	\$	213,906	\$ 222,549

The fair value of the conversion options outstanding have been determined using a binomial option valuation model, using the following key assumptions:

	Tranche 1 - May 21, 2020		Tranche 2 - May 29, 2020	
	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Expected volatility	79%	1%	79%	0.90%
Risk-free interest rate	1.99%	0.84%	1.99%	0.84%
Conversion option term	1.14 years	1.39 years	1.16 years	1.41 years
Credit spread	21.00%	20.69%	21.00%	20.69%
Underlying share price	\$ 0.84	\$ 0.73	\$ 0.84	\$ 0.73

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) 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.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

15. SHARE CAPITAL (continued)

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 \$316,883. The fair value was determined using the Barrier Option pricing model. The assumptions used in the Barrier Option pricing model were: volatility of 111%, an expected life of 3 years, barrier price of \$1.75, risk-free rate of 0.24%, discount for lack of marketability of 25% to account for the warrants are nonmarketable interest.

The Company issued a total of 306,060 finder's units pursuant to certain subscriptions. Each finder's unit issued entitles the holder to acquire 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 fair value of the warrants issued was \$86,049 which was determined using the Barrier Option pricing model. The assumptions used in the Barrier Option pricing model were: volatility of 111%, an expected life of 3 years, barrier price of \$0.75, discount for lack of marketability of 35% to account for the warrants are nonmarketable interest and non-transferability 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	\$ 6,383,117	\$ 316,883	\$ 6,700,000
Cash costs	(100,398)	(28,592)	(128,990)
Finder's warrants	(81,979)	81,979	-
Closing balance	\$ 6,200,740	\$ 370,270	\$ 6,571,010

b) Stock options

For the period ended March 31, 2022, the Company recognized share-based compensation expense of \$113,573 (2021 - \$39,980) for options granted to directors, employees, and consultants.

Changes in stock options during the three month period ended March 31, 2022 and year ended December 31, 2021 are summarized below:

	Period ended March 31, 2022		Year ended December 31, 2021	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Opening balance	2,329,000	1.81	1,829,000	2.22
Granted	-	-	790,000	1.28
Expired	-	-	(290,000)	3.01
Closing balance	2,329,000	1.81	2,329,000	1.81

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

15. SHARE CAPITAL (continued)

The fair value of options granted has been estimated using the Black-Scholes option pricing model. On March 26, 2021 the Company issued 190,000 options using the following option pricing model assumptions: 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. On May 17, 2021, the Company issued 120,000 options using the following option pricing model assumptions: risk free rate 0.95%, 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 \$0.79 per stock option. On September 1, 2021, the Company issued 480,000 options using the following option pricing model assumptions: risk free rate 0.79%, expected life of 3 years, volatility of 116%, dividend yield rate of zero, and a forfeiture rate of zero resulting in a weighted average grant date fair value of \$0.61 per stock option.

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2022:

Exercise price per share \$	Number of outstanding options	Expiry Date	Number of exercisable options
1.20	120,000	May 17, 2026	40,000
1.20	384,000	November 15, 2024	384,000
1.30	480,000	September 1, 2026	160,000
1.30	190,000	March 26, 2026	126,667
1.55	40,000	September 23, 2024	40,000
1.65	265,000	May 15, 2025	265,000
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
	2,329,000		1,865,667
Weighted average remaining life			2.44 years

In addition, as at March 31, 2022, there are 55,710 (December 31, 2021 – 55,710) deferred share units outstanding which have been fully vested.

c) Warrants:

Changes in share purchase warrants during the three month period ended March 31, 2022 and year ended December 31, 2021 are summarized as follows:

	Period ended March 31, 2022		Year ended December 31, 2021	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Opening balance	5,393,140	1.46	1,412,128	1.92
Granted	-	-	5,299,806	1.45
Exercised	-	-	(46,666)	1.80
Expired	-	-	(1,272,128)	1.94
Closing balance	5,393,140	1.46	5,393,140	1.46
Weighted average remaining life		1.70 years	1.95 years	

During the year ended 2021, 1,272,128 warrants expired unexercised. This resulted in an increase to contributed surplus of \$837,909.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

15. SHARE CAPITAL (continued)

The following table summarize information about the warrants outstanding and exercisable at March 31, 2022:

Exercise price per share	Expiry date	Number of warrants
1.00	February 8, 2024	306,060
1.20	November 30, 2023	1,000,000
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, 2023	602,080
		5,393,140
Weighted average remaining life		1.70 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”) which is owned by Mr. Randy Johnson, a director of the Company. 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, 2022	Three month period ended March 31, 2021
Director's fees	\$ 54,750	\$ 40,750
Share-based payments to directors	30,065	3,907
Key management short-term benefits	123,297	75,364
Share-based payments to key management	24,052	10,328
	\$ 232,165	\$ 130,349

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

During the three-month period ended March 31, 2022, the Company paid \$73,382 (Q1 2021 - \$167,599) 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.

On November 29, 2021, the Company amended a secured loan agreement with Orca for which the maturity date was extended 24 months to November 30, 2023 and the Company issued 1,000,000 warrants to Orca with an exercise price of \$1.20 and an expiry date of November 30, 2023. The loan with Orca is further described in note 13.

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.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

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, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Marketable securities	1,500	-	-	1,000	-	-
Financial liabilities:						
Convertible debenture - conversion option	-	(222,549)	-	-	(199,904)	-

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, and advance the Company's RapidSX™ technology. 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.

The following are the contractual maturities of the financial liabilities and other commitments. The table includes undiscounted cash flows of financial liabilities, including lease liabilities and other commitments, interest and principal cash flows based on the earliest date on which the Company is required to pay.

March 31, 2022	Carrying Amount	Total Contractual Cash Flows						
			2022	2023	2024	2025	2026	>2026
Interest - lease liabilities	\$ -	\$ 20,108	\$ 14,073	\$ 6,035	\$ -	\$ -	\$ -	\$ -
Principal repayments - lease liabilities	157,025	157,025	70,853	86,172	-	-	-	-
Interest - convertible debentures	-	109,855	70,916	38,939	-	-	-	-
Principal - convertible debentures	1,255,000	1,255,000	-	1,255,000	-	-	-	-
Interest - long-term debt	-	180,995	81,448	99,547	-	-	-	-
Principal repayments - long-term debt	1,206,635	1,206,635	-	1,206,635	-	-	-	-
Total long-term debt	2,618,660	2,929,618	237,290	2,692,328	-	-	-	-
Trade and other payables	418,419	418,419	418,419	-	-	-	-	-
Total	\$ 3,037,079	\$ 3,348,037	\$ 655,709	\$ 2,692,328	\$ -	\$ -	\$ -	\$ -

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.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2022

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

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	2022		2021	
Cash	\$	75,713	\$	292,212
Other asset		64,849		55,995
Accounts payable and accrued liabilities		(49,778)		(65,679)
Loan payable		(1,100,071)		(1,103,025)
	\$	(1,009,287)	\$	(820,497)

A 10% change in the US dollar exchange rate would affect net and comprehensive loss and deficit by \$100,929 (2021 - \$82,050).

Interest rate risk

The Company has cash held in a high interest savings account, as is the case at March 31, 2022. The Company does not have any debt that bears variable interest rates.

18. SUPPLEMENTARY CASH FLOW INFORMATION

	March 31, 2022	March 31, 2021
	\$	\$
Non-cash financing and investment activities:		
Accounts payable and accrued liabilities related to resources properties and related exploration costs	(577)	75
Prepays related to resource properties and related exploration costs	9,807	10,792
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