UCORE RARE METALS INC.

Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

Independent auditor's report

To the Shareholders of Ucore Rare Metals Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Ucore Rare Metals Inc. and its subsidiaries (together, the Company) as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2025;
- the consolidated statement of net loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

PricewaterhouseCoopers LLP
Cogswell Tower, 2000 Barrington Street, Suite 1101
Halifax, Nova Scotia, Canada B3J 3K1
T.: +1 902 491 7400, F.: +1 902 422 1166
Fax to mail: ca_halifax_main_fax@pwc.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of indicators of impairment of resource properties and related exploration costs *Refer to note 2 – Basis of presentation and note 9 – Resource properties and related exploration costs to the consolidated financial statements.* The net book value of resource properties and related explorations costs amounted to $40.5 million as at December 31, 2025. At the end of the reporting period, the Company assessed its resource properties and related exploration costs to determine whether any indication of impairment exists.Judgment is required in determining whether indicators of impairment exist, including factors such as expiration of rights to explore with no right or expectation of renewal, substantive expenditure on further exploration and evaluation in the specific area is neither budgeted nor planned or the entity has decided to discontinue such activities in the specific area, no commercially viable	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's assessment of indicators of impairment related to resource properties and related exploration costs, which included the following: – Obtained for all claims, by reference to government registry, evidence to support (i) the right to explore the area and (ii) claims' expiration dates. – Read the minutes of Board of Directors meetings and obtained the approved budget to evidence that substantive expenditure on further exploration and evaluation in the specific areas is either budgeted or planned and that there was no decision to discontinue such activities in the specific areas.

Key audit matter	How our audit addressed the key audit matter
quantities are discovered and exploration and evaluation activities will be discontinued, or sufficient data exists to indicate that the carrying amount of the resource properties and related exploration costs are unlikely to be recovered in full from successful development or by sale. Management determined that there were no indicators of impairment as at December 31, 2025. We considered this a key audit matter due to the significance of the resource properties and related exploration costs and the judgments made by management in their assessment of indicators of impairment related to resource properties and related exploration costs which resulted in a high degree of subjectivity in performing procedures related to these judgments applied by management.	– Assessed whether the results of exploration and evaluation activities, or other facts and circumstances, suggest that the carrying amount of resource properties and related exploration costs may not be recoverable, based on evidence obtained in other areas of the audit.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 29, 2025.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maxime Lessard.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants
Halifax, Nova Scotia
March 18, 2026

Expressed in Canadian dollars

	December 31, 2025	December 31, 2024
	$	$
ASSETS		
Current assets		
Cash	26,114,089	627,522
Receivables (note 5)	1,801,613	3,173,702
Prepaid expenses	529,639	359,215
	28,445,341	4,160,439
Other asset	70,181	73,581
Plant and equipment (note 6)	5,115,598	6,059,403
Right-of-use assets (note 7)	2,446,369	2,732,753
Intellectual property (note 8)	6,994,348	7,533,625
Resource properties and related exploration costs (note 9)	40,510,840	41,495,510
	83,582,677	62,055,311
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	1,926,370	5,272,785
Lease liabilities (note 10)	137,177	137,819
Loans payable (note 11)	6,879,897	-
Convertible debentures (note 12)	-	2,789,726
	8,943,444	8,200,330
Long-term liabilities		
Loans payable (note 11)	862,248	9,326,660
Lease liabilities (note 10)	2,617,907	2,883,650
	12,423,599	20,410,640
Shareholders' equity		
Share capital (note 13)	161,924,455	92,876,671
Contributed surplus (note 13)	29,581,282	29,911,487
Warrants (note 13)	10,020,939	8,852,243
Accumulated other comprehensive income	5,594,355	6,581,573
Deficit	(135,961,953)	(96,577,303)
	71,159,078	41,644,671
	83,582,677	62,055,311

Equity is solely attributable to shareholders of the Company

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 consolidated financial statements.

UCORE RARE METALS INC.

Consolidated Statements of Net Loss and Comprehensive Loss
Expressed in Canadian dollars
For the years ended December 31

	2025	2024
	$	$
EXPENSES		
Amortization	943,375	942,208
Investor relations and marketing	866,327	326,591
Office and premises	335,340	274,230
Professional services (note 14)	1,791,798	1,319,733
Salaries and management fees (note 14)	1,637,552	1,160,062
Securities and regulatory	138,153	115,550
Research and development, net (note 5)	7,543,540	5,453,839
Share-based payments (note 13 and 14)	1,413,331	568,744
Travel	423,277	206,428
	15,092,693	10,367,385
OTHER INCOME (EXPENSES)		
Interest income	156,491	6,231
Other income (note 7)	25,121	601,050
Interest and accretion expense (note 11 and 12)	(2,805,171)	(2,479,425)
Fair value adjustment of derivative liabilities (note 12)	(21,739,708)	548,514
Financing fees (note 12)	-	(142,071)
Loss on repayment of interest on loans payable (note 11)	-	(137,133)
Loss on extinguishment of debt (note 11)	(69,601)	-
Loss on debt restructuring (note 11)	-	(1,125,206)
Loss on the conversion of convertible debentures	(58,876)	(21,922)
Gain on extension of convertible debentures (note 12)	-	285,966
Foreign exchange gain (loss)	319,613	(638,617)
	(24,172,131)	(3,102,613)
NET LOSS	(39,264,824)	(13,469,998)
Net Loss per share - basic and diluted	(0.46)	(0.22)
Weighted average number of basic and diluted common shares outstanding	85,579,533	62,451,089
COMPREHENSIVE LOSS:		
Net loss for the year	(39,264,824)	(13,469,998)
Other comprehensive income (loss)		
Items which may be subsequently recycled through profit or loss		
Foreign currency translation difference arising on translation of foreign subsidiaries	(987,218)	1,836,753
	(40,252,042)	(11,633,245)

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

The accompanying notes form an integral part of these 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 years ended December 31, 2025 and 2024

	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	-	-	-	-	-	(13,469,998)	(13,469,998)
Other comprehensive income	-	-	-	-	1,836,753	-	1,836,753
Shares issued on the exercise of warrants (note 13)	164,744	146,149	-	(35,065)	-	-	111,084
Issuance of warrants (note 11 and 12)	-	-	-	916,644	-	-	916,644
Extension of warrants (note 11 and 13)	-	-	-	936,279	-	(707,247)	229,032
Shares and warrants issued on the conversion of convertible debentures (note 12)	73,333	52,533	-	3,996	-	-	56,529
Expiry of warrants (note 13)	-	-	410,850	(410,850)	-	-	-
Private placements (net of issuance costs) (note 13)	4,824,329	1,894,390	-	404,151	-	-	2,298,541
Share-based payments (note 13)	-	-	589,918	-	-	-	589,918
Balance at December 31, 2024	66,881,831	$ 92,876,671	$ 29,911,487	$ 8,852,243	$ 6,581,573	$ (96,577,303)	$ 41,644,671
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	-	-	-	-	-	(39,264,824)	(39,264,824)
Other comprehensive loss	-	-	-	-	(987,218)	-	(987,218)
Shares issued on the exercise of warrants (note 13)	19,265,980	32,802,642	-	(9,920,490)	-	-	22,882,152
Shares issued on the exercise of restricted share units (note 13)	282,200	174,964	(198,400)	-	-	(119,826)	(143,262)
Shares issued on the exercise of deferred share units (note 13)	30,000	75,600	(75,600)	-	-	-	-
Shares issued on the exercise of stock options (note 13)	2,342,166	3,824,018	(1,418,202)	-	-	-	2,405,816
Shares and warrants issued on the exercise of compensation options (note 13)	217,930	283,101	(121,046)	55,875	-	-	217,930
Shares and warrants issued on the conversion of convertible debentures (note 12)	3,852,212	18,245,337	-	7,155,959	-	-	25,401,296
Private placements (net of issuance costs) (note 13)	18,472,467	13,642,122	-	3,877,352	-	-	17,519,474
Share-based payments (note 13)	-	-	1,483,043	-	-	-	1,483,043
Balance at December 31, 2025	111,344,786	$ 161,924,455	$ 29,581,282	$ 10,020,939	$ 5,594,355	$ (135,961,953)	$ 71,159,078

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

Expressed in Canadian dollars

	2025	2024
	$	$
CASH FLOWS FROM (USED) IN OPERATING ACTIVITIES		
Net loss	(39,264,824)	(13,469,998)
Adjustments and items not involving cash:		
Amortization	943,375	942,208
Amortization recorded in research and development	1,796,162	1,801,083
Fair value adjustment of derivative liabilities (note 12)	21,739,708	(548,514)
Financing fees (note 12)	-	142,071
Gain on extension of convertible debentures (note 12)	-	(285,966)
Share-based payments (note 13)	1,413,331	568,744
Share-based payments in research and development (note 13)	69,711	21,174
Interest and accretion expense	2,661,859	1,982,950
Loss on debt restructuring (note 11)	-	1,125,206
Loss on extinguishment of debt (note 11)	69,601	-
Loss on repayment of interest on loans payable (note 11)	-	137,133
Loss on the conversion of convertible debentures	58,876	21,922
Unrealized foreign exchange (gain) loss	(472,718)	588,567
	(10,984,919)	(6,973,420)
Change in non-cash operating working capital:		
Receivables	1,372,089	(2,916,318)
Prepaid expenses and other	103,720	85,483
Accounts payable and accrued liabilities	(3,763,047)	4,471,042
Deferred government assistance	-	(339,450)
Cash flows used in operating activities	(13,272,157)	(5,672,663)
CASH FLOWS FROM (USED) IN FINANCING ACTIVITIES		
Interest paid on lease liabilities	(240,156)	(262,564)
Repayment of lease liabilities	(136,862)	(352,323)
Proceeds from convertible debentures (note 12)	-	1,900,750
Repayment of convertible debentures (note 12)	-	(110,000)
Proceeds from loans payable (note 11)	-	4,082,920
Repayment of interest on loans payable (note 11)	(1,253,011)	(834,765)
Repayment of loans payable (note 11)	(1,611,047)	-
Payment of withholding taxes on restricted share units (note 13)	(143,262)	-
Proceeds from the exercise of compensation options (note 13)	217,930	-
Proceeds from the exercise of stock options (note 13)	2,405,816	-
Proceeds from the exercise of warrants (note 13)	22,882,152	111,084
Proceeds from the issuance of common shares, net of issuance costs (note 13)	17,519,474	2,298,541
Cash flows from financing activities	39,641,034	6,833,643
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of plant and equipment	(672,076)	(510,198)
Additions to resource properties and related exploration costs	(203,894)	(273,335)
Cash flows used in investing activities	(875,970)	(783,533)
INCREASE IN CASH	25,492,907	377,447
Foreign exchange impact on cash	(6,340)	1,693
CASH, beginning of year	627,522	248,382
CASH, end of year	26,114,089	627,522

Supplementary Cash Flow Information (note 17)

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

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 is 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

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards").

The date the Board of Directors approved these consolidated financial statements is March 18, 2026.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities, as further described herein, which are measured at fair value.

Functional currency

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 consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of Ucore Rare Metals Inc.

Critical judgments and estimates

The preparation of financial statements in conformity with IFRS Accounting Standards 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 year. 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 judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Further information on management's judgments, estimates and assumptions and how they impact accounting policies are described below and also in the relevant notes to the consolidated financial statements.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, continue commercialization of the Company's RapidSX™ technology, and to fund planned and contractual development and exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PRESENTATION (continued)

Recoverability of resource properties and related exploration costs

At the end of the reporting period, the Company assessed its resource properties and related exploration costs to determine whether any indication of impairment exists. Judgement is required in determining whether indicators of impairment exist, including factors such as expiration of rights to explore with no right or expectation of renewal, substantive expenditure on further exploration and evaluation in the specific area is neither budgeted nor planned or the entity has decided to discontinue such activities in the specific area, no commercially viable quantities are discovered and exploration and evaluation activities will be discontinued, or sufficient data exists to indicate that the carrying amount of the resource properties and related exploration costs are unlikely to be recovered in full from successful development or by sale.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the greater of the fair value less cost of disposal and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital expenditures, exploration potential and operating costs. The fair value of resource properties and related exploration costs is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risk to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through comparison to similar market assets and, where available, industry benchmarks.

Management determined that there were no indicators of impairment as at December 31, 2025.

Convertible debentures

In 2020 and 2024, the Company issued convertible debentures with an embedded derivative, a conversion option, which allowed the holder to convert any or all amounts outstanding to units, consisting of common shares and share purchase warrants of the Company. The terms of the debentures also allowed the Company to extend the maturity date by one year. The identification of the convertible debenture components was based on interpretations of the substance of the contractual arrangement and therefore required judgement from management. The separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of fair value of the liability was also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments. The inputs used in the fair value models contain inherent uncertainties, estimates and use of judgment as certain valuation inputs are unobservable.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Ucore North America, LLC (LA), Ucore U.S., Inc. (DE), Ucore Resources LP (NS) Inc., Rare Earth One LLC (AK), Mineral Solutions LLC (AK), Landmark Alaska Limited Partnership (AK), Landmark Minerals Inc., 5621 N.W.T. Ltd., Landmark Minerals US Inc., Innovation Metals Corp. (BC), and Ucore Rare Metals (US) Inc. (AK).

(i) Subsidiaries

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

3. MATERIAL ACCOUNTING POLICIES (continued)

(ii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Resource properties and related exploration costs:

Pre-exploration expenditures are expensed as incurred. All direct costs related to the acquisition of resource property interests are capitalised by property. Exploration and evaluation costs are capitalised and not amortized.

Resource properties are initially measured at cost and classified as tangible or intangible assets. These assets include expenditures on acquisition of rights to explore, studies, exploratory drilling, trenching, sampling, metallurgical studies, and other direct costs related to exploration or evaluation of a project, including the cost of certain site equipment. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Where a project is determined to be technically and commercially feasible and a decision has been made to proceed with development with respect to a particular area of interest, the relevant resource property asset is tested for impairment and the balance is reclassified as a mineral property in property, plant and equipment.

(c) Foreign currency translation:

(i) Foreign currency transactions

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in statement of loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in the cumulative translation account.

(ii) Foreign operations

The results and financial position of all subsidiaries that have a functional currency different from the Canadian Dollar presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate on the date of the statement of financial position;
- Income and expenses for each statement of comprehensive loss presented are translated at average exchange rates for the period; and
- All resulting exchange differences are recognised in accumulated other comprehensive loss which is a separate component of equity.

On the loss of control of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are recognised in the statement of comprehensive loss as part of the gain or loss of control.

(d) Financial instruments:

The Company recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets and liabilities classified as fair value through profit and loss ("FVTPL"), are initially measured at fair value, plus transaction costs on initial recognition. Financial assets and liabilities classified at FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred.

3. MATERIAL ACCOUNTING POLICIES (continued)

The following summarizes the Company's classification and measurement of financial assets and liabilities:

Type	Classification	Measurement
Cash	Financial Assets	Amortized cost
Receivables	Financial Assets	Amortized cost
Accounts payable and accrued liabilities	Financial Liabilities	Amortized cost
Loans payable	Financial Liabilities	Amortized cost
Convertible debentures - host debt	Financial Liabilities	Amortized cost
Convertible debentures - conversion option	Financial Liabilities	FVTPL

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements comprehensive loss.

The Company derecognizes financial liabilities when its obligations under the financial liabilities are discharged, cancelled or expired or when an existing debt obligation has been modified and the modification results in the extinguishment of the liability and the creation of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of comprehensive loss. In accounting for the conversion of convertible loan liabilities, the Company has elected to determine the fair value of the units issued to settle the convertible debenture. Any difference between the fair value of the units issued and the components of the convertible debentures settled is recognized as a gain or loss.

(e) Impairment:

The carrying amount of the Company's non-financial assets, excluding resource properties are reviewed at each reporting date or when events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. If any such indications exist, the asset's recoverable amount is estimated. Irrespective of whether there is any indication of impairment the Company tests intangible assets with indefinite lives or intangible assets not yet available for use annually for impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets which generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs off disposal. If the carrying amount exceeds the recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount exceeds its recoverable amount. Impairment losses are allocated to reduce the carrying amounts of the other non-financial assets in the CGU, excluding inventories and non-current deposits, on a pro-rata basis.

(f) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable on respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3. MATERIAL ACCOUNTING POLICIES (continued)

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred income tax assets and deferred income tax liabilities of the same taxable entity are offset when they relate to taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities. The principal temporary differences arise from depreciation on equipment, tax losses carried forward.

(g) Share-based payments:

The Company has an equity incentive plan which is further described in note 13. The Company may grant non-transferable awards to eligible directors, officers, employees, and consultants. Such awards include stock options, restricted share units, deferred share units, performance share units and share appreciation rights.

(i) Stock options

Awards of stock options under the equity incentive plan are expensed based on the estimated fair value of the stock options at the grant date, with a corresponding credit to contributed surplus in shareholders' equity. Fair value is measured using the Black-Scholes pricing model. If the stock options are subject to vesting periods, the compensation cost is recognized over the vesting period, based on the Company's estimate of the common shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Consideration paid by employees on the exercise of stock options is credited to share capital together with the amounts originally recorded as share-based compensation in contributed surplus related to the exercised stock options.

(ii) Restricted share units, deferred share units, performance share units and share appreciation rights

Restricted share units, deferred share units, performance share units and share appreciation rights are classified as equity settled share-based payments and are measured at fair value on the grant date. The expense for restricted share units, deferred share units, performance share units and share appreciation rights to be redeemed in common shares, is recognized over the vesting period, or using management's best estimate when contractual provisions restrict vesting until completion of certain performance conditions, with a charge as an expense and a corresponding increase in reserves as the instrument vests. Upon exercise of any restricted share units, deferred share units, performance share units and share appreciation rights the grant date fair value of the instrument is transferred to share capital.

(h) Loss per share:

The calculation of basic loss per common share is based on net loss divided by the weighted average number of common shares and vested deferred shares units outstanding during the period. The Company follows the treasury stock method of calculating diluted per share amounts The effect of the exercise of stock options, warrants, and the conversion of convertible debentures has not been included in the calculation as it would be anti-dilutive.

(i) Plant and equipment:

Plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset includes the purchase price or construction costs, any costs directly attributable to brining the asset to the location and condition necessary for its intended use. Depreciation of plant and equipment commences when the asset is in condition and location necessary for it to operate in the manner intended by management. The Company depreciates plant and equipment using the declining balance and straight-line methods at rates designed to depreciate the cost of the equipment over their estimated useful lives. The annual depreciation rates are as follows:

3. MATERIAL ACCOUNTING POLICIES (continued)

Asset	Basis	Rate
Office equipment	Declining balance	30%
RapidSX™ Pilot Plant	Straight line	4 Years

Development costs associated with bringing the Company's Strategic Metals Complex to the location and condition necessary for it to be capable of operating in its intended manner are capitalized as construction in progress. Depreciation of the Strategic Metals Complex will commence once it is available for commercial production.

(j) Leases:

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The cost of the right of use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs, and if applicable, an estimate or costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted, using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there are changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option reasonably certain not to be exercised.

The carrying amount of the Company's right-of-use assets is amortized on a straight-line basis over the life of the lease. The annual depreciation rates and remaining lease terms at December 31, 2025, for the Company's right-of-use assets are as follows:

Right-of-use asset	Basis	Remaining term
Office	Term of lease	0.83 years
Strategic Metals Complex	Term of lease	8 years

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

(k) Government assistance:

Amounts received or receivable resulting from government assistance programs are recognized when there is reasonable assurance that the amount of government assistance will be received, and all attached conditions will be complied with. When the amount relates to an expense item, it is recognized as a reduction to the related expense. When the amount relates to an asset, it is recognized as a reduction to the carrying amount of the asset and is then recognized as income over the useful life of the depreciable asset by way of a reduced depreciation charge. Government assistance received in advance is recorded as a deferred liability and amortized as a reduction to the related expense or carrying amount of the asset when the related qualifying costs are incurred.

3. MATERIAL ACCOUNTING POLICIES (continued)

(l) Research and development:

Expenditures on research and development activities are incurred with the objective of gaining new scientific or technical knowledge and understanding. The Company has determined that, until a commercial-scale plant is available in the condition and location necessary to commence commercial production, it remains in the research phase. Accordingly, research and development expenditures are recognized in profit or loss (research expenses, net) as incurred.

Once the Company determines that the criteria to capitalize development expenditures have been met, capitalized costs will include materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. All other development-related expenditures will be expensed as incurred.

(m) Intangible assets:

Intangibles with a finite useful life are amortized and those with an indefinite useful life are not amortized. The useful life is the best estimate of the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The useful life is based on the duration of the expected use of the asset by the Company and the legal, regulatory or contractual provisions that constrain the useful life and future cash flows of the asset, including regulatory acceptance and approval, obsolescence, demand, competition and other economic factors.

Intangibles with a finite useful life are amortized on the straight-line method unless the pattern in which the economic benefits of the intangible asset are consumed or used up are reliably determinable. The Company evaluates the remaining useful life of intangible assets each reporting period to determine whether any revision to the remaining useful life is required. If the remaining useful life is changed, the remaining carrying amount of the intangible asset will be amortized prospectively over the revised remaining useful life.

The estimated useful life of the Company's intangible assets is as follows:

Intangible asset	Basis	Term
Intellectual property	Straight line	15 years

(n) Warrants:

From time to time the Company issues warrants in conjunction with share capital. Proceeds are allocated between share capital and warrants based on the relative fair value of each instrument. The fair value of the warrants is estimated using an appropriate option pricing model, as outlined in note 13.

4. ACCOUNTING POLICIES, CHANGES AND RECENT PRONOUNCEMENTS

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.

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

5. RECEIVABLES

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

	December 31, 2025 ($)	December 31, 2024 ($)
Sales tax	448,122	108,581
Tax credits receivable	560,813	240,000
US DoD	688,280	2,555,634
CMIF	-	200,000
NRC-CMRDD	104,398	69,487
Total	1,801,613	3,173,702

Tax credits receivable

During the year ended December 31, 2025, the Company recognized a cost recovery to research and development expense of $320,813 (December 31, 2024 - $240,000).

Government assistance

United States Department of Defense ("US DoD")

On June 2, 2023, the Company was awarded a fixed firm-price US$4,000,000 government grant by the United States Army Contracting Command-Orlando (United States Department of Defense) to conduct a rare earth element separation technology capabilities prototype project at the Company's RapidSX™ commercialization and demonstration facility. The Company receives payments based on milestones, which are divided into fixed tranches and are dependent on the successful completion of specific project stages. 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 year ended December 31, 2025, the Company recorded a cost recovery of $2,375,630 (US$1,734,259) (December 31, 2024 - $3,235,768 (US$2,295,472)) for completed milestones in research and development. As at December 31, 2025, the amount outstanding from the US DoD was $688,280 (US$502,130) (December 31, 2024 - $2,555,634 (US$1,795,860)). As at December 31, 2025, the Company has completed milestones totaling $5,611,398 (US$4,029,731), with US$18,370,269 remaining available to be claimed upon achievement of future milestones.

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 was 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 December 31, 2025. During the year ended December 31, 2025, the Company recorded a cost recovery to research and development of $300,000 (December 31, 2024 - $200,000). As at December 31, 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 year ended December 31, 2025, the Company recorded a cost recovery to research and development for incurred eligible expenditures for non-repayable contributions of $249,521 (December 31, 2024 - $363,152). As at December 31, 2025, the Company incurred reimbursable eligible expenditures of $1,708,665 out of the total $4,275,848 available under the agreement with NRC-CMRDD, with $2,567,183 remaining to be claimed. As at December 31, 2025, the amount outstanding from NRC-CMRDD for incurred eligible expenditures was $104,398 (December 31, 2024 - $69,487).

Years ended December 31, 2025, and 2024 (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	-	-	784,564	784,564
Translation adjustment	-	-	70,994	70,994
Balance, December 31, 2025	264,451	7,238,780	1,515,804	9,019,035
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	3,201	1,796,162	-	1,799,363
Balance, December 31, 2025	256,982	3,646,455	-	3,903,437
Net book value				
Balance, December 31, 2024	10,670	5,388,487	660,246	6,059,403
Balance, December 31, 2025	7,469	3,592,325	1,515,804	5,115,598

(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. RIGHT OF USE ASSETS

The Company recognized a right-of-use asset for the Company's Strategic Metals Complex located in Alexandria, Louisiana, and the Company's head office located in Bedford, Nova Scotia. The following table provides details of the Company's right-of-use assets at December 31, 2025, and December 31, 2024.

	Office ($)	Strategic Metals Complex ($)	Total ($)
Cost			
Balance, December 31, 2023	715,463	2,844,770	3,560,233
Additions	-	-	-
Balance, December 31, 2024	715,463	2,844,770	3,560,233
Additions	-	-	-
Translation adjustment	-	108,941	108,941
Balance, December 31, 2025	715,463	2,953,711	3,669,174
Depreciation			
Balance, December 31, 2023	432,826	-	432,826
Depreciation	99,754	294,900	394,654
Balance, December 31, 2024	532,580	294,900	827,480
Depreciation	99,754	301,144	400,898
Translation adjustment	-	(5,573)	(5,573)
Balance, December 31, 2025	632,334	590,471	1,222,805
Net book value			
Balance, December 31, 2024	182,883	2,549,870	2,732,753
Balance, December 31, 2025	83,129	2,363,240	2,446,369

The Company entered into a sublease agreement for its Strategic Metals Complex facility in Alexandria, Louisiana, effective from January 1, 2024, to May 31, 2024. The lease was subsequently extended to June 30, 2024, and then further extended to January 31, 2025. During the year ended December 31, 2025, the Company recognized other income of $25,121 (December 31, 2024 - $601,050) related to the sublease.

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

8. INTELLECTUAL PROPERTY

On May 8, 2020, the Company acquired 100% of Innovation Metals Corp. ("IMC"), and as part of the acquisition, the Company acquired intellectual property measured at $8,089,154. The following table reconciles the changes attributable to the Company's intellectual property:

	December 31, 2024 ($)	Additions ($)	Amortization ($)	December 31, 2025 ($)
Intellectual property	7,533,625	-	539,277	6,994,348

	December 31, 2023 ($)	Additions ($)	Amortization ($)	December 31, 2024 ($)
Intellectual property	8,074,379	-	540,754	7,533,625

9. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

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

	December 31, 2024 ($)	Additions ($)	Translation adjustment ($)	December 31, 2025 ($)
Bokan Mountain, Alaska	41,495,510	234,282	(1,218,952)	40,510,840

	December 31, 2023 ($)	Additions ($)	Translation adjustment ($)	December 31, 2024 ($)
Bokan Mountain, Alaska	39,060,195	371,465	2,063,850	41,495,510

Bokan Mountain, Alaska

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.

10. LEASE LIABILITIES

In February 2012, the Company entered into a five-year lease for its head office premises in Halifax, Nova Scotia which began in October 2012. This lease was extended until October 2020, October 2023, and then further extended to October 2026. On December 21, 2023, the Company's subsidiary, Ucore North America, LLC, entered into a commercial lease for a building located in Alexandria, Louisiana. The initial term of the lease commenced on January 1, 2024 and ends on December 31, 2033. The Company has the option to extend the lease for up to three additional terms of 10 years. The Company is using the building as the site for its Strategic Metals Complex. The Company's subsidiary, IMC, entered into a research facility lease in Kingston, Ontario in June 2020 which either party can terminate with 60 days' notice. The lease liabilities have been calculated using discount rates ranging from 8% to 15% per annum.

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

10. LEASE LIABILITIES (continued)

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

	December 31, 2025 ($)	December 31, 2024 ($)
Balance, beginning of year	3,021,469	3,134,837
Lease payments	(377,018)	(614,887)
Accretion expense	240,156	262,564
Translation adjustment	(129,523)	238,955
Balance, end of year	2,755,084	3,021,469
Current portion	137,177	137,819
Non-current portion	2,617,907	2,883,650
Balance, end of year	2,755,084	3,021,469

11. 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 14. 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
Loss on repayment of interest	69,497	67,636	-	137,133
Interest and accretion expense	698,751	315,762	151,341	1,165,854
Repayment of interest	(481,643)	(353,122)	-	(834,765)
Translation adjustment	397,746	141,871	44,934	584,551
Balance, December 31, 2024	7,129,009	1,556,349	641,302	9,326,660
Interest and accretion expense	1,034,572	195,737	378,409	1,608,718
Repayment of interest	(956,583)	(173,146)	(123,282)	(1,253,011)
Repayment of principal	-	(1,611,047)	-	(1,611,047)
Loss on extinguishment of debt	-	69,601	-	69,601
Translation adjustment	(327,101)	(37,494)	(34,181)	(398,776)
Balance, December 31, 2025	6,879,897	-	862,248	7,742,145

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

a) 2023 Orca LOC

On May 9, 2023, the Company entered into a secured line of credit facility (the "2023 Facility"), with Orca for an amount of $1,345,005 (US$1,000,000) bearing an interest rate of 10%. In connection with the 2023 Facility, the Company issued 1,000,000 warrants to Orca, entitling Orca to acquire one common share of the Company at an exercise price of $1.20 for a period of one year ending on May 9, 2024. The Company drew down the full amount available during the year ended December 31, 2023, and all amounts owing under the 2023 Facility were repayable by December 31, 2023.

On December 22, 2023, the Company amended the 2023 Facility, increasing the available principal to US$2,200,000 and extending the maturity date to January 31, 2026. The 1,000,000 warrants previously issued to Orca in connection with the original 2023 Facility were cancelled and the Company issued 2,900,000 replacement warrants exercisable at $0.89 until January 31, 2026.

11. LOANS PAYABLE (continued)

On April 8, 2024, the Company amended the 2023 Facility to require quarterly interest payments, subject to the Company maintaining a minimum cash balance of $2,000,000, with unpaid interest compounding if the threshold is not met. The amendment also increased the credit limit to US$3,200,000. In connection with this amendment, the Company issued 1,300,000 warrants exercisable at $0.75 until January 31, 2026. During the year ended December 31, 2024, the Company recorded a loss of $69,497 related to a change in the expected timing of interest repayments under the 2023 Facility.

On June 7, 2024, the Company amended the 2023 Facility, increasing the credit limit from US$3,200,000 to US$5,200,000 and extending the maturity date to October 1, 2026. The 1,300,000 warrants associated with the April 8, 2024 amendment were cancelled prior to issuance, and the 2,900,000 warrants previously issued in connection with the 2023 Facility were also cancelled. In connection with the amendment, the Company issued 2,900,000 warrants exercisable at $0.89 and 3,300,000 warrants exercisable at $0.75 until October 1, 2026. The Company also incurred an origination fee of US$78,000.

The amendments were accounted for as an extinguishment and recognition of a new debt instrument as the changes were determined to be substantial. The effective interest rate used to determine the fair value of the amended 2023 Facility on initial recognition was 15%, resulting in a gain on extinguishment of $415,390.

For accounting purposes, the 2,900,000 warrants exercisable at $0.89 issued on June 7, 2024, were deemed to be a modification of the original 2,900,000 warrants issued. The warrant modification had a fair value of $150,954, which was estimated using the Black-Scholes option pricing model by calculating the difference between the fair value of the original warrants and the modified warrants. The assumptions used were as follows for the two periods respectively: risk-free interest rate of 3.99% and 3.99%, expected life of 2.32 years and 1.65 years, expected annual volatility of 66.13% and 65.97%, and expected dividends – Nil.

The fair value of the 3,300,000 warrants exercisable at $0.75 was determined to be $825,715 using the Black-Scholes option pricing model, using the following weighted average assumptions: risk-free interest rate – 3.81%, expected life – 2.26 years, expected annual volatility – 65.99%, and expected dividends – Nil. The value of the warrants was expensed as a cost of extinguishing the previously amended 2023 Facility.

As at December 31, 2025, the Company had drawn down the full amount available under the 2023 Facility, totaling US$5,200,000.

b) 2022 Orca LOC

On July 20, 2022, the Company entered into a secured line of credit facility (the “2022 Facility”), with Orca for an amount of $2,574,984 (US$2,000,000) bearing an interest rate of 9%. In connection with the 2022 Facility, the Company issued 2,000,000 warrants exercisable at $0.75 until July 20, 2023. All amounts owing under the 2022 Facility were originally repayable on January 20, 2023.

On December 18, 2022, the Company amended the 2022 Facility, repaying US$850,000 and extending the maturity date of the remaining US$1,150,000 to March 31, 2024. The Company cancelled 1,150,000 warrants previously issued and issued 1,150,000 replacement warrants exercisable at $0.75 until March 31, 2024.

On December 22, 2023, the Company amended the 2022 Facility by extending the maturity date to January 31, 2026. The previously issued 1,150,000 warrants were cancelled and the Company issued 1,500,000 warrants exercisable at $0.89 until January 31, 2026.

On April 8, 2024, the Company amended the 2022 Facility to require quarterly interest payments, subject to the Company maintaining a minimum cash balance of $2,000,000, with unpaid interest compounding if the threshold is not met. During the year ended December 31, 2024, the Company recorded a loss of $67,636 as a result of a change in the expected timing of the repayment of interest on the 2022 Facility.

On June 7, 2024, the Company amended the 2022 Facility, extending the maturity date to October 1, 2026. The 1,500,000 warrants previously issued in connection with the 2022 Facility were cancelled and the Company issued 1,500,000 warrants exercisable at $0.89 until October 1, 2026.

11. LOANS PAYABLE (continued)

This amendment was accounted for as an extinguishment and recognition of a new debt instrument as the changes were determined to be substantial. The effective interest rate used to determine the fair value of the amended facility was 15%, resulting in a loss on extinguishment of $485,848.

For accounting purposes, the 1,500,000 warrants exercisable at $0.89 issued on June 7, 2024, were deemed to be a modification of the original 1,500,000 warrants issued. The warrant modification had a fair value of $78,079, which was estimated using the Black-Scholes option pricing model by calculating the difference between the fair value of the original warrants and the modified warrants. The assumptions used were as follows for the two periods respectively: risk-free interest rate of 3.99% and 3.99%, expected life of 2.32 years and 1.65 years, expected annual volatility of 66.13% and 65.97%, and expected dividends – Nil. The value of the warrants was expensed as a cost of extinguishing the previously amended 2022 Facility.

During the year ended December 31, 2025, the Company repaid in full the outstanding principal and accrued interest owing under the 2022 Facility. As a result of the repayment, the Company recognized a loss on extinguishment of debt of $69,601.

c) Orca Term Loan

On December 18, 2022, the Company amended 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 and replaced with 1,000,000 warrants exercisable at $0.85 until November 30, 2024. The Orca Term Loan bears interest at 9%, and the effective interest rate used to determine the fair value of the amended Orca Term Loan on initial recognition was 15%.

On December 22, 2023, the Company amended the Orca Term Loan extending the maturity date to January 31, 2027. The previously issued 1,000,000 warrants were cancelled and the Company issued 1,200,000 warrants exercisable at $0.89 until January 31, 2027. The amendment was accounted for as a modification of the existing debt instrument as the changes were not substantial. The effective interest rate used to determine the fair value of the amended loan was 15%.

As at December 31, 2025, the principal balance outstanding under the Orca Term Loan was US$964,928.

12. CONVERTIBLE DEBENTURES

2020 Convertible Debentures

On May 21 and May 29, 2020, the Company issued 1,280 and 1,520 respectively, of convertible debentures, with a face value of $1,000 each for total gross proceeds of $2.8 million. The convertible debentures bore interest of 7.5% payable semi-annually and the principal amount originally matured on May 31, 2023. On May 31, 2023, the Company exercised an option to extend the term to May 31, 2024. As a result of the election to extend the term the Company paid an extension fee to the debenture holders of $47,063 which was equal to six months interest and recorded a gain on the extension of the convertible debentures of $167,574. The convertible debentures contained 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 represented 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.

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

12. CONVERTIBLE DEBENTURES (continued)

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, December 31, 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, December 31, 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	
	December 31, 2025	December 31, 2024	December 31, 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

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. During the year ended December 31, 2025, all remaining outstanding convertible debentures were converted into equity. The convertible debentures bore interest of 7.5% payable semiannually and were scheduled to mature on January 31, 2026. The debenture holder had 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 was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant was 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 had 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 would have been required to pay a cash extension fee to the holders in the amount of six months of interest.

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

12. CONVERTIBLE DEBENTURES (continued)

For accounting purposes, the debentures represented 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 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.

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	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	532,161	143,918	676,079
Conversion of debentures	(1,209,401)	(290,045)	(1,499,446)
Balance, December 31, 2025	-	-	-

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	13,921,869	3,349,633	17,271,502
Conversion of debentures	(14,453,600)	(3,505,614)	(17,959,214)
Balance, December 31, 2025	-	-	-

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

12. CONVERTIBLE DEBENTURES (continued)

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	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Expected volatility	N/A	64%	N/A	64%
Risk-free interest rate	N/A	3.13%	N/A	3.13%
Conversion option term	N/A	1.08 years	N/A	1.08 years
Credit spread	N/A	20.00%	N/A	20.00%
Underlying share price	N/A	$0.75	N/A	$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.

	December 31, 2025	December 31, 2024
Risk-free interest rate	2.53%	3.14%
Expected life	0.34 years	1.31 years
Expected volatility	143%	59%
Expected dividends	nil	nil

13. 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.

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

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

13. SHARE CAPITAL (continued)

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

On November 14, 2024, the Company closed a non-brokered private placement which consisted of 4,803,329 units at a price of $0.50 per unit for gross proceeds of $2,401,665. 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 of $0.75 per common shares for a period of 2 years following the date of issuance. In connection with the private placement, the Company issued 21,000 common shares of the Company to an arms-length finder with a fair value of $15,750. Related parties of the Company purchased a total of 2,856,330 units for gross proceeds to the Company of $1,428,165.

The Company determined that the relative fair value of the warrants issued in connection with the private placement was $422,686. The relative fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 63%, an expected life of 2 years, risk free rate of 3.18%, and a zero expected dividend yield. Other cash costs associated with the private placement totalled $103,124.

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

13. 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	1,978,979	422,686	2,401,665
Cash costs	(87,361)	(15,763)	(103,124)
Finder's common shares	2,772	(2,772)	-
Total	1,894,390	404,151	2,298,541

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 year ended December 31, 2025, the Company recognized share-based compensation of $1,483,043 (December 31, 2024 - $589,918) for Stock Options and RSUs granted to directors, employees, and consultants of which $69,712 (December 31, 2024 - $21,174) was recorded in research and development. As a result of the transactions during the year ended December 31, 2025, $1,413,331 (December 31, 2024 - $568,744) was recognized as share-based payments.

Stock Options

Changes in Stock Options during the year ended December 31, 2025, and year ended December 31, 2024, are summarized as follows:

	Year ended December 31, 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	(220,000)	1.28	-	-
Exercised	(2,342,166)	1.03	-	-
Expired	(135,000)	1.65	(424,000)	1.23
Closing balance	4,972,834	1.06	5,915,000	1.02
Weighted average remaining life		2.99 years		3.02 years

The weighted average share price at the exercise dates was $4.95.

The fair value of Stock Options granted during the year ended December 31, 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:

	December 31, 2025	December 31, 2024
Risk-free interest rate	2.79%	3.01%
Expected life of each option	5 years	3 years
Expected volatility	74%	65%
Expected dividends	nil	nil
Weighted average grant date fair value	$0.83	$0.26

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

13. SHARE CAPITAL (continued)

The following table summarizes information about the Stock Options outstanding and exercisable at December 31, 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	123,333
0.70	783,334	September 2, 2029	461,667
0.85	1,105,000	August 9, 2027	1,105,000
1.08	1,260,000	April 14, 2030	403,333
1.30	280,000	September 1, 2026	280,000
1.30	929,500	April 11, 2028	929,500
1.45	60,000	March 6, 2028	60,000
1.48	145,000	July 16, 2030	-
1.57	100,000	April 16, 2030	33,333
1.60	75,000	July 16, 2030	-
2.92	50,000	August 13, 2030	-
	4,972,834		3,396,166
Weighted average remaining life			2.99 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 year ended December 31, 2025, the Company recognized share-based payment expense of $298,506 (December 31, 2024 - $119,584) related to the RSUs, with $177,110 to be recognized in future periods based on the vesting schedule.

Changes in RSUs during the year ended December 31, 2025 and the year ended December 31, 2024 are summarized as follows:

	Year ended December 31, 2025	Year ended December 31, 2024
Opening balance	960,000	-
Granted	-	960,000
Exercised	(320,000)	-
Closing balance	640,000	960,000

During the year ended December 31, 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 December 31, 2025, there are 640,000 unvested RSUs outstanding.

Deferred Share Units

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

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

13. SHARE CAPITAL (continued)

c) Warrants

Changes in warrants during the year ended December 31, 2025 and year ended December 31, 2024 are summarized as follows:

		Year ended December 31, 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	14,761,695	1.26	10,369,329	0.81
Cancelled	-	-	(4,400,000)	0.89
Exercised	(19,265,980)	1.19	(164,744)	0.67
Expired	-	-	(3,874,456)	1.41
Closing balance	16,512,089	0.86	21,016,374	0.88
Weighted average remaining life		1.09 years		1.50 years

The following table summarizes information about the warrants outstanding at December 31, 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	1,865,626
0.75	January 31, 2028	3,600,000
0.75	February 28, 2028	39,300
0.89	January 31, 2027	1,200,000[1]
0.89	October 1, 2026	4,400,000[1]
1.05	January 31, 2026	683,330
1.25	July 27, 2026	651,500
1.30	January 31, 2026	47,220
1.75	June 19, 2028	501,113
		16,512,089
Weighted average remaining life		1.09 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.

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

13. SHARE CAPITAL (continued)

Changes in compensation options during the year ended December, 2025 and year ended December 31, 2024 are summarized as follows:

	Year ended December 31, 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		0.57 years		1.57 years

In connection with the exercise of the 217,930 compensation options during the year ended December 31, 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 December 31, 2025:

Exercise price ($)	Expiry date	Number of Compensation options
1.00	July 27, 2026	2,625
Weighted average remaining life		0.57 years

14. 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:

	Year ended December 31, 2025 ($)	Year ended December 31, 2024 ($)
Directors’ fees	236,500	226,000
Share-based payments to directors	167,121	113,443
Key management short-term benefits	840,444	526,605
Share-based payments to key management	501,059	200,612
	1,745,124	1,066,660

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 $610,060 during the year ended December 31, 2025, compared to $372,502 for the year ended December 31, 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 year ended December 31, 2025, and the year ended December 31, 2024, the Company amended certain loan agreements, received advances, repaid principal and interest, and incurred financing fees and interest charges, as further described in note 11.

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

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

15. DEFERRED INCOME TAXES

Deferred income tax recovery differs from the amount that would be computed by applying the combined Canadian federal and Nova Scotia provincial statutory income tax rate of 29% (2024 – 29.0%) to net loss before income taxes. The reasons for the difference are as follows:

	2025 ($)	2024 ($)
Computed tax recovery at the statutory rates	(11,386,799)	(3,906,299)
Stock-based compensation	409,866	164,936
Fair value adjustments of derivative liabilities	6,304,515	-
Changes in tax assets related to deductible temporary differences and unused tax losses	4,650,860	3,669,713
Other	21,558	71,650
	-	-

The following deferred tax assets and liabilities have been recognized in the financial statements:

	2025 ($)	2024 ($)
Lease liability	774,000	792,000
Non-capital losses carried forward	-	141,000
Right of use asset	(696,000)	(792,000)
Plant and equipment	(5,000)	-
Convertible debentures	-	(42,000)
Loans payable	(73,000)	(99,000)
	-	-

The deferred tax assets relating to the following deductible temporary differences and non-capital losses have not been recognised in the consolidated financial statements:

	2025 ($)	2024 ($)
Non-capital losses carried forward	72,769,000	67,005,000
Capital loss carried forward	4,591,000	4,306,000
Interest expense	2,245,000	1,060,000
SR&ED deductible pool	15,675,000	9,557,000
Debt and equity issuance costs	3,337,000	3,226,000
Marketable securities	46,000	46,000
Plant and equipment	5,285,000	3,427,000
Resource properties and related explorations costs	1,563,000	1,563,000
	105,511,000	90,190,000

The Company has accumulated losses for Canadian tax purposes of approximately $72,769,000, which may be carried forward and used to reduce taxable income in future years. These losses expire between 2026 and 2045 as follows:

	$
2026	851,000
2027	1,581,000
2028	1,569,000
2029	1,122,000
2030	1,677,000
>2030	65,969,000
	72,769,000

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

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 – Significant 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:

	December 31, 2025			December 31, 2024		
Financial liabilities:	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Convertible debenture – conversion option ($)	-	-	-	-	(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 December 31, 2025, the fair value of the host liability of the convertible debentures was $nil (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.

Capital Management

The Company's capital consists of shareholders' equity of $71,159,078 (December 31, 2024 - $41,644,671). The Company's objective when managing capital is to maintain adequate levels of funding to support the development and construction of the Company's Strategic Metals Complex, the advancement and commercialization of the Company's RapidSX™ separation technology, and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity and debt 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 year.

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.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

As at December 31, 2025	Total contractual cash flows ($)	2026 ($)	2027 ($)	2028 ($)	2029 ($)	2030 ($)	>2030 ($)
Lease liabilities	3,787,595	353,941	472,898	493,459	493,459	493,459	1,480,379
Loans payable	9,133,202	7,800,636	1,332,566	-	-	-	-
Trade and other payables	1,926,370	1,926,370	-	-	-	-	-
	14,847,167	10,080,947	1,805,464	493,459	493,459	493,459	1,480,379

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:

	December 31, 2025 ($)	December 31, 2024 ($)
Cash	1,690,438	133,745
Other asset	70,181	73,581
Accounts payable	(79,702)	(161,024)
Loans payable	(7,742,145)	(9,326,660)
	(6,061,228)	(9,280,358)

At December 31, 2025, a 10% change in the US dollar exchange rate would affect net loss and deficit by $606,123 (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. However the Company is not party to financial instruments that create a direct exposure to commodity prices.

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. The convertible debentures’ embedded derivatives were subject to equity price risk (see note 12).

Years ended December 31, 2025, and 2024 (Expressed in Canadian dollars)

17. SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31, 2025 ($)	Year ended December 31, 2024 ($)
Non-cash financing and investing activities:		
Accounts payable and accrued liabilities related to resource properties and related exploration costs	30,000	-
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	21,557	(97,741)
Accounts payable and accrued liabilities related to construction in progress	386,632	-
Prepaids related to construction in progress	(274,144)	-

18. 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 year ended December 31, 2025.

19. SUBSEQUENT EVENTS

Warrant Exercises

Subsequent to December 31, 2025, the Company received proceeds of $3,780,445 from the exercise of 4,730,000 warrants.

Stock Option Exercises

Subsequent to December 31, 2025, the Company received proceeds of $315,350 from the exercise of 279,500 stock options.