

**UCORE RARE METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

*This Management's Discussion and Analysis of Ucore Rare Metals Inc. ("Ucore" or the "Company"), prepared as of April 26, 2018 provides analysis of the Company's financial results for the year ended December 31, 2017. The following information should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2017 which are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in Canadian dollars unless otherwise noted.*

*This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address anticipated operating costs, possible future resource property expenditures, reserve potential, exploration drilling, exploitation activities, the potential for molecular recognition technology to be used in the processing of rare earth elements, and events or developments that the Company expects, are considered forward-looking because we have used what we know and expect today to make a statement about the future. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Forward-looking statements usually include words such as may, expect, plan, anticipate, budget, believe or similar words. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Additional details of the specific risks associated with the operations of the Company and such forward-looking statements are set out below under "Risks and Uncertainties". Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.*

## **Overview**

Ucore Rare Metals Inc. is a junior exploration and technology company listed on the TSX Venture Exchange (the "Exchange"). Ucore's corporate strategy is to build shareholder value through the exploration and development of economically viable rare earth element ("REE") properties and the processing of third party concentrates using Molecular Recognition separation technology ("MRT"). Ucore is currently focusing its exploration activities on its Bokan Mountain/Dotson Ridge property in Alaska, while exploring various options for advancement of its other properties. In addition, Ucore is continuing to develop the MRT technology and pursuing potential customers for this business line.

On November 28, 2012, the Company released a preliminary economic assessment, prepared by Tetra Tech on the Bokan property, which estimated an NPV of \$577 million at a 10% discount rate and an IRR of 43%. Further details of the assessment are disclosed below.

On February 18, 2014, Alaska Senator Bert Stedman (AK-R) presented an Amendment to Alaska Senate Bill No. 99 ("SB99" or "the Bill"), originated by Alaska State Senator Lesil McGuire (AK-R) in 2013. The amended Bill would give the Alaska Industrial Development and Export Authority ("AIDEA") the authority to issue long term bonds to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth project up to a Principal Amount of \$145,000,000 subject to its own board approval and due diligence. SB 99 passed through the Alaska State Senate in a unanimous vote, with all 20 senators voting in favor of the Bill. On April 28, 2014, SB 99 passed the Alaska State Legislature in a unanimous vote with all 38 representatives in attendance voting in favor of the bill. AIDEA will undertake its due diligence subsequent to the completion by the Company of a feasibility study on the Bokan-Dotson Ridge property.

On March 2, 2015 the Company announced that it had used MRT to successfully separate each of the rare earth elements at high purity. The rare earth carbonates were produced from a pregnant leach solution ("PLS") derived from Bokan Dotson-Ridge feedstock. Each rare earth element was separated to a purity level exceeding

99%. The separation procedure, employing a customized hydrometallurgical process, was accomplished across the entire lanthanide suite, from lanthanum (La) to lutetium (Lu), inclusive, plus yttrium (Y) and scandium (Sc).

On March 3, 2015 the Company announced that it had entered into an agreement with IBC Advanced Technologies to acquire the exclusive rights to IBC's MRT for rare earth separation and recycling applications, in addition to tailings processing applications. Under the terms of the agreement, the Company has agreed to pay a one-time licensing fee to IBC in the amount of \$2.9 million USD. The Company has made payments of approximately \$1.9 million up to December 31, 2017 towards this licensing fee. The payment is subject to the delivery by IBC of a fully operational rare earth pilot plant and due diligence review by the Company. Upon satisfactory completion of the foregoing terms and conditions, at the Company's discretion, the parties agree to constitute a joint venture for the purpose of marketing and purveying MRT products and services. The joint venture will utilize IBC's proprietary technology on a royalty free basis for rare earth processing, recycling application, and tailings processing. The Company will have up to a 60% controlling interest in the joint venture and IBC will retain a 40% beneficial interest. The payments discussed above, as well as a commitment to provide a minimum of \$1,000,000 USD in start-up capital will form the basis for the Company's contribution to the joint venture.

On May 11, 2015 the Company announced that it had upgraded the Bokan Dotson Ridge resource using the data from the 2014 drilling program. The details of this upgrade are discussed in more detail in the Resource Property Interests section.

On May 20, 2015 the Company entered into an agreement in which \$4,000,000 USD was raised through the sale of a royalty on the future sale of products and services related to the processing of rare earth elements and other specialty metals and critical materials utilizing the MRT process. This royalty was convertible into common shares under certain conditions and has been converted at a rate of \$0.25 per share, resulting in the issuance of 22,996,800 common shares.

On August 6, 2015, the Company entered into a second royalty based financing in which \$1,000,000 USD was raised through an arrangement similar to the May 20th financing, and was also converted a rate of \$0.25 per share resulting in the issuance of 5,749,200 common shares.

On October 10, 2015, the Company entered into a third royalty based financing in which \$383,310 (\$300,000 USD) of short term debt was forgiven in exchange for a royalty on production from future MRT installations. This royalty was convertible to common shares under the same terms as the two royalty based financings outlined above and has also been converted at a rate of \$0.25 per share resulting in the issuance of 1,724,761 common shares.

On December 8, 2015 the Company entered into a fourth royalty based financing in which \$5,000,000 USD. The royalty will be on production from future MRT installations and will be comprised of a gross royalty of 5% of sales payable until the recapture of the investment; and a net smelter royalty on the Company's first MRT installation. On March 4, 2016, the investor exercised their right to convert their royalty investment into common shares of the Company. The investor initially paid \$2.5 million USD (approximately \$3.3 million CAD) for the royalty which was converted at a rate of \$0.26625 per share. At the conversion date, the liabilities were converted into 12,676,050 common shares of the Company. On May 30, 2016 the Company announced it had amended the terms to the USD \$2.5M balance outstanding on the royalty agreement. Under the revised terms of the amended agreement, the Investor was obligated to increase its remaining investment from USD \$2.5M to USD \$6M and elected to convert the royalty into shares in the Company. This resulted in the issuance of 25,344,821 units upon receipt of USD \$5.7M in proceeds. A second closing of this financing took place on July 22, 2016 in which USD \$300,000 (\$450,002) was raised through the issuance of 1,500,007 shares at \$0.30 per share representing the remainder of the conversion. This second closing brings the total issued shares to 26,844,828. For more details see the Liquidity and Capital Resources section.

On January 15, 2016, these investors exercised their right to convert their royalty investment into common shares of the Company. The investors initially paid \$5.3 million USD for the royalties which were converted at a

rate of \$0.25 per share. At the conversion date, the liabilities were converted into 30,470,760 common shares of the Company.

On February 23, 2016 the Company extended the term of share purchase warrants of the Company. A total of 20,000,000 share purchase warrants were originally issued by the Company pursuant to the closing of the equity offering as originally announced on May 13, 2013. Each share purchase warrant entitled the holder to purchase one common share of the Company at a price of \$0.35 per common share for a period of 36 months. A total of 16,953,340 of these Warrants remained outstanding at December 31, 2016. As a result of market conditions during the term of the Warrants and the capital raising opportunity represented by the Warrants, the Board of Directors of the Company approved an amendment to the term of the original Warrant so that the term was extended from May 13, 2016 to December 31, 2016. The term of these same warrants was extended a second time until June 30, 2017.

On March 4, 2016, as mentioned above, an investor exercised their right to convert their royalty investment into common shares of the Company. The investor initially paid \$2.5 million USD (approximately \$3.3 million CAD) for the royalty which was converted at a rate of \$0.26625 per share. At the conversion date, the liabilities were converted into 12,676,050 common shares of the Company.

On March 7, 2016 the Company announced that it had completed construction of the MRT pilot plant. Commissioning and acceptance of feed-stock for the plant were both announced on April 5, 2016.

On June 7, 2016 the Company announced that it had completed the first steps in processing the Bokan-Dotson Ridge feedstock through its pilot plant. This involved the PLS being separated into two classes of REE: heavy REE, comprised of samarium to lutetium (“HREE”) and light REE, comprised of lanthanum to neodymium plus yttrium (“LREE”). The class separations have been achieved at 99%+ purity and 99%+ recovery.

On August 15, 2016 the Company announced that it had produced 99.99% dysprosium from the Bokan-Dotson Ridge feedstock using the MRT pilot plant. The pure Dy was recovered from the samarium dysprosium sub group of the heavy rare earth element class consisting of samarium through to lutetium.

On September 26, 2016 the Company announced that an independent third party had reviewed and confirmed all results previously disclosed regarding the operation of the pilot plant.

On November 15, 2016 the Company announced the initiation of development of a US-based Strategic Metals Complex (the “SMC”) designed to capitalize on the technology platform advanced via the Company’s recently completed pilot facility. The SMC will be comprised of a multi-metals production plant designed to receive and separate feedstock containing critical materials such as REEs and Platinum Group Metals (“PGM”) (rhodium, palladium and platinum).

On February 8, 2017 to Company announced that it had completed the Phase One (the PGM Phase) engineering of the SMC discussed above. The PGM refinery is being specifically designed to receive, process and separate recycled catalytic converter material which has been concentrated to a metal alloy via a plasma arc smelter. The refinery design consists of three distinct processing areas: (i) Pre-MRT post-smelter metal alloy dissolution; (ii) MRT PGM metal separations; and (iii) Post-MRT PGM sponge and specialty salt making. The final PGM refinery design allows for an ultimate annual production capacity of 750,000 troy ounces (all Stages complete) comprised of 99.95% Rhodium, 99.98% Palladium and 99.98% Platinum pure sponge material and or specialty salts. The spatial design of the PGM refinery will utilize a 25,600 square foot facility situated on a 3 acre complex.

On March 13, 2017 the Company announced that it had made payments totalling \$650,000 USD in non refundable payments in respect of a purchase option from IBC and holders of many of its shares. This option allows the Company to purchase the outstanding shares of IBC in exchange for cash considerations totalling \$10,000,000 USD and an issuance of 4,000,000 units. These units consist of one common share of the Company plus one half of a common share purchase warrant. Each full warrant shall entitle the holder to acquire one

additional Common Share of Ucore at a strike price equal to the market price of the common shares of Ucore as of the date on which the option is exercised. Upon the exercise of the option, IBC key personnel shall be entitled to receive performance incentives and payments totaling 7% of annual EBITDA for each of the first 5 years of IBC's operations subsequent to the execution of the option. This option expires March 14, 2019. Shareholders representing the majority of the outstanding and fully diluted shares of IBC are parties to, and bound by the option agreement. In the event that any shareholder that is not a party to the option agreement elects not to sell their shares to the Company, consideration to be paid would be adjusted to reflect the percentage of the Company that is not acquired.

On March 28, 2017 the Company extended the term and amended the exercise price of certain share purchase warrants of the Company. A total of 20,731,912 share purchase warrants were originally issued by the Company pursuant to the closing of equity offerings as originally announced on April 11, 2014. Each share purchase warrant entitled the holder to purchase one common share of the company at a price of \$0.50 per common share for a period of 36 months. A total of 20,731,912 of these Warrants remained outstanding at December 31, 2016. As a result of market conditions during the term of the Warrants and the capital raising opportunity represented by the Warrants, subsequent to December 31, 2016, the Board of Directors of the Company approved an amendment to the term of the original Warrant so that the term will be extended from between April 11-17, 2017 to between April 11-17, 2019. In addition, the exercise price of the warrants will be amended to \$0.305. In accordance with TSX Policy, in the event that the Market Price of the Company's common shares exceeds \$0.38125 for ten consecutive days, the remaining term of the warrants will be reduced to 30 days.

On June 5, 2017 the Company entered into a Memorandum of Understanding ("MOU") with Commerce Resources Corp. ("Commerce") for the purpose of integrating feedstock from Commerce's Ashram Project in Quebec (the "Ashram Project") with Ucore's recently announced rare earth separation facility and SMC. The MOU will enable the Company to receive quantities of mixed rare earth carbonate concentrate, using material from the Ashram Deposit (the "Ashram Concentrate"), sufficient to perform bench and pilot scale testing of the metallurgy and metals separation metrics of the prospective feedstock.

On July 26, 2017 the Company announced the initial testing of three samples at the Activation Labs facility in Ancaster, Ontario facility ("Act Labs"). The testing achieved a near-quantitative removal of deleterious carbon content and in combination further advancing the quality of competing oil sands PLS samples. The Company plans on using one (or more) of the competing PLS samples for submission to advance metals separation using MRT at IBC's facility in American Fork, Utah.

On August 10, 2017 the Company completed non-dilutive financing of \$2,000,000 USD ("the Purchase Price") through a sale leaseback of it's MRT pilot plant to Orca Holdings, LLC ("Orca"). Orca will lease the MRT pilot plant to Ucore over a 3-year term at an annual lease rate of 15% (the "Term"). The Company is required to make monthly interest only payments to the lessor of \$25,000 USD. At the option of the either party, the lease may be terminated upon the payout by Ucore of the Purchase Price at any time commencing the second year of the Term. At the end of the Term the Company will purchase the MRT pilot plant from Orca for the purchase price. Orca is a related party to the Company and further details of the related party relationship are discussed in the Related Party Transactions section below.

October 26, 2017 the Company announced the completion of analytical characterization of a pregnant leach solution derived from the Alberta oil sands (the "Beta PLS") at IBC. IBC completed a detailed analysis of the Beta PLS using Inductively Coupled Plasma Spectrometry ("ICP"), an analytical instrument used for determining the presence and level of chemical elements in a solution. Based on the ICP results IBC concluded that the Company's proprietary leach circuit (the Bentzen Process") has generated a solution in which the carbon content, base metals and other deleterious constituents have been contained to levels conducive to MRT, and there are no technical barriers which would indicate an inability to recover high purity REE from PLS.

On March 5, 2018 the Company set a 2020 production start date for Alaska SMC. The SMC plant is to be located in Ketchikan, Alaska. The Company is currently entering its second phase of Alaska SMC due diligence, including: (i) specific site selection within the Ketchikan Gateway Borough, (ii) design engineering, (iii) construction costing

(CAPEX), (iv) finalization of input feedstocks from the short - list of competing alternatives, and (v) operational costing (OPEX).

The Alaska SMC Development and Production Throughput Schedule, including an initial planned throughput of 1000 TPY in 2020-21, ramping to 5000+ TPY by 2024, is as follows:

2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2023 - 2024
Design Financing Construction	Construction Commissioning Production	1000 Tonnes Annual REC Throughput	2500 Tonnes Annual REC Throughput	5000 Tonnes Annual REC Throughput

As noted above AIDEA announced investment of up to USD \$145 Million in the Bokan-Dotson Ridge rare earth element project at the discretion of AIDEA. Included in that investment proposal was an allocation for the design and construction of a REE separation facility. The Company will submit engineering, business and construction plans for the Alaska SMC under this authorization for consideration, due diligence, review and approval.

On March 7, 2018 the Company entered into a memorandum of understanding (“KRP MOU”) to form a strategic joint venture (“KRP JV”) with Kentucky River Properties LLC (“KRP”). The Company entered into the KRP MOU for the purposes of accessing and processing REE’s and strategic metals from the Appalachian Coal Region (“ACR”). Under the KRP JV the Company and KRP will form a US based Limited Liability Company (LLC). KRP will make available its properties containing REE and strategic metals feedstock to the KRP JV, consultative services, and data management regarding the resource. The Company will provide REE and strategic metals processing and refining technologies, plant engineering, design, construction and maintenance services, in addition to downstream offtake relationships for the purchase of high purity output products.

Until a decision is made to proceed with the commercial development of one of its properties or revenue is generated through third party MRT installations, the annual level of exploration and development expenditures of the Company is dependent on the Company’s ability to either raise capital through the sale of shares or other forms of financing to continue to finance its exploration programs and technology development.

## Rare Earth Processing

The Company has an agreement to allow it to create a joint venture corporation that will acquire the exclusive rights to IBC’s MRT process for rare earth separation among other applications. This technology has been used by the Company to separate the entire suite of rare earth elements (“REE”), except promethium, from Bokan ore with minimum purities of 99% (see press releases on March 2, 2015 and April 28, 2015). MRT is a proven technology that is used extensively around the world in non-REE mining applications; IBC and Ucore have adapted this technology for use in the rare earth industry. This has the potential to provide a clean and cost effective alternative to traditional solvent extraction technology for not only Ucore, but also for other companies developing a primary rare earth mine or with the potential to produce rare earths as a secondary revenue stream in an already established operation.

Ucore contracted IBC to design and construct an MRT pilot plant. The completion of this pilot plant was announced on March 7, 2016. The total cost of the pilot plant was approximately \$2.9 million. Since the announcement of the completion of construction of the pilot plant a number of milestones regarding Bokan Ore have been achieved, as detailed below:

Rare Earth Class Separation from Gangue Metals - The REE, as a group, have been separated from the impurity metals in the pregnant leach solution (“PLS”) (“Gangue Metals”). The Gangue Metals are non-REE constituents such as iron, thorium, uranium, zinc, copper, nickel, titanium, zirconium, and other trace base metals. This

early-stage separation of REE from Gangue Metals distinguishes the pilot plant from other, less selective technologies such as solvent extraction and ion exchange (“Legacy Separation Technologies”). In the case of Legacy Separation Technologies, Gangue Metals are co-extracted with the REE, necessitating the use of excessive separation stages downstream in order to achieve the same purity levels obtained by MRT.

Rare Earth Element Recovery – The REE, as a group, have been recovered at the > 99% level, leaving essentially no REE in the tailings. This accomplishment replicates prior lab-scale work, permitting practically all of the REE originally present in the PLS to be available for commercial utilization. Legacy Separation Technologies result in appreciable quantities of REE remaining in the tailings.

Separation of Scandium - Scandium has been separated at the >99% level from the other REE, leaving essentially no Sc in the PLS. This separation replicates prior lab-scale work. The purified group of REE originally present in the PLS, absent the Sc, is now available for further separations.

Separation of HREE and LREE Classes - The PLS has now been separated into two classes of REE: heavy REE, comprised of samarium to lutetium (“HREE”) and light REE, comprised of lanthanum to neodymium plus yttrium (“LREE”). The class separations have been achieved at 99%+ purity and 99%+ recovery.

Separation of Dy and Ho Sub-Groups from HREE Class - The separation of the two Sub-Groups was achieved at 99%+ purity and 99%+ recovery.

Production of 99.99% Dysprosium from Dy Sub-Group - 99.99% Dysprosium has been produced from the PLS. The pure Dy was recovered from the Dy Sub-group of the HREE class consisting of samarium-lutetium.

The scientific and technical content of this section was based upon information prepared under the supervision of Steven R. Izatt, President and CEO of IBC. Mr. Izatt, Registered Member of the Society for Mining, Metallurgy, and Exploration, holds a B.A. degree in Chemistry from Brigham Young University (“BYU”), as well as an M.S. in Chemical Engineering Practice and an M.S. in Technology and Policy, both from the Massachusetts Institute of Technology (“MIT”).

In addition, as discussed in the Overview section, the Company has started preliminary engineering work around the creation of a Strategic Metals Complex to capitalize on MRT. As of December 31, 2017 the Company has incurred approximately \$641,484 (\$492,800 USD) in costs associated with the SMC in association with the PGM facility.

More information on the MRT process can be found at <http://mrt.ucore.com/>

## **Resource Property Interests**

Aside from MRT, Ucore’s primary focus during the quarter has been the Bokan-Dotson Ridge REE property in Alaska, where the Company has incurred the majority of its exploration expenditures for the past several years. Ucore’s strategy continues to be, to the extent possible, to progress its properties, to seek strategic opportunities for the advancement of its properties or to release the properties. A detailed schedule of the Company’s deferred exploration costs for the year ended December 31, 2017 is included in Schedule “A”.

### ***Bokan-Dotson Ridge, Alaska***

In 2006, the Company acquired the right to the Bokan Mountain property through five separate option agreements to acquire a 100% interest in a parcel of unpatented mineral claims from underlying owners and through staking 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.

On November 28, 2012, the Company reported the results of the Preliminary Economic Assessment (“PEA”) completed by Tetra Tech of Vancouver, BC, regarding the Dotson Ridge Zone of the Company’s Bokan Mountain heavy rare earth property in Southeast Alaska.

#### Highlights of the PEA Include:

- **Net Present Value (NPV):** \$577M at a 10% discount rate, pre-tax.
- **Internal Rate of Return (IRR):** 43%.
- **Payback Period:** 2.3 years.
- **Capital Cost:** \$221M, including a complete on-site rare earth oxide (“REO”) separation plant, and a contingency provision in the amount of \$25M. Among the lowest capital outlays in the rare earth mining sector.
- **Mining Rate:** 1,500 tonnes per day (“TPD”), 75% of mill feed is eliminated via the use of Dual Energy X-Ray Transmission (“DEXRT”) sorting and magnetic separation, netting approximately 375 TPD to feed the leach circuit.
- **Average Total Rare Earth Recoveries:** 81.6%
- **Production of REOs at site:** Deployment of Solid Phase Extraction (“SPE”) technology to generate high purity individual rare earth oxides at the site.
- **REO Production:** Averaging 2,250 tonnes per year (“TPY”) during the first five years at full production, including 95 tonnes of dysprosium oxide, 14 tonnes of terbium oxide, and 515 tonnes of yttrium oxide.
- **Mine Life:** 11 years, based on existing Inferred Mineral Resource Estimate (April 21, 2011), excluding highly prospective expansion at depth, along strike, and other exploration targets at the I&L Zone and beyond.
- **Direct Employment:** 170 employees.
- **Ease of Shipping Access:** Only rare earth project with immediate deep water shipping facilities, resulting in prospective mine-mouth shipping rates among the lowest in the industry.
- **Elimination of Tailings on Surface at Closure:** All tailings will be placed underground via cemented paste backfill. The processing plant will generate approximately 735 TPD of tailings, significantly less than the mine requirement of approximately 1,030 TPD backfill.
- **Recycling of Nitric Acid:** Nitric acid that is not consumed in the leach circuit will be recycled through the use of diffusion dialysis, greatly reducing acid consumption by more than 75%, resulting in significant financial and environmental benefits.
- **Near Term, High Value Production:** Relative high percentage of rare earth metals strategically critical to the US defense, clean energy, aerospace, supercomputing and transportation sectors: including Tb, Dy and Y.
- **Excellent Geopolitical Support:** Offset of completion risk through strong legislative and financial support at state and federal levels.

#### Overview of Bokan Project and PEA

Ucore’s Bokan Mountain project is located on Prince of Wales Island, Alaska, approximately 60 km southwest of Ketchikan, Alaska and 140 km northwest of Prince Rupert, British Columbia, with direct ocean access to the western seaboard and the Pacific Rim. The project is situated in the Tongass National Forest, within an area set aside for natural resource development.

The PEA has been completed based on the Inferred Resource Estimate Technical Report filed on April 21<sup>st</sup>, 2011 by Ucore, with the exclusion of the I&L Zone. The resource was estimated by R. J. Robinson of Aurora Geosciences. The resource incorporated into the current mine plan totals 5.3 million tonnes, with an average grade of 0.65% total rare earth oxides (“TREO”), at a cut-off grade of 0.4% TREO. Of the TREO, approximately

40% are comprised of heavy rare earth oxides. A summary of the operating assumptions and financial model for the project is as follows:

Item	Units	Year 1	Year 2	Annual for balance of mine life
Tonnes Mined	Mt	198,000	470,900	540,000
Tonnes Processed	Mt	198,000	470,900	540,000
Mined Grade TREO		0.416%	0.511%	0.473%
Recovery		81.6%	81.6%	81.6%

	(million \$US)
Total Revenue	\$2,546
Initial Capital Expenditure	\$221
Sustaining Capital	\$145
Total Before-Tax Cash Flow (undiscounted)	\$1,516
Before-tax NPV @ 8%	\$697
Before-tax NPV @ 10%	\$577
Before-tax NPV @ 12%	\$478
Before tax IRR (%)	43%

### Capital Cost Estimate

Initial capital cost estimates for the project are as follows:

Item	Total Cost (million \$US)
<b>Direct Capital Cost</b>	
Site development	6.1
Mine underground	18.9
Mine surface facilities	23.8
Process	62.9
Tailings and waste rock management	10.1
Utilities	3.4
Buildings	3.0
Temporary facilities	5.2
Plant mobile equipment & misc.	1.4
Subtotal	134.7
<b>Indirect Capital Cost</b>	
Indirect construction costs	51.1



Owner's costs	10.9
Contingency	24.5
Subtotal	86.5
<b>Total Capital Cost</b>	<b>221.3</b>

Initial capital costs include all costs required to bring the facility to production. The ongoing sustaining capital costs are estimated to be \$145M over the 11 year mine life.

### Operating Cost Estimate

Item	Average Unit Cost (\$US/t mined)
Mining	41.69
Processing	54.83
G&A	13.56
Power	11.78
Misc.	0.93
<b>Total Operating Cost</b>	<b>122.78</b>

### REE Pricing Considerations

In developing rare earth pricing assumptions, a number of sources were considered by both Ucore and Tetra Tech. Price forecasts generated by analysts and Ucore's rare earth peer group vary widely. In selecting pricing assumptions, efforts were made to incorporate assumptions that were independent, supportable, and conservative. As a result, Tetra Tech has used a three-year trailing average of China FOB prices from October, 2009 to October, 2012 to establish prices for the rare earth oxides, except Ho, Lu, Yb & Er oxides, where two-year trailing averages were used due to limited Chinese market data. These prices are displayed in "Scenario 1" below. The Company also considered the impact of pricing REO's based on a 6-month trailing average and a 3-month trailing average. These results are displayed in "Scenario 2" and "Scenario 3" below, respectively.

	Pricing Scenario 1 3-Year trailing average	Pricing Scenario 2 6-Month trailing average	Pricing Scenario 3 3-Month trailing average
REO	\$US/kg	\$US/kg	\$US/kg
La <sub>2</sub> O <sub>3</sub>	48.69	20.85	18.42
Ce <sub>2</sub> O <sub>3</sub>	47.21	21.38	19.23
Pr <sub>2</sub> O <sub>3</sub>	113.10	110.00	103.08
Nd <sub>2</sub> O <sub>3</sub>	126.70	108.96	101.58
Sm <sub>2</sub> O <sub>3</sub>	57.74	71.79	61.42
Eu <sub>2</sub> O <sub>3</sub>	1,834.94	2,185.00	2010.00
Gd <sub>2</sub> O <sub>3</sub>	81.70	99.42	96.35
Tb <sub>2</sub> O <sub>3</sub>	1,520.83	1,907.12	1,840.38
Dy <sub>2</sub> O <sub>3</sub>	845.80	1,009.42	948.08
Ho <sub>2</sub> O <sub>3</sub>	211.39	107.25	107.05
Er <sub>2</sub> O <sub>3</sub>	88.20	153.61	140.08
Tm <sub>2</sub> O <sub>3</sub>	N/A	N/A	N/A

Yb <sub>2</sub> O <sub>3</sub>	102.79	124.07	110.51
Lu <sub>2</sub> O <sub>3</sub>	1,036.40	1,420.79	1,427.56
Y <sub>2</sub> O <sub>3</sub>	80.41	100.75	85.12
<b>NPV @ 10% Discount</b>	<b>\$577M</b>	<b>\$620M</b>	<b>\$513M</b>

### Economic Analysis and Sensitivity Analysis

The economic analysis was based on the mineral resource estimate filed by Ucore in April of 2011, totalling 5.3 million tonnes at an average grade of 0.65% TREO in the Inferred category. This resource is adequate to allow for an 11 year mine life, based on current mining assumptions including a mining rate of 1,500 TPD. TREO recoveries are expected to average 81.6%.

These assumptions, together with capital cost and operating cost estimates noted above, result in a before tax NPV, at a 10% discount rate, of \$577 million. The payback period for the project is 2.3 years from the start of production. The project generates a pre-tax IRR of 43%.

A sensitivity analysis was performed, to test the impact of changes to several key assumptions included in the economic model, with the following results:

Changes to selling price of REOs	NPV at 10%, \$US million	IRR, %
Increase of 20%	802	52%
Increase of 10%	690	47%
Base Case	577	43%
Decrease of 10%	464	38%
Decrease of 20%	352	33%

Changes in operating costs	NPV at 10%, \$ US million	IRR, %
Increase of 20%	519	40%
Increase of 10%	548	42%
Base Case	577	43%
Decrease of 10%	606	44%
Decrease of 20%	635	45%

Change in initial capital expenditure	NPV at 10%, \$ US million	IRR, %
Increase of 20%	526	37%
Increase of 10%	552	40%
Base Case	577	43%
Decrease of 10%	602	46%
Decrease of 20%	627	51%

## Environmental Assessment

Ucore is currently conducting environmental baseline studies to prepare for the forthcoming permitting process at the Dotson Ridge Project. The project plan is being developed in consultation with local stakeholders as well as state and federal regulators. A Plan of Operations, which will be based upon engineered facility designs advanced from the concepts presented in the PEA, will be submitted to the US Forest Service to initiate a National Environmental Policy Act review. Permitting advantages for the project include the elimination of a permanent surface tailings storage facility, due to the use of x-ray sorting technology, which will allow for 100% of the mill tailings to be placed in mined out areas underground as cemented paste backfill. The study includes cost estimates for site water management and treatment.

## Qualified Persons

The technical disclosures in this section have been reviewed and approved by James Robinson, P. Geo., an independent geologist with Aurora Geosciences.

## Cautionary Notes

Please note that the PEA is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

## Overview of the May 2015 Bokan Resource Upgrade

On May 11, 2015, the Company announced an upgraded resource estimate for the Bokan property, which was prepared by Aurora Geosciences (Alaska) Ltd.

An additional 1.043 million tonnes of newly estimated Inferred mineralization grading 0.604% TREO at a cut-off grade of 0.40% TREO has now been added to the total Resource at Bokan, as a result of deeper exploratory drilling during the 2014 field season. Further, more than 98% of the previously established Resource has now been upgraded to the fully Indicated category under NI 43-101 standards by way of supplemental infill drilling. The previously announced Resource, consisting of 2.936 million tonnes in the Indicated category and 1.995 million tonnes in the Inferred category under NI 43-101 standards at the same cut-off grade, was announced by Ucore in a press release dated Oct. 21, 2013.

A summary of the upgraded mineral resource is as follows:

### *Indicated Mineral Resource Estimate*

TREO CUT-OFF	TONNES	LREO (%)	HREO (%)	TREO (%)	Contained TREO (lbs)
.20	5,786,500	0.331	0.221	0.552	70,418,800
.30	5,411,900	0.345	0.228	0.573	68,365,700
<b>.40</b>	<b>4,787,900</b>	<b>0.363</b>	<b>0.239</b>	<b>0.602</b>	<b>63,544,100</b>
.50	3,532,900	0.395	0.258	0.653	50,860,200
.60	2,110,100	0.440	0.285	0.725	33,726,800

### Inferred Mineral Resource Estimate

TREO CUT-OFF	TONNES	LREO (%)	HREO (%)	TREO (%)	Contained TREO (lbs)
.20	1,201,100	0.343	0.224	0.567	14,934,500
.30	1,136,400	0.355	0.230	0.584	14,631,100
<b>.40</b>	<b>1,050,000</b>	<b>0.365</b>	<b>0.237</b>	<b>0.603</b>	<b>13,958,600</b>
.50	820,400	0.389	0.255	0.645	11,665,900
.60	507,300	0.421	0.286	0.707	7,907,100

#### Notes:

1. Total Rare Earth Oxides (TREO) includes: La<sub>2</sub>O<sub>3</sub>, Ce<sub>2</sub>O<sub>3</sub>, Pr<sub>2</sub>O<sub>3</sub>, Nd<sub>2</sub>O<sub>3</sub>, Sm<sub>2</sub>O<sub>3</sub>, Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>2</sub>O<sub>3</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, Lu<sub>2</sub>O<sub>3</sub>, Y<sub>2</sub>O<sub>3</sub>
2. Heavy Rare Earth Oxides (HREO) includes: Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>2</sub>O<sub>3</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, Lu<sub>2</sub>O<sub>3</sub>, Y<sub>2</sub>O<sub>3</sub>
3. The mineral resource estimate was completed by Mr. Jim Robinson, a Senior Consulting Geologist at Aurora. Mr. Robinson is an independent qualified person for the purposes of NI 43-101 standards of disclosure for mineral projects of the Canadian Securities Administrators and has verified the data.
4. The resource estimate is based on:
  - A database of 97 diamond drill holes totaling 20,000 m and 56 surface channels totaling 200 m. This diamond drilling and channel sampling was completed by Ucore in 2008, 2009, 2010, 2011 and 2014 on the Dotson Ridge zone
  - All geochemical analyses were performed by ALS Chemex, Eco-tech Laboratories Ltd., Bureau Veritas (ACME Analytical) and Activation Laboratories.
  - The specific gravity (SG) used is the overall mean of 2.77, determined from 141 SG readings.
  - Block model was estimated by the Inverse Distance Squared interpolation method on blocks of maximum 4 m x 4 m and minimum 1 m x 1 m dimensions.
  - All REE assays exceeding the 95% confidence level (CL) were cut to the 95% CL for each element.
  - All intercepts with a true width of less than 1.5 m were diluted to a potential mining width of 1.5m.

The drill-defined Mineral Resource at Bokan Dotson-Ridge commences at surface and is open both at depth and along strike. Additional information regarding significant drill results from the Company's prior exploration programs and maps and sections detailing the drill-hole locations and individual REE values are available at: [www.ucore.com](http://www.ucore.com).

#### Expenditure on Bokan

During 2017 the Company continued its focus on completing environmental and permitting work for the Bokan project as well as the advancement of the MRT separation technology for use at the Bokan property. Expenditures on metallurgy for the year to date totalled approximately \$34,000. An additional \$263,000 was spent on geological work during the year which includes the general carrying costs of the property.

In total, the Company incurred expenditures totalling approximately \$318,000 on the project during the year ended December 31, 2017.

As a result of stock option forfeitures recognized during the year the Company recorded a recovery of share based compensation of approximately \$124,000 to resource properties and related deferred costs.

### ***Seagull Tin, Yukon***

The Company holds an option on a 100% interest in the Seagull Tin property located in the Southwestern Yukon pursuant to an agreement dated September 23, 2014. The options can be exercised on the second anniversary of the agreement for the lesser of 500,000 shares of the Company or 2% of the outstanding shares of the Company at that date. The Company's optional interest is subject to a 1.5% NSR, on which a \$200,000 advance payment is due on the fourth anniversary of the option agreement. The Company was required to perform at least \$250,000 of exploration work before the second anniversary; this work was completed in 2014. Due to uncertain plans for future development, the Company recorded an impairment charge of \$251,994 in 2016, writing down the carrying value of the Seagull Tin property to \$nil.

### **Selected Annual Information**

The following annual information is prepared in accordance with International Financial Reporting Standards. Amounts are reported in thousands of Canadian dollars, except for per share amounts.

	<b>For the year ended December 31, 2017 \$</b>	<b>For the year ended December 31, 2016 \$</b>	<b>For the year ended December 31, 2015 \$</b>
Net loss	4,883	5,396	4,525
Loss per share – basic and diluted	0.02	0.02	0.02
Total assets	45,776	48,577	46,089

### **Results of Operations**

The Company has no operating revenues and is dependent on equity or other financings to fund its exploration and evaluation operations and the advancement of MRT. As a result, the Company expects to incur operating losses until such time as an economic resource is identified, developed and exploited on one or more of the Company's properties or MRT is commercialized through the expected joint venture with IBC.

During the year ended December 31, 2017, the Company incurred a net loss before income taxes of \$4.9 million compared to a net loss before incomes tax of \$5.4 million for the year ended December 31, 2016 a decrease of approximately \$500k. Operating expenses totalling \$4.7 million were recognized during 2017, compared to \$5.2 million in the prior year. The decrease in operating expenses was as a result of decreases in professional services, derivative asset fair value adjustment, travel, and an impairment of resource properties in the prior year. The reasons for each of these variances are discussed below. The difference between the operating expenses and the loss before incomes taxes is the result of the foreign exchange expense and interest expense on the finance lease which is also discussed below.

The Company's staffing level and salaries remained relatively consistent year over year resulting in a slight decrease of approximately \$16k compared to 2016. Professional services decreased approximately \$222,000 from the prior year. The decrease is largely attributable to a one time contract with a European consultant for \$195,000 which was settled with shares instead of cash in 2016.

The Company recorded non-cash stock-based compensation expense of approximately \$724,000 attributable to the estimated value of stock options and deferred share unites earned and vested during the year. The expense recorded is net of approximately \$100,000 as a result of forfeitures during the year. In the prior year the Company recorded an expense of approximately \$420,000 resulting in a difference of approximately \$304,000. The difference year over year is largely attributable to size and timing of the options granted in 2017 of 8.45 million options compared 3.1 million options granted in 2016.

Expenditures on investor relations and marketing remained consistent compared to the prior year with a slight increase of approximately \$10,000 in the current year.

Travel expenditures decreased by approximately \$75,000 between the two years. Travel expenditures were higher in the prior year due to additional travel relating to the operation of the pilot plant in Utah. In addition, there was a slight decrease in attendance at trade shows in 2017 compared to the prior year.

During the year the Company recorded amortization related to a derivative asset, its option to purchase IBC, of approximately \$208,000 a decrease of approximately \$171,000 from the prior year.

In the prior year the Company conducted an impairment review with respect to the Seagull Tin property, which resulted in an impairment of \$252,000; writing the Seagull Tin property off completely. The Company's current year impairment review has not suggested any impairment with regards to the Company's existing properties.

The Company recorded a foreign exchange loss of approximately \$54,000 during 2017 versus a loss of approximately \$253,000 during 2016. The difference of approximately \$199,000 is largely attributable to the foreign exchange loss recorded on the convertible royalty liabilities in 2016. Aside from the loss on the revaluation of the convertible royalty liabilities, the Company realised a currency exchange loss of approximately \$56,000 relating to its foreign currency translation in 2016 which is consistent with the loss in the current year. As the Company continues to deal in both the Canadian and Unites States currencies, the Company may continue to incur foreign exchanges gains and losses arising from changes in the value of the Unites States dollar relative to the Canadian dollar.

## Summary of Quarterly Results

Expressed in thousands of dollars, except per share amounts	12/31/17 \$	9/30/17 \$	6/30/17 \$	3/31/17 \$	12/31/16 \$	9/30/16 \$	6/30/16 \$	3/31/16 \$
Net loss	1,877	1,066	893	1,047	1,638	1,084	1,555	1,119
Loss per share – basic and diluted	0.01	0.00	0.00	0.00	0.01	0.00	0.01	0.01
Total Assets	45,776	46,961	46,108	45,573	48,577	49,543	50,025	43,684

The net loss between the final quarter of 2017 and the final quarter of 2016 is consistent year over year. Salaries and consultant expense increased by approximately \$419,000 over the comparable prior period largely due to the timing of bonuses paid out in the prior period. In addition, investor relations and marketing expense increased by approximately \$119,000 in the fourth quarter of 2017 compared to the comparable prior period as

a result of the several specific marketing initiatives. These increases were offset by the impairment of a resource property in the final quarter of 2016 of approximately \$252,000 and a fair value adjustment of derivative asset of approximately \$326,000 compared to approximately \$52,000 in the current period.

In the third quarter of 2017 the net loss was consistent with the third quarter of 2016. Although the net loss was consistent between the quarters various expenses increased and decreased between the two periods. The largest increases were related to an increase in non-cash stock-based compensation, amortization of the derivative asset, and accretion. This increase in expenses was largely offset by a decrease in professional services, investor relations and marketing, and salaries and consultant expenditures.

The decrease in the second quarter net loss of 2017 compared to the comparable prior period was largely due to a decrease in salaries and consultants expenditures as a result of executive bonuses paid out in Q2 2016 which were not paid out in Q2 of 2017. In addition, professional services decreased by approximately \$227,000 compared to the comparable prior period largely as a result of a consulting fee of approximately \$195,000 paid to a European consultant in the prior period. The remaining decrease was as a result of a reduction in travel and investor relations and marketing partially offset by the fair value adjustment of a derivative asset.

The variance between the first quarter of 2017 and the comparative quarter of 2016 is largely due to the foreign exchange loss recorded on the convertible royalty liabilities in the first quarter of 2016 of approximately \$197,000. In addition, the Company had a decrease in investor relations and travel expenditures. The decreases were partially offset by an increase in professional services, salaries and consultants, share based payments, and fair value adjustment of a derivative asset.

## **Liquidity and Capital Resources**

At December 31, 2017, the Company had working capital of \$1.7 million, with a cash balance of \$2.1 million. In addition, the Company has approximately \$224,000 of restricted cash which is not accessible without government approval.

The Company's operations used approximately \$3.2 million of cash flows for the year ended December 31, 2017. Net cash expenditures on resource properties and related deferred costs totalled approximately \$318,000 during the year, largely driven by expenditures on metallurgy, geological work, and various property claim renewals. This was primarily funded from working capital.

On July 31, 2017, the Company completed a sale leaseback agreement with Orca. The terms of the agreement resulted in the Company selling its' MRT pilot plant for CAD \$2.5 million in accordance with the terms outlined in the overview above.

The Company will be reliant on equity or other types of financing for its current and long term working capital requirements and to fund its exploration programs.

## **Off-Balance Sheet Arrangements**

At December 31, 2017, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## Critical Accounting Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures, derivative financial instruments, non-cash stock-based compensation and deferred income tax assets and liabilities.

The Company's recoverability of the recorded value of its resource properties and associated deferred expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is subject to a number of risk factors, including legal and political risks, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

The factors affecting non-cash stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend on a variety of factors including the market value of the Company's shares and the financial objectives of the stock-based instrument holders.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused losses carried forward and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

## Future Changes in Accounting Policies

For the purposes of preparing and presenting the Company's condensed interim consolidated financial statements, the Company has adopted all applicable standards and interpretations issued other than those discussed below. These standards have not been adopted because they are not effective for the Company until subsequent to December 31, 2017. Standards and interpretations issued, but not yet adopted include:

	<u>Effective for the Company</u>
Amendments to IFRS 2, <i>Share-based Payments</i>	January 1, 2018
IFRS 15, Revenue from Contracts with Customers	January 1, 2018
IFRS 9, Financial Instruments	January 1, 2018
IFRS 16, Leases	January 1, 2019
IFRIC 23, Uncertainty over income Tax Treatments	January 1, 2019

In June 2016, the IASB issued amendment to IFRS 2, Shares-based Payments, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; b) share-based payment transactions with a net settlement feature for withholding tax obligations; and c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The standard replaces IAS 11, Construction Contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers; and SIC 31, Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with



customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption.

The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. As the Company does not currently generate revenue the only anticipated impact of adopting IFRS 15 is with respect to the sale-leaseback transaction in 2017. Under IFRS 15, the transaction will be accounted for as a financing arrangement and not a sale.

In July 2014, the IASB issued IFRS 9, Financial Instruments, which will replace IAS 39, Financial Instruments, Recognition and Measurement. The replacement standard provides a new model for the classification and measurement of financial instruments. The IASB has determined the revised effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018. The Company will evaluate the impact of the change to the consolidated financial statements based on the characteristics of financial instruments outstanding at the time of adoption.

In January 2016, the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Early application is permitted. The interpretation clarifies the accounting for income tax treatments (current and deferred tax) that have yet to be accepted by the tax authorities. The Company intends to adopt the Interpretation in its financial statement for the annual period beginning on January 1, 2019 and does not expect the Interpretation to have a material impact on the financial statements.

## **Related Party Transactions**

As at December 31, 2017 the Company has recorded an advance, for corporate expenses, to officers of the Company in the amount of \$83,907 (December 31, 2016 - \$180,407), which is non-interest bearing and is to be repaid over three years. During the year ending December 31, 2017, the Company paid \$104,881 (2016 \$248,156) in fees to a law firm of which a director of the Company is a partner. Additionally, travel expenditures in the amount of \$3,222 (2016 \$4,293) were reimbursed to directors of the Company.

As discussed above, the Company completed a sale leaseback transaction of the Company's pilot plant with Orca during the year for \$2,000,000 USD. As at the date of the transaction Orca holds more than 10% of the outstanding common shares of the Company and therefore this transaction is a related party transaction as defined by MI 61-101. The value of the consideration of the transaction is less than 25% of the Company's market capitalization and therefore the transaction is exempt from the requirement for a formal valuation or minority shareholder approval. The principal shareholder of Orca is not a board member of the Company and therefore no special committee of the Board was required.

All related party transactions were in the normal course of operations and were valued at the exchange amount agreed to between the parties.

## Outstanding Share Data

The following is the Company's issued and outstanding share data as of the date of this report. Each stock option and warrant is exercisable for one common share of the Company.

Securities	Number	Weighted average exercise price \$	Weighted average remaining life (years)
Common shares	270,150,197	n/a	n/a
Warrants	49,235,361	0.35	1.05
Stock options under plans approved by shareholders	22,568,333	0.28	2.67
Deferred share units under plans approved by shareholders	557,100	n/a	n/a

## Risks and Uncertainties

The Company's financial instruments consist of cash, restricted cash, short-term deposits, marketable securities, trade and other receivables, and accounts payable and accrued liabilities. Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks arising from these financial instruments. The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

In conducting its business, the principal risks and uncertainties faced by the Company relate to exploration and development success of the Company's mineral properties and to the successful advancement of MRT and the co-development of related downstream processing joint ventures, as well as metal prices and market sentiment to a lesser extent.

The PEA discussed in the overview section is preliminary in nature, it includes indicated and inferred mineral resources only, which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any particular level of recovery of ore reserves or resources will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates of reserves and resources, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Material changes in ore reserves and resources, grades, stripping ratios, recovery rates or selling prices of the underlying commodities may affect the economic viability of any project.

The Company's future growth and productivity could possibly depend, in part, on its ability to identify and acquire additional mineral rights, and on the costs and results of continued exploration and development programs. Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to:

- establish ore reserves and resources through drilling and metallurgical and other testing techniques;
- determine metal content and metallurgical recovery processes to extract metal from the ore; and
- construct, renovate or expand mining and processing facilities.

In addition, the prices of metals fluctuate widely and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies.

The Company will be reliant on equity or other types of financing for its current and long-term working capital requirements and to fund its exploration programs. The Company does not generate any revenue and does not have sufficient funds to put any of its resources interests into production from its own financial resources. There is no assurance that such financing will be available to the Company, or that it will be available on acceptable terms.

MRT is at advanced testing stages and has yet to be proven at a commercial scale, for the separation of rare earth elements. The Company has not yet released an economic assessment on the use of MRT for the separation of rare earth elements or any other materials and does not yet have any specific contracts for the processing of rare earths or other materials using MRT. The following risks are specific to MRT:

The Company has not yet completed the required payments and finalized the related agreement that will result in the creation of a joint venture between the Company and IBC (60%/40% respectively) holding the exclusive rights to MRT as outlined previously. As of the date of this report, the Company does not have sufficient cash to make the payments required. Assuming completion of the payments and the creation of the joint venture corporation, the MRT process is still subject to a high level of uncertainty and risk, and may be affected by many factors, some of which are beyond our control, including the emergence of newer, more competitive technologies and processes, the cost of building and operating MRT facilities, regulatory requirements, financial metrics, the existence, knowledge and cooperation of key individuals of IBC, and the ability to attract sources of feed-stock.

Although MRT is a previously commercialized technology in some fields, using MRT to separate rare earth elements and certain other elements is a new application. To date, the Company has completed bench and certain pilot scale testing on the MRT process in relation to rare earth elements. There can be no assurance that MRT will be able to separate these elements at commercial levels on a profitable basis. In addition, there is inherent variability and uncertainty related to the ability to source and the composition of usable feed-stocks.

The execution of a commercial MRT separation joint venture, once implemented, involves risks associated with the planning, engineering, cost, construction, integration, commissioning, and start-up of a new MRT facility. Risks include: failures in the specification, design or technology selection; building the project within a reasonable time and cost structure; operating costs, efficiency, recoveries, and maintenance costs. Many factors can affect key outcomes, including general economic, business and market conditions, the availability and cost of qualified personnel, the retention and cooperation of key individuals at IBC, key materials and equipment, the complexity of managing multiple suppliers and contractors, the complexity of building in new and existing facilities, government regulations, and public expectations.

If launched, the success of the joint venture will depend upon, among other things, the Company and joint venture's ability to protect the key intellectual property regarding MRT. Our failure to protect that intellectual property could adversely affect our future growth and success. We will rely on patent, trade secret, trademark, and copyright laws to protect our intellectual property. There is no assurance that these measures will be effective or will always be available for our intellectual property.

The specialized scientific nature of MRT means that the joint venture's success depends in a large part on the ability to attract and retain key management, engineering, scientific, and operating personnel. Recruiting in these fields can be highly competitive and there is no assurance that key employees will be able to be retained.

The KRP MOU and Alaska SMC discussed in the overview section are preliminary in nature and are subject to the aforementioned risks above and definitive agreements.

## **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture-listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer’s GAAP.

## **Other Information**

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.ucore.com](http://www.ucore.com). Additional information about the MRT technology can be found at [mrt.ucore.com](http://mrt.ucore.com).

**Details of Resource Properties and Related Deferred Costs**

	<u>Bokan Mountain/ Dotson Ridge</u>
<b>Mineral Properties</b>	
Balance, beginning of year	\$ 4,856,160
Expenditures during the year	-
Change in foreign exchange rates	<u>(173,747)</u>
Balance, end of year	<u>4,682,413</u>
<b>Deferred Exploration expenditures:</b>	
Geology	262,791
Environmental & permitting	21,162
Feasibility Study	-
Recovery of share based compensation	(124,200)
Metallurgy	33,624
Disposal of asset under finance lease	<u>(2,914,106)</u>
	<u>(2,720,729)</u>
Balance, beginning of year	<u>35,452,695</u>
	32,731,966
Change in foreign exchange rates	<u>(1,392,108)</u>
Balance, end of year	<u>31,339,858</u>
<b>Mineral properties and deferred exploration expenditures, end of year</b>	<u>\$ 36,022,271</u>