UCORE RARE METALS INC.

Unaudited Condensed Interim Consolidated Financial Statements

For the three-month and nine-month periods ended September 30, 2025

UCORE RARE METALS INC.

Consolidated Statements of Financial Position
Expressed in Canadian dollars
(Unaudited)

	September 30, 2025	December 31, 2024
	$	$
ASSETS		
Current assets		
Cash	19,320,916	627,522
Receivables (note 5)	937,299	3,173,702
Prepaid expenses	303,378	359,215
	20,561,593	4,160,439
Other asset	71,254	73,581
Plant and equipment (note 6)	4,965,023	6,059,403
Right-of-use assets	2,431,862	2,732,753
Intellectual property	7,130,275	7,533,625
Resource properties and related exploration costs	40,863,162	41,495,510
	76,023,169	62,055,311
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	2,490,472	5,272,785
Lease liabilities	164,072	137,819
Convertible debentures (note 8)	13,874,779	2,789,726
	16,529,323	8,200,330
Long-term liabilities		
Loans payable (note 7)	9,231,963	9,326,660
Lease liabilities	2,616,529	2,883,650
	28,377,815	20,410,640
Shareholders' equity		
Share capital (note 9)	128,536,357	92,876,671
Contributed surplus (note 9)	29,810,471	29,911,487
Warrants (note 9)	11,554,557	8,852,243
Accumulated other comprehensive income	5,889,288	6,581,573
Deficit	(128,145,319)	(96,577,303)
	47,645,354	41,644,671
	76,023,169	62,055,311

Equity is solely attributable to shareholders of the Company

Contingency (note 13)
Subsequent events (note 14)

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 unaudited condensed interim consolidated financial statements.

UCORE RARE METALS INC.

Consolidated Statements of Net Loss and Comprehensive Loss
Expressed in Canadian dollars
(Unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2025	2024 Restated (note 3)	2025	2024 Restated (note 3)
	$	$	$	$
Amortization	235,852	235,547	706,641	704,393
Investor relations and marketing	159,065	41,247	595,299	233,336
Office and premises	86,435	64,344	238,651	197,982
Professional services (note 10)	597,799	257,328	1,165,957	1,026,908
Salaries and management fees (note 10)	399,171	278,850	1,099,777	846,383
Securities and regulatory	29,749	31,615	100,777	101,882
Research and development, net (note 5)	2,340,194	1,976,360	4,794,383	6,650,746
Share-based payments (note 9 and 10)	503,147	118,219	1,087,821	392,921
Travel	120,569	40,863	328,839	127,681
	4,471,981	3,044,373	10,118,145	10,282,232
OTHER INCOME (EXPENSES)				
Interest income	62,852	4,965	65,737	5,023
Other income	-	151,820	25,121	446,166
Interest and accretion expense (note 7 and 8)	(747,851)	(556,267)	(2,264,230)	(1,768,552)
Fair value adjustment of derivative liabilities (note 8)	(17,398,106)	(259,572)	(19,350,530)	943,453
Financing fees (note 8)	-	-	-	(142,071)
Gain (loss) on debt restructuring (note 7)	-	556,669	-	(1,125,206)
Gain (loss) on the conversion of convertible debentures (note 8)	-	4,035	(58,876)	4,035
Gain on extension of convertible debentures (note 8)	-	285,966	-	285,966
Foreign exchange gain (loss)	(135,413)	133,007	252,733	2,848
	(18,218,518)	320,623	(21,330,045)	(1,348,338)
NET LOSS	(22,690,499)	(2,723,750)	(31,448,190)	(11,630,570)
Net Loss per share - basic and diluted	(0.25)	(0.04)	(0.41)	(0.19)
Weighted average number of basic and diluted common shares outstanding	90,972,843	61,873,338	75,861,172	61,822,932
COMPREHENSIVE LOSS:				
Net loss for the period	(22,690,499)	(2,723,750)	(31,448,190)	(11,630,570)
Other comprehensive income (loss)				
Items which may be subsequently recycled through profit or loss				
Foreign currency translation difference arising on translation of foreign subsidiaries	499,097	(267,810)	(692,285)	420,544
	(22,191,402)	(2,991,560)	(32,140,475)	(11,210,026)

Net loss and comprehensive loss are solely attributable to the shareholders of the Company

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

UCORE RARE METALS INC.

Consolidated Statements of Changes in Equity
Expressed in Canadian dollars, except for the number of shares
For the nine-month periods ended September 30, 2025 and 2024
(Unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Equity
Balance at January 1, 2024	61,819,425	$ 90,783,599	$ 28,910,719	$ 7,037,088	$ 4,744,820	$ (82,400,058)	$ 49,076,168
Net loss (restated - note 3)	-	-	-	-	-	(11,630,570)	(11,630,570)
Other comprehensive income	-	-	-	-	420,544	-	420,544
Issuance of warrants (note 9)	-	-	-	916,644	-	-	916,644
Extension of warrants	-	-	-	229,033	-	-	229,033
Shares and warrants issued on the conversion of convertible debentures	40,000	25,200	-	1,663	-	-	26,863
Expiry of warrants (note 9)	-	-	370,270	(370,270)	-	-	-
Share-based payments (note 9)	-	-	410,148	-	-	-	410,148
Balance at September 30, 2024	61,859,425	$ 90,808,799	$ 29,691,137	$ 7,814,158	$ 5,165,364	$ (94,030,628)	$ 39,448,830
Balance at January 1, 2025	66,881,831	$ 92,876,671	$ 29,911,487	$ 8,852,243	$ 6,581,573	$ (96,577,303)	$ 41,644,671
Net loss	-	-	-	-	-	(31,448,190)	(31,448,190)
Other comprehensive loss	-	-	-	-	(692,285)	-	(692,285)
Shares issued on the exercise of warrants (note 9)	7,192,851	12,386,158	-	(3,524,065)	-	-	8,862,093
Shares issued on the exercise of restricted share units (note 9)	282,200	174,964	(198,400)	-	-	(119,826)	(143,262)
Shares issued on the exercise of deferred share units (note 9)	30,000	75,600	(75,600)	-	-	-	-
Shares issued on the exercise of stock options (note 9)	1,563,333	2,337,968	(867,135)	-	-	-	1,470,833
Shares issued on the exercise of compensation options (note 9)	217,930	283,101	(121,046)	55,875	-	-	217,930
Shares and warrants issued on the conversion of convertible debentures (note 8)	2,138,882	6,759,773	-	2,293,152	-	-	9,052,925
Private placements (net of issuance costs) (note 9)	18,472,467	13,642,122	-	3,877,352	-	-	17,519,474
Share-based payments (note 9)	-	-	1,161,165	-	-	-	1,161,165
Balance at September 30, 2025	96,779,494	$ 128,536,357	$ 29,810,471	$ 11,554,557	$ 5,889,288	$ (128,145,319)	$ 47,645,354

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

UCORE RARE METALS INC.

Consolidated Statements of Cash Flows
Expressed in Canadian dollars
For the nine-month periods ended September 30, 2025 and 2024
(Unaudited)

	2025	Restated (note 3) 2024
	$	$
CASH FLOWS FROM (USED) IN OPERATING ACTIVITIES		
Net loss	(31,448,190)	(11,630,570)
Adjustments and items not involving cash:		
Amortization	706,641	704,392
Amortization recorded in research and development	1,343,431	1,348,352
Fair value adjustment of derivative liabilities (note 8)	19,350,530	(943,453)
Financing fees (note 8)	-	142,071
Gain on extension of convertible debentures (note 8)	-	(285,966)
Share-based payments (note 9)	1,087,821	392,921
Share-based payments in research and development (note 9)	73,344	17,227
Interest and accretion expense	2,039,767	1,364,537
Loss on debt restructuring (note 7)	-	1,125,206
Loss on the conversion of convertible debentures (note 8)	58,876	(4,035)
Unrealized foreign exchange (gain) loss	(285,638)	(41,009)
	(7,073,418)	(7,810,327)
Change in non-cash operating working capital:		
Receivables	2,236,403	(314,191)
Prepaid expenses and other	55,837	290,666
Accounts payable and accrued liabilities	(2,782,318)	3,643,867
Deferred government assistance	-	(339,450)
Cash flows used in operating activities	(7,563,496)	(4,529,435)
CASH FLOWS FROM (USED) IN FINANCING ACTIVITIES		
Interest paid on lease liabilities	(183,244)	(198,838)
Repayment of lease liabilities	(100,675)	(259,192)
Proceeds from convertible debentures (note 8)	-	1,900,750
Repayment of convertible debentures (note 8)	-	(110,000)
Proceeds from loans payable (note 7)	-	4,082,920
Repayment of interest on loans payable (note 7)	(933,771)	-
Payment of withholding taxes on restricted share units (note 9)	(143,262)	-
Proceeds from the exercise of compensation options (note 9)	217,930	-
Proceeds from the exercise of stock options (note 9)	1,470,833	-
Proceeds from the exercise of warrants (note 9)	8,862,093	-
Proceeds from the issuance of common shares, net of issuance costs (note 9)	17,519,474	-
Cash flows from financing activities	26,709,378	5,415,640
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of plant and equipment, net	(251,451)	(510,198)
Additions to resource properties and related exploration costs	(197,492)	(261,435)
Cash flows used in investing activities	(448,943)	(771,633)
INCREASE IN CASH	18,696,939	114,572
Foreign exchange impact on cash	(3,545)	1,351
CASH, beginning of period	627,522	248,382
CASH, end of period	19,320,916	364,305

Supplementary Cash Flow Information (note 12)

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

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Ucore Rare Metals Inc. ("Ucore" or the "Company") is a corporation domiciled in Canada with its head office located at 210 Waterfront Drive, Suite 106, Bedford, Nova Scotia, B4A 0H3. The Company is focused on rare and critical metal resources, extraction, beneficiation, and separation technologies, aiming for production, growth and scalability. Ucore holds an effective 100% ownership stake in the Bokan-Dotson Ridge rare earth element project in southeast Alaska, United States. The Company's wholly owned subsidiary, Innovation Metals Corp. ("IMC"), is advancing its proprietary RapidSX™ processing technology for the low-cost separation and purification of rare earth elements ("REEs") and other technology metals. The Company's vision to become a leading advanced technology company, providing top-tier metal separation products and services to the mining and mineral extraction industry.

2. BASIS OF PRESENTATION

<u>Statement of compliance</u>

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*.

The date the Board of Directors approved these unaudited condensed interim consolidated financial statements is November 25, 2025.

<u>Use of estimates and judgments</u>

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 audited consolidated financial statements as at and for the year ended December 31, 2024.

3. RESTATEMENT OF COMPARATIVE FIGURES

The Company has restated the statement of net loss and comprehensive loss, statement of cash flows, and statement of changes in equity for the three-month and nine-month periods ended September 30, 2024, to reflect year-end December 31, 2024 adjusting journal entries that were reflected in the last annual financial statements. The restatement of comparative figures relates to the accounting treatment applied on initial recognition of convertible debentures issued on January 30, 2024, and February 9, 2024. The impact of the restatement on comparative figures is summarized below:

<u>Condensed Interim Consolidated Statement of Net Loss and Comprehensive Loss</u>

	For the three-month period ended September 30, 2024			For the nine-month period ended September 30, 2024		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
	$	$	$	$	$	$
OTHER INCOME (EXPENSES)						
Interest and accretion expense	(479,088)	(77,179)	(556,267)	(1,634,501)	(134,051)	(1,768,552)
Financing fees	-	-	-	(91,193)	(50,877)	(142,070)
Loss on initial recognition of convertible debentures	-	-	-	(1,079,112)	1,079,112	-
NET LOSS	(2,646,571)	(77,179)	(2,723,750)	(12,524,753)	894,183	(11,630,570)
Net Loss per share – basic and diluted	(0.04)	-	(0.04)	(0.20)	0.01	(0.19)
COMPREHENSIVE LOSS	(2,914,381)	(77,179)	(2,991,560)	(12,104,209)	894,183	(11,210,026)

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

3. RESTATEMENT OF COMPARATIVE FIGURES (continued)

Condensed Interim Consolidated Statement of Shareholders' Equity

	For the nine-month period ended September 30, 2024		
	As previously reported	Adjustments	As restated
	$	$	$
Deficit	(94,924,811)	894,183	(94,030,628)
Total shareholders' equity	38,554,647	894,183	39,448,830

Condensed Interim Consolidated Statements of Cash Flows

	For the nine-month period ended September 30, 2024		
	As previously reported	Adjustments	As restated
	$	$	$
Net loss for the period	(12,524,753)	894,183	(11,630,570)
Interest and accretion expense	1,230,486	134,051	1,364,537
Financing fees	91,193	50,878	142,071
Loss on initial recognition of convertible debentures	1,079,112	(1,079,112)	-
Cash flows used in operating activities	(7,810,327)	-	(7,810,327)

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 audited consolidated financial statements for the year ended December 31, 2024.

Other accounting standards issued but not yet effective

The Company is in the process of determining how the following new and amended standards could impact its consolidated financial statements.

The IASB has issued classification and measurement and disclosure amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* with an effective date for years beginning on or after January 1, 2026 with earlier application permitted. The amendments relevant to the Company clarify the date of recognition and derecognition of some financial assets and liabilities and introduce a new exception for some financial liabilities settled through an electronic payment system.

IFRS 18 *Presentation and Disclosure in Financial Statements* is a new standard that will provide new presentation and disclosure requirements and replace IAS1 *Presentation of Financial Statements*. IFRS 18 introduces changes to the structure of the income statement; provides required disclosures in financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements; and provides enhanced principles on Annual Report Consolidated Financial Statements aggregation and disaggregation in financial statements. Many other existing principles in IAS 1 have been maintained. IFRS 18 is effective for years beginning on or after January 1, 2027, with earlier application permitted.

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

5. RECEIVABLES

The following table is a summary of the Company's amounts receivable as at September 30, 2025, and December 31, 2024.

	September 30, 2025 ($)	December 31, 2024 ($)
Sales tax	349,414	108,581
Tax credits receivable	500,813	240,000
US DoD	-	2,555,634
CMIF	-	200,000
NRC-CMRDD	87,072	69,487
Total	937,299	3,173,702

Tax credits receivable

During the nine-month period ended September 30, 2025, the Company recognized a cost recovery to research and development expense of $260,813 (September 30, 2024 - $180,000).

Government assistance

United States Department of Defense ("US DoD")

On May 10, 2025, the Company reached an agreement with the US DoD amending the previously awarded government grant whereby an additional fixed amount of US$18.4 million will be provided to the Company to facilitate the construction of a production-ready commercial RapidSX™ machine and supporting infrastructure bringing the total funding available under the government grant with the US DoD to US$22.4 million.

During the nine-month period ended September 30, 2025, the Company recorded a cost recovery of $1,687,351 (US$1,232,129) (September 30, 2024 - $680,133 (US$499,612)) for completed milestones in research and development. At September 30, 2025, the amount outstanding from the US DoD was $nil (December 31, 2024 - $2,555,634 (US$1,795,860)).

Critical Minerals Innovation Fund ("CMIF")

On November 19, 2024, the Company was awarded $500,000 in partnership with Ontario's Critical Minerals Innovation Fund. The funding contribution is for the advancement of the continuous improvement process at the Company's RapidSX™ commercial demonstration facility. Payments were received based on project milestones, all of which were completed as of September 30, 2025. During the nine-month period ended September 30, 2025, the Company recorded a cost recovery to research and development of $300,000 (September 30, 2024 - $nil). As at September 30, 2025, the amount receivable from CMIF for completed milestones was $nil (December 31, 2024 - $200,000).

National Research Council of Canada's Critical Minerals Research Development and Demonstration Program ("NRC-CMRDD")

During the nine-month period ended September 30, 2025, the Company recorded a cost recovery to research and development for incurred eligible expenditures for non-repayable contributions of $175,360 (September 30, 2024 - $386,178). As at September 30, 2025, the Company incurred reimbursable eligible expenditures of $1,626,264 out of the total $4,275,848 available under the agreement with NRC-CMRDD. As at September 30, 2025, the amount outstanding from NRC-CMRDD for incurred eligible expenditures was $87,072 (December 31, 2024 - $69,487).

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

6. PLANT AND EQUIPMENT

	Office Equipment ($)	RapidSX™ Pilot Plant ($)	Construction in Progress [1] ($)	Total ($)
Cost				
Balance, January 1, 2024	264,451	7,238,780	531,730	8,034,961
Additions	-	-	128,516	128,516
Balance, December 31, 2024	264,451	7,238,780	660,246	8,163,477
Additions	-	-	251,452	251,452
Balance, September 30, 2025	264,451	7,238,780	911,698	8,414,929
Accumulated amortization				
Balance, January 1, 2024	248,602	49,210	-	297,812
Amortization	5,179	1,801,083	-	1,806,262
Balance, December 31, 2024	253,781	1,850,293	-	2,104,074
Amortization	2,401	1,343,431	-	1,345,832
Balance, September 30, 2025	256,182	3,193,724	-	3,449,906
Net book value				
Balance, December 31, 2024	10,670	5,388,487	660,246	6,059,403
Balance, September 30, 2025	8,269	4,045,056	911,698	4,965,023

[1] Construction in progress relates to the Company's Strategic Metals Complex which is being constructed in Alexandria, Louisiana. Amortization will occur once the Strategic Metals Complex has been fully constructed and available for use.

7. LOANS PAYABLE

The Company is party to various debt and credit arrangements with Orca Holdings, LLC ("Orca"), a related party, as further described in note 10. The following table summarizes the advances, repayments, loan amendments, and amounts owing to Orca under the 2023 Orca LOC, 2022 Orca LOC, and the Orca Term Loan:

	2023 Orca LOC[a] ($)	2022 Orca LOC[b] ($)	Orca Term Loan[c] ($)	Total ($)
Balance, December 31, 2023	2,777,128	898,354	445,027	4,120,509
Additions	4,082,920	-	-	4,082,920
(Gain) loss on loan restructuring	(415,390)	485,848	-	70,458
Repayment of interest	(481,643)	(353,122)	-	(834,765)
Loss on repayment of interest	69,497	67,636	-	137,133
Interest and accretion expense	698,751	315,762	151,341	1,165,854
Foreign exchange	397,746	141,871	44,934	584,551
Balance, December 31, 2024	7,129,009	1,556,349	641,302	9,326,660
Repayment of interest	(777,706)	(156,065)	-	(933,771)
Interest and accretion expense	779,959	169,103	178,888	1,127,950
Foreign exchange	(219,982)	(48,018)	(20,876)	(288,876)
Balance, September 30, 2025	6,911,280	1,521,369	799,314	9,231,963

The loan balances are secured by a first charge on the Company's assets.

See note 14, Subsequent events, Repayment of Loans Payable.

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURES

2020 Convertible Debentures

The convertible debentures contain a conversion clause that 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 the convertible debenture conversion price. On September 3, 2025, the remaining 1,100 outstanding 2020 convertible debentures were automatically converted into equity pursuant to the automatic conversion clause.

For accounting purposes, the 2020 convertible 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 accounted for the host loan obligation at amortized cost, accrued to maturity over the term of the debenture. The embedded conversion and extension options were accounted for as a financial liability measured at fair value through profit or loss. 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, 2023	33,048	1,149,538	1,182,586
Accretion on discount	2,918	120,511	123,429
Repayment	-	(110,000)	(110,000)
Gain on extension of convertible debentures	(5,138)	(280,828)	(285,966)
Balance, December 31, 2024	30,828	879,221	910,049
Accretion on discount	2,529	134,379	136,908
Conversion of debentures	(33,357)	(1,013,600)	(1,046,957)
Balance, September 30, 2025	-	-	-

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, 2023	2,233	77,571	79,804
Fair value adjustment	9,002	279,792	288,794
Balance, December 31, 2024	11,235	357,363	368,598
Fair value adjustment	92,862	4,375,344	4,468,206
Conversion of debentures	(104,097)	(4,732,707)	(4,836,804)
Balance, September 30, 2025	-	-	-

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	
	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
Expected volatility	N/A	64%	N/A	64%
Risk-free interest rate	N/A	3.12%	N/A	3.12%
Conversion option term	N/A	1.08 years	N/A	1.08 years
Credit spread	N/A	21.00%	N/A	21.00%
Underlying share price	N/A	$0.75	N/A	$0.75

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURES (continued)

The fair value of the warrants issued in connection with the conversion of the convertible debentures into units was estimated on the conversion date, on a relative fair value basis, using the Black-Scholes pricing model using the following weighted average assumptions: risk-free interest of 2.62%, expected life of 0.42 years, expected volatility of 134%, and a zero expected dividend yield.

2024 Convertible Debentures

On January 30 and February 9, 2024, the Company issued 1,510 and 480 respectively, of convertible debentures, with a face value of $1,000 each for total gross proceeds of $1,990,000. As at September 30, 2025, 1,285 convertible debentures remain outstanding. The convertible debentures bear interest of 7.5% payable semiannually and mature on January 31, 2026. 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 $0.75 per unit. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable by the holder to purchase one common share at an exercise price of $1.05 per common share, exercisable until the maturity date of the debenture. The Company has the option to extend the maturity date of the convertible debentures by one additional year, at any time during the term. If extended, the Company shall pay a cash extension fee to the holders in the amount of six months of interest.

For accounting purposes, the debentures represent a hybrid financial instrument, consisting of a host loan obligation, and embedded derivative instruments comprising the conversion and extension 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 following table summarize the continuity of the host liability components of the loan:

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

	January 30, 2024 Tranche ($)	February 9, 2024 Tranche ($)	Total ($)
Host liability component at issue (As previously reported)	1,157,301	369,730	1,527,031
Adjustments (note 3)	(779,483)	(299,629)	(1,079,112)
Host liability component at issue (As restated)	377,818	70,101	447,919
Conversion and extension options at issue date	1,132,182	409,899	1,542,081
Proceeds from issue	1,510,000	480,000	1,990,000
Cash finder's fees	(67,750)	(21,500)	(89,250)
Net proceeds from issue	1,442,250	458,500	1,900,750

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

	January 30, 2024 Tranche ($)	February 9, 2024 Tranche ($)	Total ($)
Balance, on initial recognition	377,818	70,101	447,919
Deferred financing fees	(28,332)	(9,777)	(38,109)
Accretion on discount	338,526	92,578	431,104
Conversion of debentures	(10,772)	(6,775)	(17,547)
Balance, December 31, 2024	677,240	146,127	823,367
Accretion on discount	456,923	134,740	591,663
Conversion of debentures	(296,811)	(120,190)	(417,001)
Balance, September 30, 2025	837,352	160,677	998,029

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURES (continued)

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

	January 30, 2024 Tranche ($)	February 9, 2024 Tranche ($)	Total ($)
Balance, on initial recognition	1,132,182	409,899	1,542,081
Fair value adjustment	(590,033)	(247,275)	(837,308)
Conversion of debentures	(10,418)	(6,643)	(17,061)
Balance, December 31, 2024	531,731	155,981	687,712
Fair value adjustment	12,075,488	2,806,836	14,882,324
Conversion of debentures	(1,985,106)	(708,180)	(2,693,286)
Balance, September 30, 2025	10,622,113	2,254,637	12,876,750

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

	Tranche 1 – January 30, 2024		Tranche 2 – February 9, 2024	
	September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
Expected volatility	125%	64%	125%	64%
Risk-free interest rate	2.42%	3.13%	2.42%	3.13%
Conversion option term	0.34 years	1.08 years	0.34 years	1.08 years
Credit spread	19.00%	20.00%	19.00%	20.00%
Underlying share price	$5.86	$0.75	$5.86	$0.75

The fair value of the warrants issued in connection with the conversion of the convertible debentures into units was estimated on the conversion date, on a relative fair value basis, using the Black-Scholes pricing model using the following weighted average assumptions.

	September 30, 2025	December 31, 2024
Risk-free interest rate	2.68%	3.14%
Expected life	0.57 years	1.31 years
Expected volatility	118%	59%
Expected dividends	nil	nil

9. SHARE CAPITAL

a) Financings

On June 19, 2025, the Company closed a brokered private placement of 12,916,667 units at a price of $1.20 per unit for gross proceeds of $15,500,000. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at an exercise price $1.75 per common share for a period of 3 years following the date of issuance. The Company determined that the relative fair value of the warrants issued in connection with the private placement was $2,781,977. The relative fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 81%, an expected life of 3 years, risk free rate of 2.71%, and a zero expected dividend yield.

In connection with the brokered private placement, the Company paid cash commissions and advisory fees totaling $855,000 and issued 712,500 common share purchase warrants. Each broker warrant entitles the holder to purchase one common share for a period of 3 years following the date of issuance at an exercise price of $1.20. The Company determined that the fair value of the finder's warrants issued was $441,186. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 81%, an expected life of 3 years, risk free rate of 2.71%, and a zero expected dividend yield. Other costs associated with the private placement totalled $383,748 for total costs of $1,679,934. The following is a summary of the allocated of proceeds and costs between common shares and warrants.

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

The following is a summary of the allocation of proceeds and costs between common shares and warrants:

	Allocation of proceeds		
	Shares ($)	Warrants ($)	Total ($)
Proceeds	12,718,023	2,781,977	15,500,000
Cash costs	(974,555)	(264,193)	(1,238,748)
Broker warrants	(362,001)	362,001	-
Total	11,381,467	2,879,785	14,261,252

On February 28, 2025, the Company closed a non-brokered private placement of 1,955,800 units at a price of $0.60 per unit for gross proceeds of $1,173,480. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at an exercise price $0.75 per common share for a period of 3 years following the date of issuance.

The Company determined that the relative fair value of the warrants issued in connection with the private placement was $364,877. The relative fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 68%, an expected life of 3 years, risk free rate of 2.55%, and a zero expected dividend yield. Other cash costs associated with the private placement totalled $25,383.

The following is a summary of the allocation of proceeds and costs between common shares and warrants:

	Allocation of proceeds		
	Shares ($)	Warrants ($)	Total ($)
Proceeds	808,603	364,877	1,173,480
Cash costs	(11,638)	(13,745)	(25,383)
Total	796,965	351,132	1,148,097

On January 31, 2025, the Company closed a non-brokered private placement which consisted of 3,600,000 units at a price of $0.60 per unit for gross proceeds of $2,160,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at an exercise price of $0.75 per common share for a period of 3 years following the date of issuance.

The Company determined that the relative fair value of the warrants issued in connection with the private placement was $673,555. The relative fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 68%, an expected life of 3 years, risk free rate of 2.64%, and a zero expected dividend yield. Other cash costs associated with the private placement totalled $49,875.

The following is a summary of the allocation of proceeds and costs between common shares and warrants:

	Allocation of proceeds		
	Shares ($)	Warrants ($)	Total ($)
Proceeds	1,486,445	673,555	2,160,000
Cash costs	(22,755)	(27,120)	(49,875)
Total	1,463,690	646,435	2,110,125

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

b) Stock Options, Restricted Share Units, and Deferred Share Units

The Company adopted an omnibus equity incentive plan (the “Incentive Plan”) whereby the Board or, from time to time, a committee thereof, in its discretion, and in accordance with TSX Venture Exchange requirements, can grant to eligible directors, officers, employees, and consultants of the Company, non-transferable awards (the “Awards”). Such Awards include stock options (“Stock Options”), restricted share units (“RSUs”), share appreciation rights (“SARs”), deferred share units (“DSUs”) and performance share units (“PSUs”).

During the nine-month period ended September 30, 2025, the Company recognized share-based compensation of $1,161,165 (September 30, 2024 - $410,148) for Stock Options and RSUs granted to directors, employees, and consultants of which $73,344 (September 30, 2024 - $17,227) was recorded in research and development. As a result of the transactions during the nine-month period ended September 30, 2025, $1,087,821 (September 30, 2024 - $392,921) was recognized as share-based payments.

Stock Options

Changes in Stock Options during the nine-month period ended September 30, 2025, and year ended December 31, 2024, are summarized as follows:

	Nine-month period ended September 30, 2025		Year ended December 31, 2024	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Opening balance	5,915,000	1.02	5,189,000	1.11
Granted	1,755,000	1.22	1,150,000	0.70
Forfeited	(170,000)	1.33	-	-
Exercised	(1,563,333)	0.94	-	-
Expired	(135,000)	1.65	(424,000)	1.23
Closing balance	5,801,667	1.08	5,915,000	1.02
Weighted average remaining life		3.14 years		3.02 years

The weighted average share price at the exercise dates was $3.83.

The fair value of Stock Options granted during the nine-month period ended September 30, 2025, and year ended December 31, 2024 has been estimated using the Black-Scholes option pricing model. The weighted average assumptions used in the Black-Scholes option pricing model are as follows:

	September 30, 2025	December 31, 2024
Risk-free interest rate	2.79%	3.01%
Expected life of each option	3 years	3 years
Expected volatility	74%	65%
Expected dividends	nil	nil
Weighted average grant date fair value	$0.83	$0.26

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

The following table summarizes information about the Stock Options outstanding and exercisable at September 30, 2025:

Exercise price per share ($)	Number of Stock Options outstanding	Expiry date	Number of exercisable (vested) Stock Options
0.70	185,000	November 29, 2029	61,666
0.70	846,667	September 2, 2029	564,444
0.85	1,235,000	August 9, 2027	1,235,000
1.08	1,360,000	April 14, 2030	-
1.30	400,000	September 1, 2026	400,000
1.30	20,000	March 26, 2026	20,000
1.30	1,150,000	April 11, 2028	1,150,000
1.45	210,000	March 6, 2028	210,000
1.48	145,000	July 16, 2030	-
1.57	100,000	April 16, 2030	-
1.60	100,000	July 16, 2030	-
2.92	50,000	August 13, 2030	-
	5,801,667		3,641,110
Weighted average remaining life			3.14 years

Restricted Share Units

On September 2, 2024, the Company granted 960,000 restricted share units to officers and employees of the Company. Each RSU will entitle the holder to receive at the time of vesting for each RSU held, either one common share or a cash payment equal to the fair market value of a common share or a combination of the two, at the election of the Board. The fair value of the RSUs granted was $595,200 which was calculated using the Company's share price on the date of grant. During the nine-month period ended September 30, 2025, the Company recognized share-based payment expense of $256,833 (September 30, 2024 - $27,903) related to the RSUs, with $218,784 to be recognized in future periods based on the vesting schedule.

Changes in RSUs during the nine-month period ended September 30, 2025 and the year ended December 31, 2024 are summarized as follows:

	Nine-month period ended September 30, 2025	Year ended December 31, 2024
Opening balance	960,000	-
Granted	-	960,000
Exercised	320,000	-
Closing balance	640,000	960,000

During the nine-month period ended September 30, 2025, 70,000 of the 320,000 RSUs exercised were settled on a net basis. After withholding $143,262 for income taxes, the Company issued 32,200 common shares.

As at September 30, 2025, there are 640,000 unvested RSUs outstanding.

Deferred Share Units

During the nine-month period ended September 30, 2025 and year ended December 31, 2024 there were no deferred share units granted. During the nine-month period ended September 30, 2025, 30,000 DSUs were exercised. As at September 30, 2025, there were 25,710 (December 31, 2024 – 55,710) deferred share units outstanding which are fully vested.

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

c) Warrants

Changes in warrants during the nine-month period ended September 30, 2025 and year ended December 31, 2024 are summarized as follows:

	Nine-month period ended September 30, 2025		Year ended December 31, 2024	
	Number of warrants	Weighted average exercise price ($)	Number of warrants	Weighted average exercise price ($)
Opening balance	21,016,374	0.88	19,086,245	1.02
Granted	13,905,033	1.28	10,369,329	0.81
Cancelled	-	-	(4,400,000)	0.89
Exercised	(7,192,851)	1.23	(164,744)	0.67
Expired	-	-	(3,874,456)	1.41
Closing balance	27,728,556	0.99	21,016,374	0.88
Weighted average remaining life		1.40 years		1.50 years

The following table summarizes information about the warrants outstanding at September 30, 2025:

Exercise price per share ($)	Expiry date	Number of warrants
0.75	February 9, 2026	224,000
0.75	October 1, 2026	3,300,000[1]
0.75	November 14, 2026	2,156,664
0.75	January 31, 2028	3,600,000
0.75	February 28, 2028	1,705,800
0.85	December 22, 2025	4,930,468
0.89	January 31, 2027	1,200,000[1]
0.89	October 1, 2026	4,400,000[1]
1.05	January 31, 2026	216,666
1.20	June 19, 2028	106,875
1.25	July 27, 2026	1,193,857
1.30	January 31, 2026	291,663
1.75	June 19, 2028	4,402,563
		27,728,556
Weighted average remaining life		1.40 years

(1) These warrants contain a condition precedent to their exercise such that no warrants shall be exercised if such exercise would cause Orca's ownership of the Company, as calculated on a partially diluted basis, to exceed 19.99% of the aggregate of the issued and outstanding common shares of the Company, unless the Company obtains prior shareholder approval.

d) Compensation Options

In connection with the first tranche of a private placement which closed on July 27, 2023, the Company issued 192,790 compensation options and 15,375 advisory fee compensation options. Each compensation option entitles the holder thereof to purchase units at an exercise price equal to the offering price for a period of 3 years following the date of issuance. In connection with a second tranche, the Company issued 12,390 advisory fee compensation options. Each compensation option entitles the holder thereof to purchase units at an exercise price equal to the offering price for a period of 3 years following the date of issuance.

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

Changes in compensation options during the nine-month period ended September 30, 2025 and year ended December 31, 2024 are summarized as follows:

	Nine-month period ended September 30, 2025		Year ended December 31, 2024	
	Number of Compensation options	Weighted average exercise price ($)	Number of compensation options	Weighted average exercise price ($)
Opening balance	220,555	1.00	220,555	1.00
Exercised	(217,930)	1.00	-	-
Closing balance	2,625	1.00	220,555	1.00
Weighted average remaining life		0.82 years		1.57 years

In connection with the exercise of the 217,930 compensation options during the nine-month period ended September 30, 2025, the Company issued 108,962 common share purchase warrants with a relative fair value of $55,875. The relative fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 113%, an expected life of 0.93 years, risk free rate of 2.61%, and a zero expected dividend yield.

The following table summarizes information about the compensation options outstanding and exercisable at September 30, 2025:

Exercise price ($)	Expiry date	Number of Compensation options
1.00	July 27, 2026	2,625
Weighted average remaining life		0.82 years

10. 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. The total remuneration of key management personnel and the Board was as follows:

	Nine-month period ended September 30, 2025 ($)	Nine-month period ended September 30, 2024 ($)
Directors' fees	169,500	143,250
Share-based payments to directors	132,000	101,712
Key management short-term benefits	558,148	393,053
Share-based payments to key management	410,052	119,325
	1,269,700	757,340

Key management short-term benefits include all salary, bonuses, and health/dental benefits earned by officers during the period. The Company paid legal fees to Miller Thomson LLP of $477,288 during the nine-month period ended September 30, 2025, compared to $284,809 for the nine-month period ended September 30, 2024. 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.

The Company has loans payable to Orca and, during the nine-month period ended September 30, 2025, and the year ended December 31, 2024, the Company amended certain loan agreements, received advances, repaid interest, and incurred financing fees and interest charges, as further described in note 7.

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

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

11. 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:

	September 30, 2025			December 31, 2024		
Financial liabilities:	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Convertible debenture – conversion option ($)	-	(12,876,750)	-	-	(1,056,310)	-

The fair value of cash, receivables, and accounts payable and accrued liabilities is approximated by their carrying value due to their short term to maturity.

The Company's loans payable and host liability of the convertible debentures are carried at amortized cost. These bear fixed interest rates, and as such, their fair value may differ from their carrying value due to changes in market interest rates and the Company's credit risk. The fair value of loans payable is approximated by the carrying value. As at September 30, 2025, the fair value of the host liability of the convertible debentures was $998,029 (December 31, 2024 - $1,733,416). Both were determined using an estimated discounted cash flow analysis based on current market interest rates available to the Company for similar debt instruments, which are classified as level 2 in the fair value hierarchy.

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 ability to meet its obligations is contingent upon securing financing or monetizing assets. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due, under both stressed and normal conditions, and to continue to fund its exploration and evaluation activities and advance the Company's RapidSX™ technology.

Management concluded that the Company has sufficient liquidity to meet its obligations for the next twelve months, considering the Company's planned capital expenditures and exploration activities. The Company has the ability to scale back its capital expenditures and exploration activities, and will do so as necessary, based on cash availability. The Company will also need to raise further financing within the next two years to execute its strategic plan and meet its objectives.

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.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

As at September 30, 2025	Total contractual cash flows ($)	Remainder of 2025 ($)	2026 ($)	2027 ($)	2028 ($)	2029 ($)	>2029 ($)
Lease liabilities	3,938,318	95,725	356,460	480,126	501,001	501,001	2,004,005
Convertible debentures	1,341,769	48,584	1,293,185	-	-	-	-
Loans payable	11,232,761	253,127	9,626,701	1,352,933	-	-	-
Trade and other payables	2,490,473	2,490,473	-	-	-	-	-
	19,003,321	2,887,909	11,276,346	1,833,059	501,001	501,001	2,004,005

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:

	September 30, 2025 ($)	December 31, 2024 ($)
Cash	1,768,700	133,745
Other asset	71,254	73,581
Accounts payable	(172,945)	(161,024)
Loans payable	(9,231,963)	(9,326,660)
	(7,564,954)	(9,280,358)

At September 30, 2025, a 10% change in the US dollar exchange rate would affect net loss and deficit by $756,495 (December 31, 2024 - $928,036).

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.

Commodity Risk

The Company’s ability to raise capital to fund exploration or development activities and continue the advancement of the Company’s technology is subject to risks associated with fluctuations in the market price of mineral prices under exploration and to be used in the Company’s processing technology.

Equity Price Risk

Equity price risk is defined as the potential adverse impact on the Company’s results of operations and the ability to obtain equity financing due to movements in individual prices or general movements in the level of the stock market. The Company closely monitors the individual equity movements to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

For the three-month and nine-month periods ended September 30, 2025 (Expressed in Canadian dollars)

12. SUPPLEMENTARY CASH FLOW INFORMATION

	Nine-month period ended September 30, 2025 ($)	Nine-month period ended September 30, 2024 ($)
Non-cash financing and investing activities:		
Accounts payable and accrued liabilities related to resource properties and related exploration costs	-	(5,230)
Accounts receivable related to RapidSX™ Pilot Plant	-	(1,504,576)
Accounts payable related to RapidSX™ Pilot Plant	-	(1,886,259)
Prepaids related to resource properties and related exploration costs	-	66,384

13. CONTINGENCY

On December 14, 2022, a former employee of the Company's wholly owned subsidiary IMC, filed a civil claim against IMC and the Company 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 former employee is seeking $650,000, plus interest and costs. 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 parties have agreed to settle the claim through arbitration, which remains ongoing. While arbitration was initially expected to conclude in Q1 2025, the process has been extended, and a revised timeline has not yet been established. The outcome of this claim cannot be determined at this time, and no provision has been recorded in the consolidated financial statements for the nine-month period ended September 30, 2025.

14. SUBSEQUENT EVENTS

Convertible Debenture Conversions

Subsequent to September 30, 2025, all outstanding 2024 convertible debentures were converted into 1,713,330 common shares and 856,662 warrants exercisable into one common share of the Company at $1.05 expiring on January 31, 2026.

Warrant Exercises

Subsequent to September 30, 2025, the Company received proceeds of $9,592,593 from the exercise of 8,137,616 warrants.

Stock Option Exercises

Subsequent to September 30, 2025, the Company received proceeds of $934,983 from the exercise of 778,833 stock options.

Repayment of Loans Payable

Subsequent to September 30, 2025, the Company repaid in full the outstanding principal and accrued interest under the 2022 Orca LOC for $1,629,499 (US$1,162,193).