UCORE RARE METALS INC.

Unaudited Condensed Interim Consolidated Financial Statements

Third Quarter
For the Nine-Month Period Ended September 30, 2023

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, then such financial statements must be accompanied by a notice to this effect. Management of Ucore Rare Metals Inc. has prepared these condensed interim consolidated financial statements. Management has compiled the unaudited condensed interim consolidated statement of financial position of Ucore Rare Metals Inc. as at September 30, 2023, the audited condensed consolidated statement of financial position as at December 31, 2022 and the unaudited condensed interim consolidated statements of comprehensive loss, changes in shareholder's equity and cash flows for the nine-month period ended September 30, 2023 and September 30, 2022. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2023 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Financial Position
Expressed in Canadian dollars
(Unaudited - Prepared by Management)

	September 30, 2023	December 31, 2022
	$	$
ASSETS		
Current assets		
Cash	992,506	2,261,981
Marketable securities	750	1,500
Receivables (note 6)	494,608	433,511
Prepaid expenses and other	641,407	235,568
Deferred financing fee (note 12)	128,678	-
	2,257,949	2,932,560
Other asset	69,520	69,328
Plant and equipment (note 7)	6,796,494	2,402,431
Right-of-use asset (note 8)	7,389	73,887
Intellectual property (note 9)	8,089,154	8,089,154
Resource properties and related exploration costs (note 10)	40,082,406	39,673,847
	57,302,912	53,241,207
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	1,982,555	1,490,357
Lease liability (note 11)	9,107	87,250
Convertible debentures (note 13)	1,272,218	1,256,689
Loan payable (note 12)	3,006,321	-
	6,270,201	2,834,296
Long-term liabilities		
Loan payable (note 12)	1,033,965	2,184,515
	7,304,166	5,018,811
Shareholders' equity		
Share capital (note 14)	90,783,599	86,693,212
Contributed surplus (note 14)	27,786,996	25,781,314
Warrants (note 14)	5,441,455	4,951,382
Accumulated other comprehensive income	5,822,412	5,591,099
Deficit	(79,835,716)	(74,794,611)
	49,998,746	48,222,396
	57,302,912	53,241,207

Going concern (note 2)
Contingency (note 18)
Subsequent event (note 19)

Approved on behalf of the Board of Directors

(s) Patrick Ryan
Patrick Ryan, CEO and Director

(s) Geoff Clarke
Geoff Clarke, Director

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

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars
(Unaudited - Prepared by Management)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
	$	$	$	$
EXPENSES				
Amortization	23,791	23,937	71,374	80,939
Investor relations and marketing	136,370	30,456	414,368	183,229
Office and premises	63,529	45,522	190,882	166,806
Professional services	352,357	121,521	761,100	482,304
Salaries and management fees	398,370	343,206	1,006,398	1,239,302
Securities and regulatory	18,161	38,097	78,848	91,814
Research and development, net (note 6)	5,570	468,349	82,236	900,452
Share-based payments (note 14)	463,145	51,712	1,225,005	163,164
Travel	89,259	21,964	258,488	78,187
	1,550,552	1,144,764	4,088,699	3,386,197
OTHER INCOME (EXPENSES)				
Interest income	4,000	3,027	9,854	3,153
Interest and accretion expense	(276,689)	(133,317)	(808,111)	(351,244)
Fair value adjustment of derivative liabilities (note 13)	123,765	(61,041)	(64,227)	118,884
Financing fee (note 12)	(136,618)	(86,050)	(209,349)	(86,050)
Gain on extension of convertible debentures (note 13)	-	-	167,574	-
Foreign exchange gain (loss)	(100,973)	(203,949)	(48,147)	(221,164)
	(386,515)	(481,330)	(952,406)	(536,421)
NET LOSS	(1,937,067)	(1,626,094)	(5,041,105)	(3,922,618)
Net Loss per share - basic and diluted	(0.03)	(0.03)	(0.09)	(0.08)
Weighted average number of basic and diluted common shares	60,214,854	49,084,130	57,513,751	49,084,130
COMPREHENSIVE LOSS:				
Net loss for the period	(1,937,067)	(1,626,094)	(5,041,105)	(3,922,618)
Items which may be subsequently recycled through profit or loss				
Foreign currency translation difference arising on translation of foreign subsidiaries	756,813	1,699,809	232,063	2,051,196
Unrealized gain (loss) on available-for-sale securities	-	(250)	(750)	-
	(1,180,254)	73,465	(4,809,792)	(1,871,422)

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

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Changes in Equity
Expressed in Canadian dollars
(Unaudited - Prepared by Management)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at January 1, 2022	49,084,130	$ 84,252,990	$ 24,033,093	$ 3,178,387	$ 3,888,978	$ (69,325,696)	$ 46,027,752
Net loss	-	-	-	-	-	(3,922,618)	(3,922,618)
Foreign currency translation adjustment	-	-	-	-	2,051,196	-	2,051,196
Issuance of warrants	-	-	-	219,905	-	-	219,905
Expiry of warrants	-	-	431,828	(431,828)	-	-	-
Share-based payments	-	-	163,164	-	-	-	163,164
Balance at September 30, 2022	49,084,130	$ 84,252,990	$ 24,628,085	$ 2,966,464	$ 5,940,174	$ (73,248,314)	$ 44,539,399
Balance at January 1, 2023	56,139,925	$ 86,693,212	$ 25,781,314	$ 4,951,382	$ 5,591,099	$ (74,794,611)	$ 48,222,396
Net loss	-	-	-	-	-	(5,041,105)	(5,041,105)
Unrealized gain (loss) on available for sale securities	-	-	-	-	(750)	-	(750)
Shares issued on the exercise of warrants (note 14)	857,000	737,871	-	(95,821)	-	-	642,050
Issuance of warrants (note 12)	-	-	-	330,087	-	-	330,087
Foreign currency translation adjustment	-	-	-	-	232,063	-	232,063
Expiry of warrants (note 14)	-	-	603,361	(603,361)	-	-	-
Private placement (net of issuance costs) (note 14)	4,822,500	3,352,516	122,504	859,168	-	-	4,334,188
Share-based payments (note 14)	-	-	1,279,817	-	-	-	1,279,817
Balance at September 30, 2023	61,819,425	$ 90,783,599	$ 27,786,996	$ 5,441,455	$ 5,822,412	$ (79,835,716)	$ 49,998,746

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-month period ended September 30
(Unaudited - Prepared by Management)

	2023	2022
	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	(5,041,105)	(3,922,618)
Adjustments and items not involving cash:		
Amortization	71,374	80,938
Amortization recorded in research and development	16,711	61,372
Change in fair value of derivative liability (note 13)	64,227	(118,884)
Financing fee (note 12)	209,349	86,050
Gain on extension of convertible debentures (note 13)	(167,574)	-
Share-based payments (note 14)	1,225,005	163,164
Interest and accretion expense	604,301	192,453
Unrealized foreign exchange (gain) loss	21,879	197,829
	(2,995,833)	(3,259,696)
Change in non-cash operating working capital:		
Receivables	136,511	(251,120)
Prepaid expenses and other	(446,867)	(362,997)
Accounts payable and accrued liabilities	(66,379)	62,603
Cash flow used in operating activities	(3,372,568)	(3,811,210)
CASH FLOWS FROM (USED) IN FINANCING ACTIVITIES		
Interest paid on lease liabilities (note 11)	(4,844)	(11,349)
Repayment of lease liabilities (note 11)	(78,143)	(67,223)
Proceeds from loans payable (note 12)	1,345,005	2,218,395
Issuance of common shares on exercise of warrants (note 14)	642,050	-
Proceeds from the issuance of common shares (net costs) (note 14)	4,334,189	-
Cash flows from (used) in financing activities	6,238,257	2,139,823
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of plant and equipment	(4,017,474)	(552,229)
Additions to other asset	-	(8,986)
Additions to resource properties and related exploration costs	(117,862)	(810,816)
Cash flows used in investing activities	(4,135,336)	(1,372,031)
DECREASE IN CASH	(1,269,647)	(3,043,418)
Foreign exchange impact on cash	172	7,555
CASH, beginning of period	2,261,981	3,331,164
CASH, end of period	992,506	295,301

Supplementary Cash Flow Information (note 17)

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

1. NATURE OF OPERATIONS

Ucore Rare Metals Inc. ("Ucore" or the "Company") is a corporation domiciled in Canada. The address of the Company’s head office is 210 Waterfront Drive, Suite 106, Halifax N.S., B4A 0H3. The Company is focused on rare and critical metal resources, extraction, beneficiation, and separation technologies with the potential for production, growth and scalability. The Company has an effective 100-per-cent ownership stake in the Bokan-Dotson Ridge rare earth element project in southeast Alaska, United States (see note 10). The Company's vision and plan is to become a leading advanced technology company, providing best-in-class metal separation products and services to the mining and mineral extraction industry. To date, the Company has not earned significant revenues and is considered to be a development stage enterprise.

On May 8, 2020, the Company acquired 100% of the issued and outstanding shares of Innovation Metals Corp. (“IMC”), the developer of its proprietary RapidSX™ process for the low-cost separation and purification of rare earth elements (“REEs”), nickel (“Ni”), cobalt (“Co”), lithium (“Li”) and other technology metals, via an accelerated form of solvent extraction. IMC is commercializing this approach for a number of metals, to help enable mining and metal-recycling companies to compete in today’s global marketplace.

2. GOING CONCERN

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

The Company has no sources of revenue, experienced significant losses and negative cash flows from operations in 2023 and 2022 and has a deficit. Without additional financing or other satisfactory arrangements, the Company’s financial resources will not be sufficient to develop its projects and continue the advancement of the Company’s RapidSX™ technology. The ability of the Company to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, expand upon its exploration and development programs, and advance the Company’s RapidSX™ technology is contingent upon securing financing or monetizing assets. The timing and availability of additional financing will be determined largely by market conditions, the results of the Company’s ongoing exploration and development programs, and the advancement of Company’s RapidSX™ technology. There is no certainty that the Company will be able to raise funds as they are required in the future.

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

3. BASIS OF PRESENTATION

Statement of compliance

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

The date the Board of Directors approved the financial statements is November 20, 2023.

Basis of measurement

These condensed interim consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments that have been measured at fair value. All intercompany transactions, balances, and expenses are eliminated on consolidation.

3. BASIS OF PRESENTATION (continued)

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

Use of estimates and judgments

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

The use of estimates and judgments are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2022.

4. ACCOUNTING POLICIES, CHANGES AND RECENT PRONOUNCEMENTS

The accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2022.

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

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or noncurrent depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. These amendments had no impact on the Company's condensed interim consolidated financial statements.

5. CAPITAL MANAGEMENT

The Company's capital as at September 30, 2023 consists of shareholders' equity of $49,998,746 (December 31, 2022 - $48,222,396). The Company's objective when managing capital is to maintain adequate levels of funding to support the advancement of the Company's prospective separation technology, the acquisition and exploration of resources properties, and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity and debt-based financings. Future financings are dependent on market conditions, and there can be no assurance the Company will be able to raise funds in the future.

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

6. RECEIVABLES

	September 30, 2023 ($)	December 31, 2022 ($)
Goods and Service Tax / Harmonized Sales Tax	297,000	264,454
SR&ED tax credit receivable	197,608	169,057
Total	494,608	433,511

For the nine-month period ended September 30, 2023 (Expressed in Canadian dollars)

6. RECEIVABLES (continued)

SR&ED credits are recorded as a cost recovery against research and development and the Company's RapidSX™ Pilot Plant (note 7). During the nine-month period ended September 30, 2023, the Company recorded a cost recovery receivable to research and development and the Company's RapidSX™ Pilot Plant of $Nil (December 31, 2022 - $56,037) and $197,609 (December 31, 2022 - $113,020) respectively.

7. PLANT AND EQUIPMENT

	Office Equipment ($)	Exploration Equipment ($)	Research Equipment ($)	RapidSX™ Pilot Plant[(2)] ($)	Strategic Metals Complex[(3)] ($)	Total ($)
Cost						
Balance, January 1, 2022	256,330	142,746	67,043	-	-	466,119
Additions[(1)]	5,718	-	1,516	2,363,022	-	2,370,256
Balance, December 31, 2022	262,048	142,746	68,559	2,363,022	-	2,836,375
Additions[(1)]	-	-	-	4,035,057	380,593	4,415,650
Balance, September 30, 2023	262,048	142,746	68,559	6,398,079	380,593	7,252,025
Accumulated amortization						
Balance, January 1, 2022	234,129	140,941	18,114	-	-	393,184
Amortization	7,688	108	32,964	-	-	40,760
Balance, December 31, 2022	241,817	141,049	51,078	-	-	433,944
Amortization	4,819	57	16,711	-	-	21,587
Balance, September 30, 2023	246,636	141,106	67,789	-	-	455,531
Net book value						
Balance, December 31, 2022	20,231	1,697	17,481	2,363,022	-	2,402,431
Balance, September 30, 2023	15,412	1,640	770	6,398,079	380,593	6,796,494

(1) Additions to the RapidSX™ Pilot Plant during the nine-month period ended September 30, 2023 were reduced by a SR&ED recovery of $197,608 (December 31, 2022 - $113,020).
(2) Amortization of the RapidSX™ Pilot Plant will commence when the RapidSX™ Pilot Plant is available for use which will occur once it has been commissioned.
(3) Amortization of the Strategic Metals Complex will occur once it has been fully constructed and available for use.

8. RIGHT OF USE ASSET

The Company recognized a right-of-use asset for the lease of the Company's head office located in Bedford, Nova Scotia. The discount rate applied to the lease is 15%.

Cost	($)
Balance, December 31, 2021	416,201
Additions	-
Balance, December 31, 2022	416,201
Additions	-
Balance, September 30, 2023	416,201
Depreciation	
Balance, December 31, 2021	253,650
Charge for the year	88,664
Balance, December 31, 2022	342,314
Charge for the period	66,498
Balance, September 30, 2023	408,812
Net book value	
Balance, December 31, 2022	73,887
Balance, September 30, 2023	7,389

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

For the nine-month period ended September 30, 2023 (Expressed in Canadian dollars)

9. INTELLECTUAL PROPERTY

On May 8, 2020, the Company acquired 100% of the issued and outstanding shares of Innovation Metals Corp. (“IMC”), a company focused on research and development of technologies for the separation of critical metals including rare earth elements, pursuant to the terms and conditions set forth in a share purchase agreement dated April 27, 2020. Management has assessed the acquisition of IMC to be an asset acquisition due to the concentration test. As part of the acquisition, the Company acquired intellectual property with a value of $8,089,154. The following table reconciles the changes attributable to the Company’s intellectual property:

	December 31, 2022 ($)	Additions ($)	Amortization ($)	September 30, 2023 ($)
Intellectual property	8,089,154	-	-	8,089,154

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

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

10. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

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

	December 31, 2022 ($)	Deferred exploration costs ($)	Movement in exchange rates ($)	September 30, 2023 ($)
Bokan Mountain, Alaska	39,673,847	176,496	232,063	40,082,406

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

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

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

11. LEASE LIABILITIES

In February 2012, the Company entered into a five-year operating lease for its head office premises in Halifax, Nova Scotia which began in October 2012. This lease was extended until October 2020 and further extended to October 2023. The Company is required to make monthly lease payments of $9,221 per month until the expiration of the lease. Subsequent to September 30, 2023, the Company further extended the lease until October 31, 2026. The Company’s subsidiary, IMC, entered into a research facility lease in Kingston, Ontario in June 2020 which either party can terminate with 60 days’ notice.

For the nine-month period ended September 30, 2023 (Expressed in Canadian dollars)

11. LEASE LIABILITIES (continued)

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

	September 30, 2023 ($)	December 31, 2022 ($)
Balance, beginning of period	87,250	178,603
Additions	-	-
Lease payments	(82,987)	(110,649)
Finance expense	4,844	19,296
Balance, end of period	9,107	87,250
Current portion	9,107	87,250
Non-current portion	-	-
Balance, end of period	9,107	87,250

12. LOANS PAYABLE

a) Orca Term Loan

On November 29, 2021, the Company renegotiated a term loan in the amount of $1,230,283 ($964,928 USD) with Orca Holdings, LLC ("Orca") a related party, extending the maturity date by 24 months to November 30, 2023 and in conjunction with the extension the Company issued 1,000,000 share purchase warrants to Orca. Each share purchase warrant entitled Orca to acquire one common share of the Company at an exercise price of $1.20 to November 30, 2023. The term loan had an interest rate of 9%.

The amendment was treated as an extinguishment and creation of a new debt instrument as the amendments resulted in a substantive change to the loan agreement. The effective interest rate used to determine the fair value of the amended loan for initial recognition was 15%. The fair value of the warrants was determined to be $403,063 using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate – 0.95%, expected life – 2.00 years, expected annual volatility – 108%, expected dividends – Nil.

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

The amendment was treated as a modification of the remaining principal owing as the modifications to the existing terms did not result in a substantive change in the loan agreement. The remaining portion of the loan that was modified resulted in a gain on modification of $64,609. The fair value of the warrants was determined to be $282,641 using the Black -Scholes option pricing model using the following assumptions: risk-free interest rate – 3.66%, expected life – 1.95 years, expected annual volatility – 79.19%, expected dividends – Nil, expected forfeiture rate – Nil.

b) 2022 Orca LOC

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

The 2022 Orca LOC had an interest rate of 9% annually and any drawdowns are to be made in multiples of $100,000 USD. All amounts owing under the 2022 Orca LOC were repayable on January 20, 2023. In the event that the Company completed an equity financing for net proceeds exceeding $3,000,000 USD the maturity date of the 2022 Orca LOC was to accelerate and be set at the date that is five business days subsequent to the final closing date of the equity financing.

For the nine-month period ended September 30, 2023 (Expressed in Canadian dollars)

12. LOANS PAYABLE (continued)

The fair value of the warrants was determined to be $219,905 using the Black-Scholes option pricing model with the following assumptions: volatility of 59.56%, an expected life of 1 year, risk free rate of 3.30%, and expected dividends – Nil. The fair value of the warrants issued in connection with the 2022 Orca LOC represented a deferred financing fee which was amortized through profit or loss over the term of the 2022 Orca LOC.

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

The amendment was treated as a modification of the remaining principal owing as the modifications to the existing terms did not result in a substantive change in the loan agreement. The remaining portion of the loan that was modified resulted in a gain on modification of $131,983. The fair value of the warrants was determined to be $240,419 using the Black -Scholes option pricing model using the following assumptions: risk-free interest rate – 3.66%, expected life – 1.28 years, expected annual volatility – 65.21%, expected dividends – Nil, expected forfeiture rate – Nil.

c) 2023 Orca LOC

On May 9, 2023, the Company entered into a secured line of credit facility (the “2023 Orca LOC”), with Orca, in the amount of $1,345,005 ($1,000,000 USD) with an interest rate of 10%. An administrative loan origination fee equal to 1.5% of the available 2023 Orca LOC will be paid at maturity. In consideration for granting the 2023 Orca LOC, the Company issued 1,000,000 warrants to Orca. Each warrant entitled Orca to acquire one common share of the Company at an exercise price of $1.20 for a period of one-year ending on May 9, 2024. Any drawdowns are to be made in multiples of $100,000 USD. All amounts owing under the 2023 Orca LOC are repayable by December 31, 2023.

The fair value of the warrants was determined to be $330,087 using the Black-Scholes option pricing model with the following assumptions: volatility of 77.05%, an expected life of 1 year, risk free rate of 3.80%, and expected dividends – Nil. The fair value of the warrants issued in connection with the 2023 Orca LOC represented a deferred financing fee which will be amortized through profit or loss over the term of the 2023 Orca LOC.

The following table summarizes the advances, repayments, loan amendments and amounts owing under the Orca Term Loan, 2022 Orca LOC, and the 2023 Orca LOC:

	2023 Orca LOC ($)	2022 Orca LOC ($)	Orca Term Loan ($)	Total ($)
Balance, December 31, 2021	-	-	1,103,025	1,103,025
Additions	-	2,628,142	-	2,628,142
Repayment	-	(1,153,822)	-	(1,153,822)
Deferred financing fees	-	(240,419)	(282,641)	(523,060)
Loss on loan restructuring	-	(131,983)	(64,609)	(196,592)
Interest and accretion expense	-	86,039	63,819	149,858
Foreign exchange	-	97,445	79,519	176,964
Balance, December 31, 2022	-	1,285,402	899,113	2,184,515
Additions	1,345,005	-	-	1,345,005
Interest and accretion expense	60,949	296,144	131,428	488,521
Foreign exchange	13,475	5,346	3,424	22,245
Balance, September 30, 2023	1,419,429	1,586,892	1,033,965	4,040,286

The loan balance is secured by a first charge on the Company’s assets.

For the nine-month period ended September 30, 2023 (Expressed in Canadian dollars)

13. CONVERTIBLE DEBENTURES

On May 21 and May 29, 2020, the Company issued 1,280 and 1,520 respectively, of convertible debentures, with a face value of $1,000 each for total gross proceeds of $2.8 million. As at September 30, 2023, 1,255 convertible debentures remain outstanding. The convertible debentures bear interest of 7.5% payable semi-annually and the principal amount originally matured on May 31, 2023. On May 31, 2023, the Company exercised an option to extend the term to May 31, 2024. As a result of the election to extend the term the Company paid an extension fee to the debenture holders in an amount equal to six months interest and recorded a gain on the extension of the convertible debentures of $167,574. The debenture holder has the right at any time on or prior to the maturity date to convert all or any portion of the outstanding principal into units of the Company at a conversion price of $1.20 per unit. Each unit is comprised of one common share and one-half of one common share purchase warrant.

Each whole warrant is exercisable by the holder to purchase one common share at an exercise price of $1.80 per common share, exercisable until the maturity date of the debenture. Should the common shares of the Company trade at a closing price of $2.20 per common share or higher on the TSX Venture Exchange for twenty consecutive trading days, the debentures shall automatically convert into units at a conversion price of $1.20 per unit.

In conjunction with the convertible debenture offering, the Company issued 140,000 commitment warrants. Each warrant entitled the holder to acquire one common share at an exercise price of $1.80 per common share prior to May 31, 2022.

For accounting purposes, the debentures represent a hybrid financial instrument, consisting of a host loan obligation, and embedded derivative instruments comprising the conversions, extension and early conversion features of the debenture. The Company accounts for the host loan obligation at amortized cost, accrued to maturity over the term of the debenture. The embedded conversion and extension options are accounted for as a financial liability measured at fair value through profit or loss. The commitment warrants are accounted for as equity.

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

	May 21, 2020 Tranche ($)	May 29, 2020 Tranche ($)
Host liability component at issue	813,114	988,160
Conversion and extension options at issue date	555,086	672,096
Fair value of commitment warrants	202,964	244,550
Loss on initial recognition	291,164	384,806
Net proceeds from issue	1,280,000	1,520,000

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

	May 21, 2020 Tranche ($)	May 29, 2020 Tranche ($)	Total ($)
Balance, December 31, 2021	34,898	996,807	1,031,705
Accretion on discount	4,259	153,313	157,572
Balance, December 31, 2022	39,157	1,150,120	1,189,277
Accretion on discount	(2,721)	121,597	118,876
Gain on extension of convertible debentures	(4,520)	(163,054)	(167,574)
Balance, September 30, 2023	31,916	1,108,663	1,140,579

For the nine-month period ended September 30, 2023 (Expressed in Canadian dollars)

13. CONVERTIBLE DEBENTURES (continued)

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

	May 21, 2020 Tranche ($)	May 29, 2020 Tranche ($)	Total ($)
Balance, December 31, 2021	5,575	194,329	199,904
Fair value adjustment	(186)	(132,306)	(132,492)
Balance, December 31, 2022	5,389	62,023	67,412
Fair value adjustment	(1,705)	65,932	64,227
Balance, September 30, 2023	3,684	127,955	131,639

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

	Trance 1 - May 21, 2020		Trance 2 – May 29, 2020	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Expected volatility	75%	61%	75%	61%
Risk-free interest rate	5.07%	4.41%	5.07%	4.41%
Conversion option term	0.64 years	0.39 years	0.67 years	0.41 years
Credit spread	21.00%	21.00%	21.00%	21.00%
Underlying share price	$0.69	$0.68	$0.69	$0.68

14. SHARE CAPITAL

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

a) Financing

On July 27, 2023, the Company closed the first tranche of a brokered private placement which consisted of 4,409,500 units for gross proceeds of $4,409,500. On July 28, 2023, the Company closed a second tranche of the brokered private placement which consisted of 413,000 units for additional gross proceeds of $413,000. In total the Company raised an aggregate of $4,822,500 from the brokered private placement through the issuance of 4,822,500 units. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $1.25 per common share for a period of 3 years following the date of issuance.

The Company determined that the fair value of the warrants issued in connection with the first tranche was $899,739. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 82.28%, an expected life of 3 years, risk free rate of 4.51%, and a zero expected dividend yield. In connection with the second tranche the Company determined the fair value of the warrants issued was $84,061. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility 82.17%, an expected life of 3 years, risk free rate of 4.43%, and zero expected divided yield.

In connection with the first tranche, the Company paid the agents an aggregate cash fee equal to $192,790, issued 192,790 non-transferable compensation options, and pursuant to an advisory agreement between the parties, the Company also paid an advisory fee of $15,375 and issued 15,375 advisory fee compensation options. In connection with the second tranche, the Company paid an advisory fee of $12,390 and issued 12,390 advisory fee compensation options. Other costs associated with the private placement totalled $267,756 for total costs of $488,311. The following is a summary of the allocation of proceeds and costs between common shares and warrants.

For the nine-month period ended September 30, 2023 (Expressed in Canadian dollars)

14. SHARE CAPITAL (continued)

	Allocation of proceeds			
	Shares ($)	Warrants ($)	Contributed Surplus ($)	Total ($)
Proceeds	3,838,701	983,799	-	4,822,500
Cash costs	(388,673)	(99,638)	-	(488,311)
Compensation options	(97,511)	(24,993)	122,504	-
Closing balance	3,352,517	859,168	122,504	4,334,189

On December 22, 2022, the Company closed a non-brokered private placement which consisted of an aggregate of 7,7055,795 units at a subscription price of $0.65 per unit for aggregate gross proceeds to the Company of $4,586,267. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share at a price of $0.85 per share for a period of 24 months from the date of issuance.

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

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

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

b) Stock Options and Deferred Share Units

For the nine-month period ended September 30, 2023, the Company recognized share-based compensation expense of $1,279,817 (September 30, 2022 - $429,696) for options granted to directors, employees, and consultants of which $54,812 (September 30, 2022 - $Nil) was capitalized to the Company's Pilot Plant. During the nine-month period ended September 30, 2022, the Company recorded a forfeiture recovery to share based compensation expense of $266,532. As a result of the transactions during the nine-month period ended September 30, 2023, $1,225,005 (September 30, 2022 - $163,164) was charged to net loss. Changes in stock options during the nine-month period ended September 30, 2023 and year ended December 31, 2022 are summarized below:

		Period ended September 30, 2023		Year ended December 31, 2022
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Opening balance	3,594,000	1.02	2,329,000	1.81
Granted	1,635,000	1.32	2,325,000	0.85
Expired	(40,000)	2.10	(810,000)	2.65
Forfeited	-	-	(250,000)	1.41
Closing balance	5,189,000	1.11	3,594,000	1.02
Weighted average remaining life		3.64 years		3.95years

For the nine-month period ended September 30, 2023 (Expressed in Canadian dollars)

14. SHARE CAPITAL (continued)

On March 6, 2023, the Company granted 210,000 options to consultants of the Company and on April 11, 2023, the Company granted 1,425,000 options to consultants and employees of the Company. The fair value of options granted during the nine-month period ended September 30, 2023 has been estimated using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model for options granted during the nine-month period ended September 30, 2023 and December 31, 2022, are as follows:

	September 30, 2023 ($)	December 31, 2022 ($)
Risk-free interest rate	3.13%	2.91%
Expected life of each option	3 years	3 years
Expected volatility	87%	101%
Expected dividends	Nil	Nil
Weighted average grant date fair value	$0.76	$0.54
Rate of forfeiture	0.00%	0.00%

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2023:

Exercise price per share ($)	Number of options outstanding	Expiry date	Number of exercisable (vested) options
0.85	2,325,000	August 9, 2027	1,550,000
1.20	120,000	May 17, 2026	120,000
1.20	384,000	November 15, 2024	384,000
1.30	480,000	September 1, 2026	480,000
1.30	20,000	March 26, 2026	20,000
1.30	1,425,000	April 11, 2028	-
1.45	210,000	March 6, 2028	70,000
1.55	40,000	September 23, 2024	40,000
1.65	185,000	May 15, 2025	185,000
	5,189,000		2,849,000
Weighted average remaining life			3.64 years

As at September 30, 2023, there are 55,710 (December 31, 2022 – 55,710) deferred share units outstanding which been fully vested.

c) Compensation Options

In connection with the first tranche of the private placement which closed on July 27, 2023, the Company issued 192,790 compensation options and 15,375 advisory fee compensation options. Each compensation option entitles the holder thereof to purchase units at an exercise price equal to the offering price for a period of 3 years following the date of issuance. The Company determined that the fair value of the 192,790 compensation options and 15,375 advisory fee compensation options issued was $115,635. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 82.28%, an expected life of 3 years, risk free rate of 4.51%, and a zero expected dividend yield.

In connection with the second tranche, the Company issued 12,390 advisory fee compensation options. Each compensation option entitles the holder thereof to purchase units at an exercise price equal to the offering price for a period of 3 years following the date of issuance. The Company determined that the fair value of the 15,375 advisory fee compensation options issued was $6,869. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: volatility of 82.17%, an expected life of 3 years, risk free rate of 4.43%, and a zero expected dividend yield.

The fair value of the compensation options was recorded as share issuance costs. Changes in compensation options during the nine-month period ended September 30, 2023 and year ended December 31, 2022 are summarized below:

For the nine-month period ended September 30, 2023 (Expressed in Canadian dollars)

14. SHARE CAPITAL (continued)

	Number of Compensation options	Period ended September 30, 2023 Weighted average exercise price ($)	Number of compensation options	Year ended December 31, 2022 Weighted average exercise price ($)
Opening balance	-	-	-	-
Granted	220,555	1.00	-	-
Closing balance	220,555	1.00	-	-
Weighted average remaining life		2.82 years		-

The following table summarize information about the compensation options outstanding and exercisable at September 30, 2023:

Exercise price ($)	Expiry date	Number of warrants
1.00	July 27, 2026	208,165
1.00	July 28, 2026	12,390
		220,555
Weighted average remaining life		2.82 years

d) Warrants

Changes in share purchase warrants during the nine-month period ended September 30, 2023 and year ended December 31, 2022 are summarized as follows:

	Period ended September 30, 2023		Year ended December 31, 2022	
	Number of warrants	Weighted average exercise price ($)	Number of warrants	Weighted average exercise price ($)
Opening balance	14,684,075	1.02	5,393,140	1.46
Granted	3,411,250	1.24	11,575,935	0.82
Cancelled	-	-	(2,150,000)	0.96
Exercised	(857,000)	0.65	-	-
Expired	(602,080)	1.80	(135,000)	1.80
Closing balance	16,636,245	1.00	14,684,075	1.02
Weighted average remaining life		1.18 years		1.55 years

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

	September 30, 2023 ($)	December 31, 2022 ($)
Risk-free interest rate	4.30%	3.70%
Expected life	2.41 year	1.75 years
Expected volatility	123%	75%
Expected dividends	Nil	Nil

During the nine-month period ended September 30, 2023, warrants issued in connection with the exercise of the Company's convertible debentures expired unexercised. This resulted in a decrease to warrants and an increase to contributed surplus of $603,361. During the year ended December 31, 2022, warrants from financings completed in 2020 expired unexercised. This resulted in a decrease to warrants and an increase to contributed surplus of $445,928. During the year ended December 31, 2022, the Company amended the terms of the Orca Loan and the Orca Line of Credit and a result of the amendments the Company cancelled 2,150,000 warrants resulting in a decrease to warrants and an increase to contributed surplus of $529,509. The following table summarize information about the warrants outstanding and exercisable at September 30, 2023.

For the nine-month period ended September 30, 2023 (Expressed in Canadian dollars)

14. SHARE CAPITAL (continued)

Exercise price per share ($)	Expiry date	Number of warrants
0.65	December 22, 2024	363,140
0.75	March 31, 2024	1,150,000
0.85	November 30, 2024	1,000,000
0.85	December 22, 2024	7,055,795
1.00	February 8, 2024	306,060
1.20	May 9, 2024	1,000,000
1.25	July 27, 2026	2,204,750
1.25	July 28, 2026	206,500
1.50	February 8, 2024	3,350,000
		16,636,245
Weighted average remaining life		1.18 years

15. RELATED PARTY TRANSACTIONS

Related parties consist of key management personnel, directors, and entities that are associated with the Company as well as significant shareholders, including Orca Holdings, LLC ("Orca") which is owned by Mr. Randy Johnson, a director of the Company. The Company has defined key management personnel as senior executive officers, as well as the Board of Directors. The total remuneration of key management personnel and the Board of Directors was as follows:

	Period ended September 30, 2023 ($)	Period ended September 30, 2022 ($)
Director's fees	164,250	164,250
Share-based payments to directors (stock options)	389,131	141,411
Key management short-term benefits	414,154	366,322
Share-based payments to key management (stock options)	347,973	117,727
	1,315,508	789,710

Key management short-term benefits include all salary, bonuses, and health/dental benefits earned by officers during the period. The Company paid legal fees to Miller Thomson LLP of $353,232 during the nine-month period ended September 30, 2023, compared to $187,396 for the same period in 2022. Mr. Geoff Clarke, a director of the Company, is a partner of that law firm. Payments made by the Company to Miller Thomson LLP are for the various legal services provided to the Company by several lawyers and law clerks at the firm, which includes lawyers and law clerks in multiple provinces and offices across Canada.

For additional related party transactions see note 12.

16. FINANICAL INSTRUMENTS AND RISK MANAGEMENT

Assets and liabilities measured at fair value in the consolidated financial statements are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate fair values. The three levels of fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value hierarchy of assets and liabilities measured at fair value of the consolidated statements of financial position are disclosed in the notes to the financial statements is as follows:

16. FINANICAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	September 30, 2023			December 31, 2022		
Financial assets:	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Marketable securities ($)	750	-	-	1,500	-	-
Financial liabilities:						
Convertible debenture – conversion option ($)	-	(131,639)	-	-	(64,412)	-

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and to continue to fund its exploration and evaluation activities, and advance the Company's RapidSX™ technology. The Company's accounts payable and accrued liabilities are due within six months. Their contractual cash flow is equal to their carrying value. Short term deposits are held in interest bearing instruments that can be converted to cash without penalty at any time and are recorded at fair value.

The following are the contractual maturities of the financial liabilities and other commitments. The table includes undiscounted cash flows of financial liabilities, including lease liabilities and other commitments, interest and principal cash flows based on the earliest date on which the Company is required to pay.

September 30, 2023	Carrying amount ($)	Total contractual cash flows ($)	2023 ($)	2024 ($)	2025 ($)	2026 ($)	2027 ($)	>2027 ($)
Interest- lease liabilities	-	114	114	-	-	-	-	-
Principal repayments – lease liabilities	9,107	9,107	9,107	-	-	-	-	-
Interest – convertible debentures	-	94,382	47,191	47,191	-	-	-	-
Principal – convertible debentures	1,255,000	1,255,000	-	1,255,000	-	-	-	-
Interest – loans payable	-	290,307	147,605	142,702	-	-	-	-
Principal repayments – loans payable	4,229,511	4,229,511	1,357,820	2,871,691	-	-	-	-
	5,493,618	5,878,421	1,561,837	4,316,584	-	-	-	-
Trade and other payables	1,982,555	1,982,555	1,982,555	-	-	-	-	-
	7,476,173	7,860,976	3,544,392	4,316,584	-	-	-	-

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign currency rates, interest rates, and commodity and equity prices.

Foreign Currency Risk

A significant portion of the Company's transactions occur in United States dollars and accordingly, the related financial assets and liabilities are subject to fluctuations in the respective exchange rates. To limit exposure to this risk, cash and short-term investments are primarily held with high quality financial institutions in Canada.

16. FINANICAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company's exposure to US dollar currency risk as measured in Canadian dollars was as follows:

	September 30, 2023 ($)	December 31, 2022 ($)
Cash	7,016	311,897
Other asset	69,520	69,328
Accounts payable	(273,768)	(146,062)
Loans payable	(4,040,286)	(2,184,515)
	(4,237,518)	(1,949,352)

A 10% change in the US dollar exchange rate would affect net and comprehensive loss and deficit by $423,752 (2022 - $194,935).

Interest Rate Risk

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

17. SUPPLEMENTARY CASH FLOW INFORMATION

	September 30, 2023 ($)	September 30, 2022 ($)
Non-cash financing and investing activities:		
Accounts payable and accrued liabilities related to resource properties and related exploration costs	17,607	(98,330)
Accounts receivable related to RapidSX™ Pilot Plant	197,608	-
Accounts payable related to RapidSX™ Pilot Plant	540,971	-
Prepaids related to resource properties and related exploration costs	41,028	(4,431)
Share based payments related to Pilot Plant	54,812	-
Reversal of reserves relating to the expiration of warrants	603,361	431,828
Reversal of reserves relating to the exercise of warrants	95,821	-
Warrants issued in connection with loans payable	330,087	219,905

18. CONTINGENCY

On December 14, 2022, a former employee of IMC filed a civil claim against IMC and Ucore for wrongful dismissal and breach of contract. The claim is derived from an employment relationship between the former employee and IMC and the subsequent termination of this relationship. The Company believes that the action is without merit and intends to fully defend its interest and take all other legal actions available to it. The outcome of this claim cannot be determined at this time and no provision has been made in the condensed interim consolidated financial statements for the nine-month period ended September 30, 2023.

19. SUBSEQUENT EVENT

On November 20, 2023, the Company announced the execution of a $4.28 million Non-Repayable Contribution Agreement with the Government of Canada to demonstrate the Company's RapidSX™ Rare Earth Element Separation Technology Capabilities. The project is to be completed by March 31, 2025, with reporting to be provided to the Government of Canada by the Company every quarter. Claims for eligible expenditures will be submitted quarterly within 60 days of the quarter's end. Total eligible expenditures to be reimbursed further to the funding are budgeted at $4,275,848 out of the total Project Budget of $8,308,441. The eligible expenditures period runs from September 22, 2023 to March 31, 2025.