



## **UCORE RARE METALS INC.**

Unaudited Condensed Interim Consolidated Financial Statements

**First Quarter  
For the Three-Month Period Ended March 31, 2023**

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, then such financial statements 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, 2023, the audited condensed consolidated statement of financial position as at December 31, 2022 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, 2023 and March 31, 2022. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 31, 2023 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, 2023	December 31, 2022
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	362,877	2,261,981
Marketable securities	1,000	1,500
Receivables (note 6)	371,428	433,511
Prepaid expenses and other	240,003	235,568
	<u>975,308</u>	<u>2,932,560</u>
<b>Other asset</b>	69,322	69,328
<b>Plant and equipment</b> (note 7)	3,861,255	2,402,431
<b>Right-of-use asset</b> (note 8)	51,721	73,887
<b>Intellectual property</b> (note 9)	8,089,154	8,089,154
<b>Resource properties and related exploration costs</b> (note 10)	39,728,692	39,673,847
	<u>52,775,452</u>	<u>53,241,207</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,961,425	1,490,357
Lease liability (note 11)	62,203	87,250
Convertible debentures (note 13)	1,562,232	1,256,689
Loan payable (note 12)	1,378,984	-
	<u>4,964,844</u>	<u>2,834,296</u>
<b>Long-term liabilities</b>		
Loan payable (note 12)	939,038	2,184,515
	<u>5,903,882</u>	<u>5,018,811</u>
<b>Shareholders' equity</b>		
Share capital (note 14)	86,693,212	86,693,212
Contributed surplus (note 14)	26,084,150	25,781,314
Warrants (note 14)	4,951,382	4,951,382
Accumulated other comprehensive income	5,577,397	5,591,099
Deficit	(76,434,571)	(74,794,611)
	<u>46,871,570</u>	<u>48,222,396</u>
	<u>52,775,452</u>	<u>53,241,207</u>

Going concern (note 2)

Contingency (note 18)

Subsequent events (note 19)

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)

	2023	2022
	\$	\$
<b>EXPENSES</b>		
Amortization	23,791	33,066
Investor relations and marketing	132,534	63,475
Office and premises	55,221	67,551
Professional services	150,402	164,897
Salaries and consultants	312,399	519,553
Securities and regulatory	23,166	13,063
Research and development, net (note 6)	71,095	187,580
Share-based payments (note 14)	291,737	113,573
Travel	85,978	17,796
	<u>1,146,323</u>	<u>1,180,554</u>
<b>OTHER INCOME (EXPENSES)</b>		
Interest income	5,030	126
Interest and accretion expense	(231,144)	(107,606)
Fair value adjustment of derivative liabilities (note 13)	(263,263)	(22,645)
Foreign exchange loss	(4,260)	16,743
	<u>(493,637)</u>	<u>(113,382)</u>
<b>NET LOSS</b>	<u>(1,639,960)</u>	<u>(1,293,936)</u>
<b>Net Loss per share - basic and diluted</b>	<u>(0.03)</u>	<u>(0.03)</u>
<b>Weighted average number of basic and diluted common shares</b>	<u>56,139,925</u>	<u>49,084,130</u>
<b>COMPREHENSIVE LOSS:</b>		
Net loss for the period	(1,639,960)	(1,293,936)
<i>Items which may be subsequently recycled through profit or loss</i>		
Foreign currency translation difference arising on translation of foreign subsidiaries	(13,202)	(348,507)
Unrealized gain (loss) on available-for-sale securities	(500)	500
	<u>(1,653,662)</u>	<u>(1,641,943)</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
<b>Balance at January 1, 2022</b>	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	-	-	113,573	-	-	-	113,573
<b>Balance at March 31, 2022</b>	49,084,130	\$ 84,252,990	\$ 24,146,666	\$ 3,178,387	\$ 3,540,971	\$ (70,619,632)	\$ 44,499,382
<b>Balance at January 1, 2023</b>	56,139,925	\$ 86,693,212	\$ 25,781,314	\$ 4,951,382	\$ 5,591,099	\$ (74,794,611)	\$ 48,222,396
Net loss	-	-	-	-	-	(1,639,960)	(1,639,960)
Unrealized gain (loss) on available for sale securities	-	-	-	-	(500)	-	(500)
Foreign currency translation adjustment	-	-	-	-	(13,202)	-	(13,202)
Share-based payments (note 14)	-	-	302,836	-	-	-	302,836
<b>Balance at March 31, 2023</b>	56,139,925	\$ 86,693,212	\$ 26,084,150	\$ 4,951,382	\$ 5,577,397	\$ (76,434,571)	\$ 46,871,570

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)

	2023	2022
	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Net loss for the period	(1,639,960)	(1,293,936)
Adjustments and items not involving cash:		
Amortization	23,791	33,066
Amortization recorded in research and development	5,571	-
Change in fair value of derivative liability (note 13)	263,263	22,645
Share-based payments (note 14)	291,737	113,573
Interest and accretion expense	180,152	56,667
Unrealized foreign exchange (gain) loss	(1,727)	(15,549)
	<u>(877,173)</u>	<u>(1,083,535)</u>
Change in non-cash operating working capital:		
Receivables	253,387	139,439
Prepaid expenses and other	32,819	81,856
Accounts payable and accrued liabilities	84,672	(483,841)
Cash flow used in operating activities	<u>(506,295)</u>	<u>(1,346,081)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Interest paid on lease liabilities (note 11)	(2,616)	(6,084)
Repayment of lease liabilities (note 11)	(25,047)	(21,578)
Cash flows from financing activities	<u>(27,663)</u>	<u>(27,662)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(1,241,764)	(34,110)
Additions to other asset	-	(8,986)
Additions to resource properties and related exploration costs	(123,367)	(110,656)
Cash flows (used in) from investing activities	<u>(1,365,131)</u>	<u>(153,752)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(1,899,089)</b>	<b>(1,527,495)</b>
Foreign exchange impact on cash	(15)	(1,207)
<b>CASH, beginning of period</b>	<b>2,261,981</b>	<b>3,331,164</b>
<b>CASH, end of period</b>	<b><u>362,877</u></b>	<b><u>1,802,462</u></b>

**Supplementary Cash Flow Information** (note 17)

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, 2023

(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 10). 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. 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 ("IFRS") 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 2023 and 2022 and has a deficit. Without additional financing or other satisfactory arrangements, the Company's financial resources will not be sufficient to develop its projects and continue the advancement of the Company's RapidSX™ technology. 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.

## 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, 2023.

### 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.

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the three month period ended March 31, 2023

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

## 3. BASIS OF PRESENTATION (continued)

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, 2022.

## 4. ACCOUNTING POLICIES, 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, 2022.

The Company adopted the following accounting standards and amendments to accounting standards effective January 1, 2023:

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

## 5. CAPITAL MANAGEMENT

The Company's capital as at March 31, 2023 consists of shareholders' equity of \$46,871,570 (December 31, 2022 - \$48,222,396). 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 and debt-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

	March 31, 2023	December 31, 2022
	(\$)	(\$)
Goods and Service Tax / Harmonized Sales Tax	124,087	264,454
SR&ED tax credit receivable	247,341	169,057
Total	371,428	433,511

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the three month period ended March 31, 2023

(Unaudited – Prepared by Management)  
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## 6. RECEIVABLES (continued)

SR&ED credits are recorded as a cost recovery against research and development and the Company's Pilot Plant (note 7). During the period ended March 31, 2023, the Company recorded a cost recovery receivable to research and development and the Company's pilot plant of \$Nil (December 31, 2022 - \$56,037) and \$78,284 (December 31, 2022 - \$113,020) respectively.

## 7. PLANT AND EQUIPMENT

	Office Equipment (\$)	Exploration Equipment (\$)	Research Equipment (\$)	Pilot Plant <sup>(2)</sup> (\$)	Strategic Metals Complex <sup>(3)</sup> (\$)	Total (\$)
<b>Cost</b>						
Balance, January 1, 2022	256,330	142,746	67,043	-	-	466,119
Additions <sup>(1)</sup>	5,718	-	1,516	2,363,022	-	2,370,256
Balance, December 31, 2022	262,048	142,746	68,559	2,363,022	-	2,836,375
Additions <sup>(1)</sup>	-	-	-	1,364,642	101,377	1,466,019
Balance, March 31, 2023	262,048	142,746	68,559	3,727,664	101,377	4,302,394
<b>Accumulated amortization</b>						
Balance, January 1, 2022	234,129	140,941	18,114	-	-	393,184
Amortization	7,688	108	32,964	-	-	40,760
Balance, December 31, 2022	241,817	141,049	51,078	-	-	433,944
Amortization	1,606	19	5,570	-	-	7,195
Balance, March 31, 2023	243,423	141,068	56,648	-	-	441,139
<b>Net book value</b>						
Balance, December 31, 2022	20,231	1,697	17,481	2,363,022	-	2,402,431
Balance, March 31, 2023	18,625	1,678	11,911	3,727,664	101,377	3,861,255

<sup>(1)</sup> Additions to the Pilot Plant during the period ended March 31, 2023 were reduced by a SR&ED recovery of \$78,284 (December 31, 2022 - \$113,020).

<sup>(2)</sup> Amortization of the Pilot Plant will commence when the Pilot Plant is available for use which will occur once it has been commissioned.

<sup>(3)</sup> Amortization of the Strategic Metals Complex will occur once it has been fully constructed and available for use.

## 8. 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. The discount rate applied to the lease is 15%.

<b>Cost</b>		(\$)
Balance, December 31, 2021		416,201
Additions		-
Balance, December 31, 2022		416,201
Additions		-
Balance, March 31, 2023		416,201
<b>Depreciation</b>		
Balance, December 31, 2021		253,650
Charge for the year		88,664
Balance, December 31, 2022		342,314
Charge for the period		22,166
Balance, March 31, 2023		364,480
<b>Net book value</b>		
Balance, December 31, 2022		73,887
Balance, March 31, 2023		51,721

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, 2023

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

## 9. INTELLECTUAL PROPERTY

On May 8, 2020, the Company acquired 100% of the issued and outstanding shares of Innovation 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, 2022 (\$)	Additions (\$)	Amortization (\$)	March 31, 2023 (\$)
Intellectual property	8,089,154	-	-	8,089,154

  

	December 31, 2021 (\$)	Additions (\$)	Amortization (\$)	December 31, 2022 (\$)
Intellectual property	8,089,154	-	-	8,089,154

Amortization of the intellectual property will commence when the assets are available for commercial production. Until this occurs the Company tests the intellectual property for impairment annually by comparing the carrying value to the recoverable amount, being the greater of the value in use or the fair value less costs of disposal.

## 10. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

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

	December 31, 2022 (\$)	Deferred exploration costs (\$)	Movement in exchange rates (\$)	March 31, 2023 (\$)
Bokan Mountain, Alaska	39,673,847	68,047	(13,202)	39,728,692

  

	December 31, 2021 (\$)	Deferred exploration costs (\$)	Movement in exchange rates (\$)	December 31, 2022 (\$)
Bokan Mountain, Alaska	37,205,010	767,216	1,701,621	39,673,847

The Company holds the exclusive right to acquire up to a 100% interest in the Bokan Mountain rare earth element property, subject to certain royalties. The Company holds a 100% interest in five separate option agreements to acquire a 100% interest in a parcel of unpatented mineral claims from underlying owners and staked a 100% interest in an additional parcel of prospective ground.

The option agreements provide for the Company to acquire a 100% interest in the optioned claims in exchange for total remaining payments of US\$90,000. The five vendors will retain Net Smelter Royalties ("NSR") ranging from 2% to 4% on their specific claims. The Company has the right to purchase between 33% and 100% of the NSR for cash payments of US\$500,000 to US\$1,000,000 per vendor.

## 11. 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'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, 2023

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

## 11. LEASE LIABILITIES (continued)

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

	March 31, 2023 (\$)	December 31, 2022 (\$)
Balance, beginning of period	87,250	178,603
Additions	-	-
Lease payments	(27,662)	(110,649)
Finance expense	2,615	19,296
Balance, end of period	62,203	87,250
Current portion	62,203	87,250
Non-current portion	-	-
Balance, end of period	62,203	87,250

## 12. LOANS PAYABLE

### a) Orca Term Loan

On November 29, 2021, the Company renegotiated a term loan in the amount of \$1,230,283 (\$964,928 USD) with Orca Holdings, LLC ("Orca") a related party, 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 entitled Orca to acquire one common share of the Company at an exercise price of \$1.20 to November 30, 2023. The term loan had an interest rate of 9%.

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 option pricing model using the following assumptions: risk-free interest rate – 0.95%, expected life – 2.00 years, expected annual volatility – 108%, expected dividends – Nil.

On December 18, 2022, the Company renegotiated the Orca Term Loan extending the maturity date to November 30, 2024. A total of 1,000,000 warrants previously issued to Orca in connection with the original Orca Term Loan were cancelled concurrently with the execution of the amendment. As consideration for the extension of the maturity date the Company issued 1,000,000 warrants with each warrant entitling Orca to acquire one common share of the Company at an exercise price of \$0.85 for a period ending on November 30, 2024. The renegotiated Orca Term Loan has an interest rate of 9%.

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 remaining portion of the loan that was modified resulted in a gain on modification of \$64,609. The fair value of the warrants was determined to be \$282,641 using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate – 3.66%, expected life – 1.95 years, expected annual volatility – 79.19%, expected dividends – Nil, expected forfeiture rate – Nil.

### b) Orca LOC

On July 20, 2022, the Company entered into a secured line of credit facility (the "Orca LOC"), with Orca, in the amount of \$2,574,984 (\$2,000,000 USD) with an interest rate of 9%. In consideration for granting the Orca LOC, the Company issued 2,000,000 warrants to Orca. Each warrant entitled Orca to acquire one common share of the Company at an exercise price of \$0.75 for a period of one-year ending on July 20, 2023.

The Orca LOC had an interest rate of 9% annually and any drawdowns are to be made in multiples of \$100,000 USD. All amounts owing under the Orca LOC were repayable on January 20, 2023. In the event that the Company completed an equity financing for net proceeds exceeding \$3,000,000 USD the maturity date of the Orca LOC was to accelerate and be set at the date that is five business days subsequent to the final closing date of the equity financing.

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the three month period ended March 31, 2023

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

## 12. LOANS PAYABLE (continued)

The fair value of the warrants was determined to be \$219,905 using the Black-Scholes option pricing model with the following assumptions: volatility of 59.56%, an expected life of 1 year, risk free rate of 3.30%, and expected dividends – Nil. The fair value of the warrants issued in connection with the Orca LOC represented a deferred financing fee which was amortized through profit or loss over the term of the Orca LOC.

On December 18, 2022, the Company amended the Orca LOC agreement, where by a total of \$850,000 USD was repaid by December 30, 2022 and the maturity date for the remaining \$1,150,000 USD was extended to March 31, 2024. A total of 1,150,000 warrants previously issued to Orca in connection with the original Orca LOC were cancelled concurrently with the execution of the amendment. As consideration for not requiring the full repayment of the line of credit and the extension of the maturity date the Company issued 1,150,000 warrants with each warrant entitling Orca to acquire one common share at an exercise price of \$0.75 for a period ending on March 31, 2024. The amended Orca LOC has an interest rate of 9%. The effective interest rate used to determine the fair value of the amended Orca LOC for initial recognition was 15%.

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 remaining portion of the loan that was modified resulted in a gain on modification of \$131,983. The fair value of the warrants was determined to be \$240,419 using the Black -Scholes option pricing model using the following assumptions: risk-free interest rate – 3.66%, expected life – 1.28 years, expected annual volatility – 65.21%, expected dividends – Nil, expected forfeiture rate – Nil.

The following table summarizes the advances, repayments, loan amendments and amounts owing under the Orca Term Loan and the Orca LOC:

	Orca LOC (\$)	Orca Term Loan (\$)	Total (\$)
Balance, December 31, 2021	-	1,103,025	1,103,025
Additions	2,628,142	-	2,628,142
Repayment	(1,153,822)	-	(1,153,822)
Deferred financing fees	(240,419)	(282,641)	(523,060)
Loss on loan restructuring	(131,983)	(64,609)	(196,592)
Interest and accretion expense	86,039	63,819	149,858
Foreign exchange	97,445	79,519	176,964
Balance, December 31, 2022	1,285,402	899,113	2,184,515
Interest and accretion expense	94,609	40,648	135,257
Foreign exchange	(1,027)	(723)	(1,750)
Balance, March 31, 2023	1,378,984	939,038	2,318,022

The loan balance is secured by a first charge on the Company's assets. Subsequent to March 31, 2023, the Company entered into a new secured line of credit facility with Orca as further description in note 19.

## 13. 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. As at March 31, 2023, 1,255 convertible debentures remain outstanding. 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. Subsequent to March 31, 2023, the Company announced that it intends to exercise its right to extend the maturity date of the remaining outstanding convertible debentures as further described in note 19.

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.

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## 13. CONVERTIBLE DEBENTURES (continued)

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 Tranche (\$)	May 29, 2020 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:

	May 21, 2020 Tranche (\$)	May 29, 2020 Tranche (\$)	Total (\$)
Balance, December 31, 2021	34,898	996,807	1,031,705
Accretion on discount	4,259	153,313	157,572
Balance, December 31, 2022	39,157	1,150,120	1,189,277
Accretion on discount	1,140	41,140	42,280
Balance, March 31, 2023	40,297	1,191,260	1,231,557

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

	May 21, 2020 Tranche (\$)	May 29, 2020 Tranche (\$)	Total (\$)
Balance, December 31, 2021	5,575	194,329	199,904
Fair value adjustment	(186)	(132,306)	(132,492)
Balance, December 31, 2022	5,389	62,023	67,412
Fair value adjustment	8,205	255,058	263,263
Balance, March 31, 2023	13,594	317,081	330,675

The fair value of the conversion options outstanding has 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, 2022	March 31, 2023	December 31, 2022
Expected volatility	95%	61%	95%	61%
Risk-free interest rate	4.41%	4.41%	4.41%	4.41%
Conversion option term	0.14 years	0.39 years	0.16 years	0.41 years
Credit spread	21.00%	21.00%	21.00%	21.00%
Underlying share price	\$1.22	\$0.75	\$1.22	\$0.75

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## 14. 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 share issuable in series

### a) Financing

On December 22, 2022, the Company closed a non-brokered private placement which consisted of an aggregate of 7,705,795 units at a subscription price of \$0.65 per unit for aggregate gross proceeds to the Company of \$4,586,267. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share at a price of \$0.85 per share for a period of 24 months from the date of issuance.

The Company determined that the fair value of the warrants issued was \$1,996,134. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 79.95%, an expected life of 2 years, risk free rate of 3.82%, and a zero expected dividend yield.

The Company paid finder's fees totaling \$24,115 and issued a total of 370,140 finder's warrants pursuant to certain subscriptions. Each finder's warrant issued entitles the holder to acquire one common share at a price of \$0.65 per share for a period of 24 months from the date of issuance. The Company determined that the fair value of the finder's warrants issued was \$124,863. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 79.95%, an expected life of 2 years, risk free rate of 3.82%, and a zero expected dividend yield. Other costs associated with the private placement totalled \$116,463 for total costs of \$140,578. The following is a summary of the allocated of proceeds and costs between common shares and warrants.

	Allocation of proceeds		
	Shares (\$)	Warrants (\$)	Total (\$)
Proceeds	2,590,133	1,996,134	4,586,267
Cash costs	(79,393)	(61,185)	(140,578)
Finder's warrants	(70,518)	70,518	-
Closing balance	2,440,222	2,005,467	4,445,689

### b) Stock Options and Deferred Share Units

For the period ended March 31, 2023, the Company recognized share-based compensation expense of \$302,836 (March 31, 2022 - \$113,573) for options granted to directors, employees, and consultants of which \$11,099 (March 31, 2022 - \$Nil) was capitalized to the Company's Pilot Plant. As a result of the transactions during the period \$291,737 (March 31, 2022 - \$113,573) was charged to net loss.

Changes in stock options during the three-month period ended March 31, 2023 and year ended December 31, 2022 are summarized below:

	Period ended March 31, 2023		Year ended December 31, 2022	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Opening balance	3,594,000	1.02	2,329,000	1.81
Granted	210,000	1.45	3,250,000	0.85
Expired	(20,000)	1.90	(810,000)	2.65
Forfeited	-	-	(250,000)	1.41
Closing balance	3,784,000	1.04	3,594,000	1.02
Weighted average remaining life		3.79 years		3.95 years

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## 14. SHARE CAPITAL (continued)

The fair value of options granted during the period has been estimated using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model for options granted during the period are as follows:

	March 31, 2023 (\$)	December 31, 2022 (\$)
Risk-free interest rate	3.58%	2.91%
Expected life of each option	3 years	3 years
Expected volatility	94%	101%
Expected dividends	Nil	Nil
Weighted average grant date fair value	\$0.96	\$0.54
Rate of forfeiture	0.00%	0.00%

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2023:

Exercise price per share (\$)	Number of options outstanding	Expiry date	Number of exercisable (vested) options
0.85	2,325,000	August 9, 2027	775,000
1.20	120,000	May 17, 2026	120,000
1.20	384,000	November 15, 2024	384,000
1.30	480,000	September 1, 2026	480,000
1.30	20,000	March 26, 2026	20,000
1.45	210,000	March 6, 2028	-
1.55	40,000	September 23, 2024	40,000
1.65	185,000	May 15, 2025	185,000
2.30	20,000	July 30, 2023	20,000
	3,784,000		2,024,000
Weighted average remaining life			3.79 years

Also see note 19 (Subsequent Events – Stock Option Grant) for information about options granted in Q2 2023.

As at March 31, 2023, there are 55,710 (December 31, 2022 – 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, 2023 and year ended December 31, 2022 are summarized as follows:

	Period ended March 31, 2023		Year ended December 31, 2022	
	Number of warrants	Weighted average exercise price (\$)	Number of warrants	Weighted average exercise price (\$)
Opening balance	14,684,075	1.02	5,393,140	1.46
Granted	-	-	11,575,935	0.82
Cancelled	-	-	(2,150,000)	0.96
Expired	-	-	(135,000)	1.80
Closing balance	14,684,075	1.02	14,684,075	1.02
Weighted average remaining life		1.31 years		1.55 years

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## 14. SHARE CAPITAL (continued)

The fair value of warrants granted has been estimated using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model for the warrants granted during each period are provided below.

	March 31, 2023	December 31, 2022
	(\$)	(\$)
Risk-free interest rate	-	3.70%
Expected life	-	1.75 years
Expected volatility	-	75%
Expected dividends	Nil	Nil

During the year ended December 31, 2022, warrants from financings completed in 2020 expired unexercised. This resulted in a decrease to warrants and an increase to contributed surplus of \$445,928. During the year ended December 31, 2022, the Company amended the terms of the Orca Loan and the Orca Line of Credit and a result of the amendments the Company cancelled 2,150,000 warrants resulting in a decrease to warrants and an increase to contributed surplus of \$529,509. The following table summarize information about the warrants outstanding and exercisable at March 31, 2023:

Exercise price per share (\$)	Expiry date	Number of warrants
0.65	December 22, 2024	370,140
0.75	July 20, 2023	850,000
0.75	March 31, 2024	1,150,000
0.85	November 30, 2024	1,000,000
0.85	December 22, 2024	7,055,795
1.00	February 8, 2024	306,060
1.50	February 8, 2024	3,350,000
1.80	May 31, 2023	602,080
		14,684,075
Weighted average remaining life		1.31 years

Also see note 19 (Subsequent Events) for information about warrants issued and extended in Q2 2023.

## 15. 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, 2023	Three month period ended March 31, 2022
	(\$)	(\$)
Director’s fees	54,750	54,750
Share-based payments to directors	101,839	30,065
Key management short-term benefits	126,962	123,297
Share-based payments to key management	87,021	24,052
	370,572	232,165

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, 2023, the Company paid \$22,125 (Q1 2022 - \$73,382) 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.

For additional related party transactions see note 12 and 19.

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## 16. 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.

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, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Marketable securities (\$)	1,000	-	-	1,500	-	-
Financial liabilities:						
Convertible debenture – conversion option (\$)	-	(330,675)	-	-	(64,412)	-

### 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, 2023	Carrying amount	Total contractual cash flows	2023 (\$)	2024 (\$)	2025 (\$)	2026 (\$)	2027 (\$)	>2027 (\$)
Interest- lease liabilities	-	2,342	2,342	-	-	-	-	-
Principal repayments – lease liabilities	62,203	62,203	62,203	-	-	-	-	-
Interest – convertible debentures	-	46,676	46,676	-	-	-	-	-
Principal – convertible debentures	1,255,000	1,255,000	1,255,000	-	-	-	-	-
Interest – loans payable	-	333,768	191,579	142,189	-	-	-	-
Principal repayments – loans payable	2,934,840	2,934,840	-	2,934,840	-	-	-	-
	4,252,043	4,634,829	1,557,800	3,077,029	-	-	-	-
Trade and other payables	1,961,425	1,961,425	1,961,425	-	-	-	-	-
	6,213,468	6,596,254	3,519,225	3,077,029	-	-	-	-



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## 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 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:

	March 31, 2023	December 31, 2022
	(\$)	(\$)
Cash	20,882	311,897
Other asset	69,322	69,328
Accounts payable	(310,652)	(146,062)
Loans payable	(2,318,022)	(2,184,515)
	(2,538,470)	(1,949,352)

A 10% change in the US dollar exchange rate would affect net and comprehensive loss and deficit by \$253,847 (2022 - \$194,935).

### Interest Rate Risk

From time to time the Company holds cash in a high interest savings account. The Company does not have any debt that bears variable interest rates.

## 17. SUPPLEMENTARY CASH FLOW INFORMATION

	March 31, 2023	March 31, 2022
	(\$)	(\$)
Non-cash financing and investing activities:		
Accounts payable and accrued liabilities related to resource properties and related exploration costs	(18,065)	(577)
Accounts receivable related to Pilot Plant	191,304	-
Accounts payable related to Pilot Plant	404,461	-
Prepays related to resource properties and related exploration costs	(37,255)	9,807
Share based payments related to Pilot Plant	11,099	-

## 18. CONTINGENCY

On December 14, 2022, a former employee of IMC filed a civil claim against IMC and Ucore for wrongful dismissal and breach of contract. The claim is derived from an employment relationship between the former employee and IMC and the subsequent termination of this relationship. The Company believes that the action is without merit and intends to fully defend its interest and take all other legal actions available to it. The outcome of this claim cannot be determined at this time and no provision has been made in the condensed interim consolidated financial statements for the period ended March 31, 2023.

## 19. SUBSEQUENT EVENTS

### Stock Option Grant

On April 11, 2023, the Company granted 1,425,000 stock options to directors, officers, employees, and consultants of the Company. The stock options are exercisable into common shares of the Company at a price of \$1.30 per common share and the options expire five years from April 11, 2023, the date of grant. One-third of the options will vest after six months, with one-third vesting every six months thereafter until fully vested.

**19. SUBSEQUENT EVENTS (continued)***Convertible Debenture Extension*

On May 10, 2023, the Company announced that it intends to extend the term of the outstanding convertible debentures as further described in note 13 which currently have a maturity date of May 31, 2023. Pursuant to the terms of the convertible debentures, the Company intends to pay the extension fee of \$47,063, which equates to 6-months interest which will extend the maturity date to May 31, 2024.

The Company also announced that it intends to extend the term of the previously issued warrants in connection with the convertible debentures (as further described in note 13) by one year, to match the revised term of the convertible debentures. A total of 643,746 warrants will now have a term ending on May 31, 2024, the maturity date of the extended convertible debentures. The extension of the term of the warrants will be conditional upon the approval of the TSX Venture Exchange.

*Secured Line of Credit*

On May 10, 2023, the Company announced that it has entered into a new Secured Credit Facility Agreement with Orca Holdings, LLC in the amount of up to USD\$1 million (the "2023 Facility"). Proceeds from the 2023 Facility will primarily be used to continue commission trials at the Company's RapidSX™ rare earth element commercial demonstration plant located in Kingston, Ontario. Drawdowns on the 2023 Facility will be available in multiples of USD\$100,000 and will carry interest at a rate of 10% per annum. All amounts owing under the 2023 Facility will be repayable by December 31, 2023. An administrative loan origination fee equal to 1.5% of the available 2023 Facility will be paid at maturity. A total of 1 million bonus warrants will be issued as consideration for the granting of the 2023 Facility. The warrants will contain a condition precedent to their exercise such that no warrant shall be exercisable if such exercise would cause the lender's ownership of the Company, as calculated on a partially diluted basis, to exceed 19.99%. The warrants will have an exercise price of \$1.20 and a term of 12 months from the date of issue. Each warrant, and underlying common share, shall be subject to a restricted period such that the holder must not trade the security before the date that is four months and one day after the date of issue of the warrant. The issuance of the warrants will be conditional upon the approval of the TSX Venture Exchange.