



**UCORE RARE METALS INC.**  
**(A Development Stage Enterprise)**

Unaudited Condensed Interim Consolidated Financial Statements

**Third Quarter**  
**For the three and nine month period ended September 30, 2020**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. Management of Ucore Rare Metals Inc. has prepared these condensed interim consolidated financial statements. Management has compiled the unaudited condensed interim consolidated statement of financial position of Ucore Rare Metals Inc. as at September 30, 2020, the audited condensed consolidated statement of financial position as at December 31, 2019 and the unaudited condensed interim consolidated statements of comprehensive loss, changes in shareholder's equity and cash flows for the three and nine month period ended September 30, 2020 and September 30, 2019. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2020 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

## UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

(Unaudited - Prepared by Management)

	September 30, 2020	December 31, 2019
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	1,972,233	2,813,492
Marketable securities	22,583	1,000
Other receivables (note 7)	193,392	278,837
Prepaid expenses and other	293,182	228,014
	<u>2,481,390</u>	<u>3,321,343</u>
<b>Plant and equipment</b> (note 10)	31,278	31,563
<b>Restricted cash</b> (note 9)	61,680	57,287
<b>Right-of-use asset</b> (note 11)	6,828	68,277
<b>Intellectual property</b> (note 12)	6,825,321	-
<b>Goodwill</b> (note 6)	2,181,087	-
<b>Resource properties and related exploration costs</b> (note 13)	38,080,483	37,050,367
	<u>49,668,067</u>	<u>40,528,837</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	273,785	493,850
Current portion of lease liability (note 14)	-	77,949
	<u>273,785</u>	<u>571,799</u>
<b>Long-term liabilities</b>		
Convertible debentures (note 15)	1,547,654	-
Loan payable (note 16)	1,206,657	1,126,207
Deferred taxes (note 6)	2,000,700	-
	<u>5,028,796</u>	<u>1,698,006</u>
<b>Shareholders' equity</b>		
Share capital (note 17)	75,965,504	68,250,324
Contributed surplus (note 17)	22,757,995	22,391,955
Warrants (note 17)	2,320,103	2,195,536
Equity component of convertible debentures (note 15)	1,138,285	-
Accumulated other comprehensive income	5,113,087	4,281,828
Deficit	<u>(62,655,703)</u>	<u>(58,288,812)</u>
	<u>44,639,271</u>	<u>38,830,831</u>
	<u>49,668,067</u>	<u>40,528,837</u>

Going concern (note 2)

Commitments and contingencies (note 19)

Subsequent event (note 20)

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

**Approved on behalf of the Board of Directors**

(s) Patrick Ryan

Patrick Ryan, Director

(s) Geoff Clarke

Geoff Clarke, Director

**UCORE RARE METALS INC.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

(Unaudited - Prepared by Management)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>EXPENSES</b>				
Amortisation (note 10, 11 and 12)	392,624	22,114	654,097	66,341
Investor relations and marketing	17,991	30,220	287,662	64,769
Office and premises	54,339	58,593	182,455	207,803
Professional services	296,735	287,153	922,066	798,700
Salaries and consultants	326,214	178,716	1,211,170	696,979
Securities and regulatory	9,612	32,038	83,962	77,431
Share-based payments (note 17)	141,009	4,548	364,178	30,149
Travel	-	19,215	30,475	39,074
Transaction costs (note 6)	-	-	498,767	-
Fair value adjustment of derivative asset	-	-	-	45,509
	<u>1,238,524</u>	<u>632,597</u>	<u>4,234,832</u>	<u>2,026,755</u>
<b>OTHER INCOME (LOSS)</b>				
Interest income	4,520	-	17,070	-
Interest and accretion expense	(98,408)	(141,559)	(214,539)	(483,898)
Impairment of resource property asset	-	-	-	(111,339)
Discount on loan payable	-	-	-	194,869
Foreign exchange	54,327	(40,263)	65,410	102,319
	<u>(39,561)</u>	<u>(181,822)</u>	<u>(132,059)</u>	<u>(298,049)</u>
<b>NET LOSS</b>	<u>(1,278,085)</u>	<u>(814,419)</u>	<u>(4,366,891)</u>	<u>(2,324,804)</u>
<b>Net Loss per share - basic and diluted</b>	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.01)</u>
<b>Weighted average number of basic and diluted common shares outstanding</b>	<u>371,706,334</u>	<u>283,412,430</u>	<u>371,706,334</u>	<u>283,412,430</u>
<b>COMPREHENSIVE LOSS:</b>				
Net loss for the period	(1,278,085)	(814,419)	(4,366,891)	(2,324,804)
<i>Items which may be subsequently recycled through profit or loss</i>				
Foreign currency translation difference arising on translation of foreign subsidiaries	(317,869)	416,245	838,426	(564,047)
Unrealized gain (loss) on available-for-sale securities	-	(750)	-	(500)
	<u>(1,595,954)</u>	<u>(398,924)</u>	<u>(3,528,465)</u>	<u>(2,889,351)</u>

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

## UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Changes in Equity

Expressed in Canadian dollars

(Unaudited - Prepared by Management)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
<b>Balance at January 1, 2019</b>	283,085,861	\$ 60,108,689	\$ 13,529,076	\$ 10,813,180	\$ -	\$ 5,438,633	\$ (47,478,840)	\$ 42,410,738
Net loss	-	-	-	-	-	-	(2,324,804)	(2,324,804)
Unrealized gain (loss) on available for sale securities	-	-	-	-	-	(500)	-	(500)
Foreign currency translation adjustment	-	-	-	-	-	(564,047)	-	(564,047)
Share-based payments	-	-	30,149	-	-	-	-	30,149
Shares issued on exercise of warrants	893,998	205,069	-	-	-	-	-	205,069
Fair value of warrants exercised	-	60,896	-	(60,896)	-	-	-	-
Shares issued on exercise of options	150,000	39,750	-	-	-	-	-	39,750
Fair value of options exercised	-	17,950	(17,950)	-	-	-	-	-
Expiry of warrants	-	-	8,805,854	(8,805,854)	-	-	-	-
<b>Balance at September 30, 2019</b>	<b>284,129,859</b>	<b>\$ 60,432,354</b>	<b>\$ 22,347,129</b>	<b>\$ 1,946,430</b>	<b>\$ -</b>	<b>\$ 4,874,086</b>	<b>\$ (49,803,644)</b>	<b>\$ 39,796,355</b>
<b>Balance at January 1, 2020</b>	<b>365,116,414</b>	<b>\$ 68,250,324</b>	<b>\$ 22,391,955</b>	<b>\$ 2,195,536</b>	<b>\$ -</b>	<b>\$ 4,281,828</b>	<b>\$ (58,288,812)</b>	<b>\$ 38,830,831</b>
Net loss	-	-	-	-	-	-	(4,366,891)	(4,366,891)
Unrealized gain (loss) on available for sale securities	-	-	-	-	-	(7,167)	-	(7,167)
Foreign currency translation adjustment	-	-	-	-	-	838,426	-	838,426
Shares issued on acquisition of IMC (note 6)	45,383,412	7,715,180	-	-	-	-	-	7,715,180
Equity component of convertible debentures (note 15)	-	-	-	-	1,192,113	-	-	1,192,113
Issuance of commitment warrants (note 15)	-	-	-	126,429	(53,828)	-	-	72,601
Expiry of warrants (note 17)	-	-	1,862	(1,862)	-	-	-	-
Share-based payments (note 17)	-	-	364,178	-	-	-	-	364,178
<b>Balance at September 30, 2020</b>	<b>410,499,826</b>	<b>\$ 75,965,504</b>	<b>\$ 22,757,995</b>	<b>\$ 2,320,103</b>	<b>\$ 1,138,285</b>	<b>\$ 5,113,087</b>	<b>\$ (62,655,703)</b>	<b>\$ 44,639,271</b>

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

## UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian dollars

For the nine months ended September 30

(Unaudited - Prepared by Management)

	2020	2019
	\$	\$
<b>CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES</b>		
Net loss for the period	(4,366,891)	(2,324,804)
Adjustments and items not involving cash:		
Amortisation	654,097	66,341
Discount on loan payable	-	(194,869)
Share-based payments (note 17)	364,178	30,149
Consultant expense	-	98,386
Impairment of resource property assets	-	111,339
Interest expense	89,791	211,342
Accretion expense	64,475	155,090
Fair value adjustment of derivative asset	-	45,509
Unrealized foreign exchange (gain) loss	(61,340)	(85,835)
	<u>(3,255,690)</u>	<u>(1,887,352)</u>
Change in non-cash operating working capital:		
Other receivables	157,245	48,046
Prepaid expenses and other	(62,597)	104,197
Accounts payable and accrued liabilities	(243,599)	927,082
	<u>(3,404,641)</u>	<u>(808,027)</u>
<b>CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES</b>		
Interest paid on lease liabilities (note 14)	(4,891)	(111,217)
Repayment of lease liabilities (note 14)	(77,949)	(57,253)
Proceeds from loan (note 16)	-	731,250
Proceeds from the issuance of convertible debentures (note 15)	2,800,000	-
Issuance of common shares on exercise of options and warrants	-	244,820
	<u>2,717,160</u>	<u>807,600</u>
<b>CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(7,683)	-
Additions to resource properties and related exploration costs	(157,647)	(294,078)
Cash paid in the acquisition of IMC (note 6)	(1,000)	-
Cash acquired in the acquisition of IMC (note 6)	12,165	-
	<u>(154,165)</u>	<u>(294,078)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(841,646)	(294,505)
Foreign exchange impact on cash	387	(944)
<b>CASH, beginning of period</b>	2,813,492	461,475
<b>CASH, end of period</b>	<u>1,972,233</u>	<u>166,026</u>

### Supplementary Cash Flow Information (note 18)

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

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2020

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

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## 1. NATURE OF OPERATIONS

Ucore Rare Metals Inc. ("Ucore" or the "Company") is a corporation domiciled in Canada. The address of the Company's head office is 210 Waterfront Drive, Suite 106, Halifax N.S., B4A 0H3. The Company is engaged in the exploration for and separation of rare earth elements within Canada and the United States. The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues and is considered to be a development stage enterprise.

On May 8, 2020, the Company acquired 100% of the issued and outstanding shares of Innovation Metals Corp. ("IMC"), the developer of its proprietary RapidSX™ process for the low-cost separation and purification of rare earth elements ("REEs"), nickel ("Ni"), cobalt ("Co"), lithium ("Li") and other technology metals, via an accelerated form of solvent extraction. IMC is commercializing this approach for a number of metals, to help enable mining and metal-recycling companies to compete in today's global marketplace. The acquisition of IMC has been accounted for using the acquisition method with the results of operations consolidated with those of the Company effective May 8, 2020 (note 6).

## 2. GOING CONCERN

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, as described in the following paragraphs.

The Company has no sources of revenue, experienced significant losses and negative cash flows from operations in previous years and has a deficit. Management estimates current working capital may not be sufficient to fund all of the Company's planned expenditures through the next 12 months. The ability of the Company to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business and continue with or expand upon its exploration programs is contingent upon securing financing or monetizing assets. The timing and availability of additional financing will be determined largely by market conditions and the results of the Company's ongoing exploration programs. There is no certainty that the Company will be able to raise funds as they are required in the future.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

## 3. BASIS OF PRESENTATION

### Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*.

The date the Board of Directors approved the financial statements is November 30, 2020.

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2020

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

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## 3. BASIS OF PRESENTATION (continued)

### Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for available for sale financial assets, share based payments, and warrants measured at fair value. All intercompany transactions, balances, and expenses are eliminated on consolidation.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

### Use of estimates and judgments

The preparation of financial statements requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgments based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

The use of estimates and judgments are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2019 with the addition of the following estimates and judgements:

#### *Business Combinations*

Determining whether an acquisition is a business combination or an asset acquisition. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Noncontrolling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net assets of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in net income (loss).

#### *Financial instruments*

The determination of categories of financial assets and liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires 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 is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2020

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

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## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2019 with the addition of the significant accounting policies noted below:

### (a) Goodwill

Goodwill represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses.

### (b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the recognized amount of the identifiable assets and liabilities assumed, all measured at the acquisition date. Transactions costs, other than those associated with the issue of equity instruments, incurred in connection with a business combination are expensed as incurred.

### (c) Financial instruments – recognition and measurement

#### (i) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Share purchase warrants issued in conjunction with a convertible debt are allocated a proportion value of the equity component and included within reserves.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

## 5. CAPITAL MANAGEMENT

The Company's capital at September 30, 2020 consists of shareholders' equity of \$44,639,271 (December 31, 2019 - \$38,830,831). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resources properties, the advancement of the Company's prospective separation technology, and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity-based financings.

Future financings are dependent on market conditions, and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in a high interest savings account. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2020

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

## 6. ACQUISITION OF IMC

On May 8, 2020, the Company acquired 100% of the issued and outstanding shares of Innovations Metals Corp. (“IMC”), a private company existing under the laws of British Columbia. IMC has developed its RapidSX™ technology for the separation and purification of critical metals including rare earth elements, lithium, nickel and cobalt. RapidSX™ is an accelerated solvent-extraction-based separation technology that has been successfully piloted by IMC. The business combination has been accounted for using the acquisition method with the results of the operations consolidated with those of the Company effective May 8, 2020.

Pursuant to the share purchase agreement dated April 25, 2020 (the “Purchase Agreement”) (filed on SEDAR on May 4, 2020), the Company paid \$5,801,000 for acquiring IMC, consisting of 45,383,412 common shares of the Company at \$0.1278 per share, (being the volume weighted average price of the common shares of the Company as traded on the facilities of the TSXV for the five (5) trading days immediately preceding the date of the Purchase Agreement) and \$1,000 in cash, in exchange for 100 percent of the issued and outstanding shares of IMC. For accounting purposes, the Company is deemed to have paid \$7,716,180 for 100 percent of the issued and outstanding shares of IMC. This purchase price is determined by considering that 45,383,412 common shares of the Company were deemed to be issued at \$0.17 (the market price of the Company’s shares as at May 8, 2020, the closing date for the acquisition) and \$1,000 in cash consideration was also paid in exchange for 100 percent of the issued and outstanding shares of IMC.

The consideration paid and the preliminary allocation of the consideration to fair values of the assets acquired and liabilities assumed in the acquisition at May 8, 2020 are as follows:

<b>Consideration</b>	
Cash	\$ 1,000
Shares	7,715,180
<b>Total consideration</b>	<b>\$ 7,716,180</b>
<b>Fair value of net assets acquired</b>	
Cash	\$ 12,165
Receivables	71,800
Prepaid expense and other	23,709
Investments	28,750
Intellectual property	7,410,000
Goodwill	2,181,087
Accounts payable and accrued liabilities	(10,630)
Deferred income tax liability	(2,000,700)
<b>Net assets acquired</b>	<b>\$ 7,716,180</b>

As of the date of these condensed interim consolidated financial statements, the determination of fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. The Company is currently in the process of determining the fair values of the net assets acquired, specifically the fair value of intangible assets acquired. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary fair value above and are subject to change within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date. The valuation of the intellectual property has been supported by an independent third party report obtained by the Company.

During the nine months ended September 30, 2020, the Company incurred total transaction expenses in connection with the Purchase Agreement totaling \$498,767. The transaction expenses are disclosed separately in the statement of loss and comprehensive loss. These transaction costs include Canadian legal fees, US legal fees, stock exchange fees related to the listing of the additional 45,383,412 common shares of the Company, and financial advisory fees related to an independent formal valuation of IMC. These transaction expenses have not been capitalized; rather, they were expensed in the period they were incurred.

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2020

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

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## 7. OTHER RECEIVABLES

As at September 30, 2020, the Company's amount receivable is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities of \$127,861 (2019 - \$42,480). The remaining balance of \$65,531 (2019 - \$236,357) is a receivable from an independent third party as a result of a cost sharing agreement for office rent and certain salaries of the Company.

## 8. RELATED PARTY TRANSACTIONS

During the nine month period ended September 30, 2020, the Company paid \$649,065 (2019 - \$88,644) in legal fees to Miller Thomson LLP. Mr. Geoff Clarke, a director of the Company, is a partner of that law firm. Payments made by the Company to Miller Thomson LLP are for the various legal services provided to the Company by several lawyers and law clerks at the firm, which includes lawyers and law clerks in multiple provinces and offices across Canada.

On March 30, 2019, the Company entered into a secured loan agreement for \$3,637,875 (\$2,725,000 USD) (the "Orca Loan") with Orca Holdings, LLC ("Orca") for which the proceeds were used to settle the Company's related lease liability with Orca, for general working capital purposes, and to set-off or dismiss short-term amounts owing to Orca. Orca is a private corporation that is owned and controlled by Mr. Randy Johnson of Ketchikan, Alaska. Mr. Johnson, directly and indirectly, holds greater than 10% of the Company's outstanding common shares (but less than 20%). On November 27, 2019, the Company repaid \$2,500,000 (\$1,890,696 USD) in principal owing and amended the terms of the Orca Loan.

On August 23, 2019, the Company secured a bridge loan with Orca in the amount of \$397,500 (\$300,000 USD) which was repaid in full on November 6, 2019.

On October 25, 2019, the Company closed a rights offering and issued 80,986,555 Common Shares of the Company at \$0.10 resulting in total gross proceeds of \$8,098,656. Of the shares issued 28,184,191 Common Shares were issued to persons who are insiders of the Company, as a group, and 38,368,464 Common Shares were issued to all other persons. A total of 14,433,900 Common Shares were issued pursuant to the additional subscription privilege of the rights offering. Of these, 809,259 Common Shares were issued to persons who were insiders of the Company, as a group, and 13,624,641 Common Shares were issued to all other persons.

On May 29, 2020, the Company closed its final tranche of its non-brokered private placement of unsecured convertible debentures and issued 2,800 convertible debentures at a price of \$1,000 per debenture for total gross proceeds of \$2,800,000 as further described in note 14. Of the convertible debentures issued 635 convertible debentures for aggregate gross proceeds to the Company of \$635,000 were issued to persons who are insiders of the Company.

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

## 9. RESTRICTED CASH

Restricted cash consists of US dollar reclamation bonds required by government agencies to ensure proper decommissioning of structures built at the Bokan property. These bonds accrue interest at a fixed rate that is updated annually. Funds can be released with government approval.

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2020

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

## 10. PLANT AND EQUIPMENT

	Office Equipment	Exploration Equipment	PGM Facility	Pilot Plant	Total
<b>Cost</b>					
Balance, January 1, 2019	\$ 224,596	\$ 142,746	\$ 641,484	\$ 2,914,106	\$ 3,922,932
Additions	19,229	-	-	-	19,229
Impairment	-	-	(641,484)	(2,914,106)	(3,555,590)
Balance, December 31, 2019	243,825	142,746	-	-	386,571
Additions	7,683	-	-	-	7,683
Balance, September 30, 2020	251,508	142,746	-	-	394,254
<b>Accumulated amortisation</b>					
Balance, January 1, 2019	\$ 185,724	\$ 123,239	\$ -	\$ -	\$ 308,963
Amortisation	9,090	316	-	-	9,406
Capitalized Amortisation	19,630	17,009	-	-	36,639
Balance, December 31, 2019	214,444	140,564	-	-	355,008
Amortisation	7,800	168	-	-	7,968
Balance, September 30, 2020	222,244	140,732	-	-	362,976
<b>Net book value</b>					
Balance, December 31, 2019	\$ 29,381	\$ 2,182	\$ -	\$ -	\$ 31,563
Balance, September 30, 2020	\$ 29,264	\$ 2,014	\$ -	\$ -	\$ 31,278

## 11. RIGHT OF USE ASSET

The Company recognized a right-of-use asset for the lease of the Company's head office located in Bedford, Nova Scotia.

<b>Cost</b>	
Balance, January 1, 2019	\$ -
Additions	150,209
Balance, December 31, 2019	150,209
Additions	-
Balance, September 30, 2020	150,209
<b>Depreciation</b>	
Balance, January 1, 2019	\$ -
Charge for the year	81,932
Balance, December 31, 2019	81,932
Charge for the period	61,449
Balance, September 30, 2020	143,381
<b>Net book value</b>	
Balance, December 31, 2019	\$ 68,277
Balance, September 30, 2020	\$ 6,828

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

## 12. INTELLECTUAL PROPERTY

The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of IMC, as further described in note 6, to be \$7,410,000. As at September 30, 2020, the carrying value is as follows:

	December 31, 2019	Additions	Accumulated Amortisation	September 30, 2020
Intellectual property	\$ -	\$ 7,410,000	\$ (584,679)	\$ 6,825,321
	December 31, 2018	Additions	Accumulated Amortisation	December 31, 2019
Intellectual property	\$ -	\$ -	\$ -	\$ -

Amortization for intellectual property is calculated using the straight-line method over 5 years.

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## 13. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

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

	December 31, 2019	Deferred exploration costs	Disposal and impairment of resource property assets	Movement in exchange rates	September 30, 2020
Bokan Mountain, Alaska	\$ 37,050,367	\$ 191,690	\$ -	\$ 838,426	\$ 38,080,483

	December 31, 2018	Deferred exploration costs	Disposal and impairment of resource property assets	Movement in exchange rates	December 31, 2019
Bokan Mountain, Alaska	\$ 38,127,193	\$ 313,421	\$ (233,942)	\$ (1,156,305)	\$ 37,050,367

During the year ended December 31, 2019, the Company wrote down resource property assets with a net book value of \$233,942. During the year ended December 31, 2019 amortization of \$36,639 was recorded and capitalized to the resource properties as deferred exploration costs.

## 14. LEASE LIABILITIES

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

	December 31, 2019	Lease liabilities recognized January 1, 2020	Effects of foreign exchange	Settlement of lease liabilities	Principal payments	Current portion	September 30, 2020
Office lease liability	\$ 77,949	\$ -	\$ -	\$ -	\$ (77,949)	\$ -	\$ -
Pilot plant lease liability	-	-	-	-	-	-	-
	\$ 77,949	\$ -	\$ -	\$ -	\$ (77,949)	\$ -	\$ -

	December 31, 2018	Lease liabilities recognized January 1, 2019	Effects of foreign exchange	Settlement of lease liabilities	Principal payments	Current portion	December 31, 2019
Office lease liability	\$ -	\$ 150,209	\$ -	\$ -	\$ (72,260)	\$ 77,949	\$ -
Pilot plant lease liability	2,728,000	-	(58,000)	(2,670,000)	-	-	-
	\$ 2,728,000	\$ 150,209	\$ (58,000)	\$ (2,670,000)	\$ (72,260)	\$ 77,949	\$ -

## 15. CONVERTIBLE DEBENTURES

On May 21 and 29, 2020, the Company closed an unsecured convertible debenture financing for gross proceeds of \$2.8 million. The Company issued 2,800 debentures with face value of \$1,000 each, bearing interest at a rate of 7.5% per annum. Each debenture holder was paid a one-time commitment fee comprised of 500 commitment warrants per convertible debenture. Each commitment warrant gives the holder the right to acquire one common share of the Company with each whole warrant giving the holder the right to acquire one common share of the Company at a strike price of \$0.18 per common share for a period of 24 months. The debentures will carry a term of 3 years and the Company has the option to extend the term by up to one year by making a cash payment to the debenture holders equal to six months interest.

At any time prior to maturity, the debentures can be converted to units at a conversion price of \$0.12 per unit. Each unit consists of one common share of the Company plus one half common share purchase warrant, with each whole warrant giving the holder the right to acquire one common share of the Company at a strike price of \$0.18. The common share purchase warrants to be issued upon the conversion of the debt will expire on the maturity date of the convertible debentures.

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## 15. CONVERTIBLE DEBENTURES (continued)

In the event that the Company's common shares trade at a closing price of \$0.22 or more on the TSXV for 20 consecutive trading days, the outstanding principal amount of each convertible debenture will automatically be converted into units.

For accounting purposes, the convertible debentures are separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debentures assuming a 15% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component was determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component. The fair value of the liability component after transaction costs is \$1,607,888 and the equity component after transaction costs is \$1,192,112.

The commitment warrants are recorded as transaction costs against the convertible debenture of \$72,601 and the equity component of \$53,828. The commitment warrants have a combined fair value of \$126,429 estimated using the Black-Scholes option pricing model with a volatility of 122%, risk-free interest rate of 0.28%, dividend rate of 0% and expected life of 2 years.

Interest and accretion expense for the period ended September 30, 2020 was \$85,551.

The following table reconciles the changes attributable to the Company's convertible debentures:

	September 30, 2020		December 31, 2019	
	Liability component	Equity component	Liability component	Equity component
Opening balance	\$ -	\$ -	\$ -	\$ -
Additions	1,607,888	1,192,113	-	-
Transaction costs	(72,601)	(53,828)	-	-
Interest and accretion expense	85,551	-	-	-
Reallocation of interest to accounts payable and accrued liabilities	(73,184)	-	-	-
Ending balance	\$ 1,547,654	\$ 1,138,285	\$ -	\$ -

## 16. LOAN PAYABLE

### *Orca Loan*

On March 30, 2019, the Company entered into a secured loan agreement with Orca Holdings, LLC ("Orca") in the amount of \$3,637,875 (\$2,725,000 USD) (the "Orca Loan"). Proceeds were used to repurchase the Pilot Plant for \$2,670,000 (\$2,000,000 USD) and settle the related lease liability as further described in note 17, settle accrued and unpaid lease payments totaling \$133,500 (\$100,000 USD); settlement of the remaining lease payments for the period April 1, 2019 to June 30, 2019 of \$100,132 (\$75,000 USD), settle payment of \$400,500 (\$300,000 USD) under a consulting agreement with Orca, and provide the Company with cash of \$333,750 (\$250,000 USD). A discount on the loan payable was determined to be \$194,869, which has been recorded in the statement of loss. The discount represents the fair value adjustment on the loan. Interest was payable monthly and the principal amount was to be repaid in full on March 31, 2021. The loan had an interest at a rate of 12.5% annually for the first 9 months commencing July 1, 2019 and then a rate of 15% annually for the 12 months commencing April 1, 2020.

### *Amended Orca Loan*

On November 27, 2019, the Company renegotiated the Orca Loan. This included revised terms that saw the Company pay off \$2,500,000 (\$1,890,696 USD) in principal and issue 5,000,000 share purchase warrants to Orca, extend the maturity date of the loan to November 30, 2021, and reduce the interest rate to 9% (the "Amended Orca Loan").

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## 16. LOAN PAYABLE (continued)

Each share purchase warrant will entitle Orca to acquire one common share of the Company at an exercise price of \$0.12 during the term ending on November 30, 2021. The amendment was treated as a modification of the remaining principal owing as the modifications to the existing terms did not result in a substantive change in the loan agreement. The repayment of principal resulted in a loss on extinguishment of \$269,994 which has been recorded through the statement of loss and comprehensive loss. The remaining portion of the loan that was modified resulted in a gain on modification of \$120,381. The effective interest rate used for the loan is 15%. The fair value of the warrants was determined to be \$249,106 using for the Black -Scholes model using the following assumptions: (risk-free interest rate – 1.60%, expected life – 2.025 years, expected annual volatility – 102%, expected dividends – Nil, expected forfeiture rate – Nil). The remaining loan balance is secured by a first charge on the Company's assets.

The following is a loan continuity schedule for the loan with Orca:

	September 30, 2020	December 31, 2019
Opening balance	\$ 1,126,207	\$ -
Additions	-	3,443,006
Repayment	-	(2,574,162)
Loss on debt restructuring	-	149,613
Interest and accretion expense	137,006	166,459
Foreign exchange	(56,556)	(58,709)
Ending balance	\$ 1,206,657	\$ 1,126,207

## 17. SHARE CAPITAL

Authorized:

- Unlimited number of common voting shares
- Unlimited number of first preferred non-voting shares issuable in series
- Unlimited number of second preferred non-voting shares issuable in series

### a) Financing

On October 25, 2019, the Company completed a rights offering and issued 80,986,555 common shares of the Company at a price of \$0.10 per share for total gross proceeds of \$8,098,656 and incurred share issuance costs of \$280,686.

### b) Acquisition of IMC

On May 8, 2020, the Company issued 45,383,412 common shares of the Company at \$0.17 with a value of \$7,715,180 as part of the acquisition of IMC (note 6).

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## 17. SHARE CAPITAL (continued)

### c) Stock options

Changes in stock options during the nine month period ended September 30, 2020 and year ended December 31, 2019 are summarized below:

	Nine month period ended September 30, 2020		Year ended December 31, 2019	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Opening balance	19,283,333	0.24	18,633,333	0.28
Granted	2,650,000	0.165	4,700,000	0.12
Exercised	-	-	(150,000)	0.265
Expired	(2,850,000)	0.29	(3,750,000)	0.30
Forfeited	-	-	(150,000)	0.30
Closing balance	19,083,333	0.22	19,283,333	0.24

The weighted average share price on the date on which options were exercised during the year ended December 31, 2019 was \$0.265.

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2020:

Exercise price per share \$	Number of outstanding options	Expiry Date	Number of exercisable options
0.12	4,300,000	November 15, 2024	1,540,000
0.155	400,000	September 23, 2024	266,667
0.18	2,650,000	May 15, 2025	-
0.19	200,000	February 12, 2023	200,000
0.23	200,000	July 30, 2023	200,000
0.23	333,333	November 3, 2020	333,333
0.265	8,250,000	August 21, 2022	8,250,000
0.30	2,450,000	November 4, 2021	2,450,000
0.30	300,000	November 4, 2021	300,000
	19,083,333		13,540,000
Weighted average remaining life			2.69 years

In addition, there are currently 557,100 (December 31, 2019 – 557,100) deferred share units outstanding, resulting in a total expense of \$Nil (2019 - \$2,129). This has been recorded in share-based compensation expense.

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## 17. SHARE CAPITAL (continued)

d) Warrants:

Changes in share purchase warrants during the nine month period ended September 30, 2020 and year ended December 31, 2019 are summarized as follows:

	Nine month period ended September 30, 2020		Year ended December 31, 2019	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Opening balance	12,745,798	0.19	57,875,157	0.33
Granted	1,400,000	0.18	5,000,000	0.12
Exercised	-	-	(893,998)	0.23
Expired	(24,500)	0.18	(49,235,361)	0.35
Closing balance	14,121,298	0.19	12,745,798	0.19
Weighted average remaining life	1.09 years		1.68 years	

The weighted average share price on the date on which warrants were exercised during the year ended December 31, 2019 was \$0.26. During the year ended December 31, 2019, 49,235,361 warrants from financings completed in 2014 and 2016 expired unexercised. This resulted in an increase to contributed surplus of \$8,805,854.

During the nine month period ended September 30, 2020, 24,500 warrants expired unexercised. This resulted in an increase to contributed surplus of \$1,862.

The following table summarize information about the warrants outstanding and exercisable at September 30, 2020:

Exercise price per share	Expiry date	Number of warrants
\$0.12	November 30, 2021	5,000,000
\$0.18	May 21, 2022	640,000
\$0.18	May 29, 2022	760,000
\$0.20	December 10, 2021	1,366,667
\$0.25	June 8, 2021	5,799,076
\$0.25	June 28, 2021	555,555
		14,121,298
Weighted average remaining life		1.09 years

## 18. SUPPLEMENTARY CASH FLOW INFORMATION

	Period Ended September 30, 2020 \$	Period Ended September 30, 2019 \$
<b>Non-cash financing and investment activities:</b>		
Accounts payable and accrued liabilities related to resources properties and related exploration costs	(12,904)	13,129
Amortization related to resource properties	-	6,571
Prepays related to resource properties and related exploration costs	21,138	(133,279)
Repurchase of pilot plant	-	2,670,000
Capitalization of right-of-use assets and lease liabilities	-	150,209
Issuance of commitment warrants	126,430	-
Restructure of accrued liabilities and prepaids	-	634,125

Refer to note 6 for further disclosure relating to non-cash transactions.

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## 19. COMMITMENTS AND CONTINGENCIES

### a) Loan payable

In November 2019, the Company modified an existing loan agreement and reduced the principal balance owing to \$964,928 USD. In addition to the reduction of principal the Company extended the maturity date of the loan to November 30, 2021. As at September 30, 2020, this commitment requires future principal repayments of \$1,289,455 (\$964,928 USD).

### b) Convertible debentures

In May 2020, the Company issued convertible debentures for gross proceeds of \$2.8 million as further described in note 15. As at September 30, 2020, this commitment requires future principal repayments in May of 2022 of \$2.8 million.

In the event that the Company's common shares trade at a closing price of \$0.22 or more on the TSXV for 20 consecutive trading days, the outstanding principal amount of each convertible debenture will automatically be converted into units and the Company will no longer have the commitment of future principal repayments of \$2.8 million.

### c) Claims and litigation

The Company and IBC Advanced Technologies Inc. and Steven R. Izatt (collectively "IBC") are involved in several legal disputes with respect to agreements between the Company and IBC. A summary of these disputes is provided below:

*The Nova Scotia Complaint* - On December 11, 2018 (amended on April 2, 2019), the Company filed a complaint against IBC in the Supreme Court of Nova Scotia for libel, injurious falsehood, and unlawful interference with economic relations seeking at least \$10 million in damages. The complaint is in relation to statements published by IBC regarding, among other things, the validity of an option to purchase agreement held by the Company. The Company believes that IBC's statements are defamatory and were made with the intention of damaging the Company. After a Nova Scotia Court of Appeals decision on jurisdiction, on October 21, 2019, IBC filed its Notice of Defence in the Supreme Court of Nova Scotia responding to the December 11, 2018, complaint (as amended). IBC requested that the Company's claims against them and all associated requests for relief be dismissed with cost to the Company. No counterclaim has been received as at the date of this report. On December 18, 2019, Ucore obtained an Interlocutory Injunction to preserve the status quo between the parties regarding the option to purchase agreement, through trial. On April 16, 2020, the Supreme Court of Canada dismissed IBC's application for leave to appeal the jurisdictional decision of the lower courts.

*The First Utah Complaint* - On January 4, 2019, IBC filed a complaint against the Company in the Third District Court, Salt Lake Division Salt Lake County, State of Utah based on violation of common law and statutory claims, including misappropriation of trade secrets and confidential information, trademark infringement, unfair competition, defamation, false light, tortious interference with economic relations and unjust enrichment. IBC is seeking damages of no less than USD \$20 million. The complaint was formally dismissed by the Court for lack of jurisdiction on September 19, 2019. IBC submitted a Notice of Appeal on October 19, 2019, to the Utah Court of Appeals. As at the date of this report, through mutual agreement, the schedule for submission of briefs is currently undefined.

*The Second Utah Complaint* - On February 19, 2019, IBC filed a complaint against the Company in the Third District Court, Salt Lake Division Salt Lake County, State of Utah, and is now one of the three consolidated cases before the U.S. District Court, District of Utah ("Federal Court"). The complaint alleges breach of contract, breach of implied covenant of good faith and fair dealing, negligent misrepresentation, fraudulent concealment or fraudulent non-disclosure, breach of fiduciary duty, unjust enrichment, and fraudulent inducement. IBC is seeking damages of no less than USD \$40 million. On August 19, 2020, Ucore filed its Answer, Counterclaims, Affirmative Defenses, and Jury Demand against IBC and Steven R. Izatt seeking relief in excess of USD \$36 million. Ucore alleges breach of contract, breach of the covenant of good faith and fair dealing, defamation, false light, unjust enrichment, fraud; and negligent misrepresentation. Additionally, Ucore seeks declaratory relief. On September 25, 2020, IBC filed a motion to dismiss Ucore's counterclaims; specifically requesting that Ucore's claims for declaratory judgment, unjust enrichment, fraud, and negligent misrepresentation be dismissed and that all Ucore claims against Mr. Steven R. Izatt be dismissed in their entirety. As at the date of this report, the motion to dismiss is fully briefed and awaits a decision or a hearing date by the Federal Court.

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## 19. COMMITMENTS AND CONTIGENCIES (continued)

*The Third Utah Complaint* - On October 18, 2019, IBC filed a complaint against Michael Schrider (the Company's COO) in the Fourth District Court, Provo Division Utah County, State of Utah, and is now one of the three consolidated cases before the U.S. District Court, District of Utah ("Federal Court"). The complaint was amended on November 18, 2019, to Misappropriation of Trade Secrets Under the Utah Uniform Trade Secrets Act, Breach of Contract, and Injunctive Relief. The complaint is derived from a business relationship between the Company and IBC and IBC is seeking damages of no less than USD \$20 million. Mr. Schrider filed his Answer, Affirmative Defenses, and Jury Demand on December 30, 2019. The pleading is closed and Disclosure and Discovery process is now underway.

*The Fourth Utah Complaint* - On January 6, 2020, IBC shareholders (all the signatories on the option to purchase agreement except for IBC and Steven R. Izatt) filed a complaint against the Company in the United States District Court, District of Utah Central Division and is now one of the three consolidated cases before the U.S. District Court, District of Utah ("Federal Court"). The complaint seeks a declaratory judgement decreeing, inter alia, the option to purchase agreement null and void; relief for compensatory and consequential damages; and exemplary and punitive damages. Additionally, the complaint alleges breach of contract; breach of implied covenant of good faith and fair dealing; and fraudulent inducement. On May 12, 2020, Ucore filed a motion to dismiss the complaint. As at the date of this report, the motion is fully briefed and awaits a decision or a hearing date by the Federal Court.

The Company believes that all of the claims of IBC and the IBC shareholders are unfounded and without merit. The Company is actively working on its defence and intends to defend the matters vigorously.

## 20. SUBSEQUENT EVENT

On October 20, 2020 the Company announced a proposed share consolidation of its outstanding common shares on the basis of one post consolidation share for every 10 pre consolidation shares outstanding. Based on the number of shares currently outstanding, the outstanding shares of the Company will be reduced from 410,499,826 to approximately 41,049,982 on a non-diluted basis. The percentage of the Company owned by each shareholder will not change. The Company's name and ticker symbols will remain unchanged. The Company will be holding a special meeting of the Company's shareholders on December 3, 2020 to obtain approval for the consolidation. On November 6, 2020, the Company filed a Management Information Circular related to this meeting on SEDAR ([www.sedar.com](http://www.sedar.com)).