UCORE RARE METALS INC.

Unaudited Condensed Interim Consolidated Financial Statements

First Quarter
For the Three-Month Period Ended March 31, 2024

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 March 31, 2024, the audited consolidated statement of financial position as at December 31, 2023 and the unaudited condensed interim consolidated statements of comprehensive loss, changes in shareholder's equity and cash flows for the three-month period ended March 31, 2024 and March 31, 2023. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 31, 2024 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

UCORE RARE METALS INC.

Consolidated Statements of Financial Position
Expressed in Canadian dollars

	March 31, 2024	December 31, 2023
	$	$
ASSETS		
Current assets		
Cash	319,459	248,382
Receivables (note 6)	1,740,212	1,761,960
Prepaid expenses and other	351,450	542,439
	2,411,121	2,552,781
Other asset	69,323	67,823
Plant and equipment (note 7)	7,332,280	7,738,771
Right-of-use asset (note 8)	3,030,098	3,127,407
Intellectual property (note 9)	7,939,929	8,074,379
Resource properties and related exploration costs (note 10)	39,639,679	39,060,195
	60,422,430	60,621,356
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	3,513,988	2,688,002
Deferred government assistance (note 11)	339,450	339,450
Lease liabilities (note 12)	106,441	160,362
Convertible debentures (note 14)	1,317,153	1,262,390
	5,277,032	4,450,204
Long-term liabilities		
Convertible debentures (note 14)	2,263,623	-
Loans payable (note 13)	4,448,666	4,120,509
Lease liabilities (note 12)	3,007,173	2,974,475
	14,996,494	11,545,188
Shareholders' equity		
Share capital (note 15)	90,783,599	90,783,599
Contributed surplus (note 15)	29,485,044	28,910,719
Warrants (note 15)	6,757,748	7,037,088
Accumulated other comprehensive income	5,219,574	4,744,820
Deficit	(86,820,029)	(82,400,058)
	45,425,936	49,076,168
	60,422,430	60,621,356

Going concern (note 2)
Contingency (note 19)
Subsequent events (note 20)

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
For the quarters ended March 31
(Unaudited - Prepared by Management)

	2024	2023
	$	$
EXPENSES		
Amortization	234,646	23,791
Investor relations and marketing	110,157	132,534
Office and premises	66,210	55,221
Professional services	414,447	150,402
Salaries and management fees	299,068	312,399
Securities and regulatory	35,073	23,166
Research and development, net (note 6)	2,192,840	71,095
Share-based payments (note 15)	194,904	291,737
Travel	47,202	85,978
	3,594,547	1,146,323
OTHER INCOME (EXPENSES)		
Interest income	-	5,030
Other income (note 8)	132,243	-
Interest and accretion expense	(429,625)	(231,144)
Fair value adjustment of derivative liabilities (note 14)	742,610	(263,263)
Financing fees (note 14)	(91,193)	-
Loss on initial recognition of convertible debentures (note 14)	(1,079,112)	-
Foreign exchange gain (loss)	(100,347)	(4,260)
	(825,424)	(493,637)
NET LOSS	(4,419,971)	(1,639,960)
Net Loss per share - basic and diluted	(0.07)	(0.03)
Weighted average number of basic and diluted common shares	61,819,425	56,139,925
COMPREHENSIVE LOSS:		
Net loss for the period	(4,419,971)	(1,639,960)
Items which may be subsequently recycled through profit or loss		
Foreign currency translation difference arising on translation of foreign subsidiaries	474,754	(13,202)
Unrealized gain on available-for-sale securities	-	(500)
	(3,945,217)	(1,653,662)

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, 2023	56,139,925	$ 86,693,212	$ 25,781,314	$ 4,951,382	$ 5,591,099	$ (74,794,611)	$ 48,222,396
Net loss	-	-	-	-	-	(1,639,960)	(1,639,960)
Unrealized gain (loss) on available for sale securities	-	-	-	-	(500)	-	(500)
Foreign currency translation adjustment	-	-	-	-	(13,202)	-	(13,202)
Share-based payments (note 15)	-	-	302,836	-	-	-	302,836
Balance at March 31, 2023	56,139,925	$ 86,693,212	$ 26,084,150	$ 4,951,382	$ 5,577,397	$ (76,434,571)	$ 46,871,570
Balance at January 1, 2024	61,819,425	$ 90,783,599	$ 28,910,719	$ 7,037,088	$ 4,744,820	$ (82,400,058)	$ 49,076,168
Net loss	-	-	-	-	-	(4,419,971)	(4,419,971)
Issuance of warrants (note 14)	-	-	-	90,930	-	-	90,930
Foreign currency translation adjustment	-	-	-	-	474,754	-	474,754
Expiry of warrants (note 15)	-	-	370,270	(370,270)	-	-	-
Share-based payments (note 15)	-	-	204,055	-	-	-	204,055
Balance at March 31, 2024	61,819,425	$ 90,783,599	$ 29,485,044	$ 6,757,748	$ 5,219,574	$ (86,820,029)	$ 45,425,936

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 quarters ended March 31
(Unaudited - Prepared by Management)

	2024	2023
	$	$
CASH FLOWS FROM (USED) IN OPERATING ACTIVITIES		
Net loss for the period	(4,419,971)	(1,639,960)
Adjustments and items not involving cash:		
Amortization	234,646	23,791
Amortization recorded in research and development	447,809	5,571
Change in fair value of derivative liability (note 14)	(742,610)	263,263
Financing fees (note 14)	91,193	-
Share-based payments (note 15)	194,904	291,737
Share-based payments in research and development (note 15)	9,151	-
Interest and accretion expense	384,758	180,152
Loss on initial recognition of convertible debentures (note 14)	1,079,112	-
Unrealized foreign exchange (gain) loss	91,447	(1,727)
	(2,629,561)	(877,173)
Change in non-cash operating working capital:		
Receivables	21,747	253,387
Prepaid expenses and other	155,518	32,819
Accounts payable and accrued liabilities	2,710,576	84,672
Cash flows from (used) in operating activities	258,280	(506,295)
CASH FLOWS FROM (USED) IN FINANCING ACTIVITIES		
Interest paid on lease liabilities (note 12)	(67,724)	(2,616)
Repayment of lease liabilities (note 12)	(83,863)	(25,047)
Proceeds from convertible debentures (note 14)	1,900,750	-
Cash flows from financing activities	1,749,163	(27,663)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of plant and equipment	(1,930,463)	(1,241,764)
Additions to resource properties and related exploration costs	(7,337)	(123,367)
Cash flows used in investing activities	(1,937,800)	(1,365,131)
INCREASE (DECREASE) IN CASH	69,643	(1,899,089)
Foreign exchange impact on cash	1,434	(15)
CASH, beginning of period	248,382	2,261,981
CASH, end of period	319,459	362,877

Supplementary Cash Flow Information (note 18)

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 with its head office located at 210 Waterfront Drive, Suite 106, Bedford, Nova Scotia, B4A 0H3. The Company is focused on rare and critical metal resources, extraction, beneficiation, and separation technologies, aiming for production growth and scalability. Ucore holds an effective 100-per-cent ownership stake in the Bokan-Dotson Ridge rare earth element project in southeast Alaska, United States (see note 10). On May 8, 2020, Ucore enhanced its technological capabilities by acquiring 100% of the issued and outstanding shares of Innovation Metals Corp. ("IMC"), which developed the proprietary RapidSX™ process for the low-cost separation and purification of rare earth elements ("REEs") and other technology metals. This acquisition is part of the Company's vision to become a leading advanced technology company, providing top-tier metal separation products and services to the mining and mineral extraction industry. IMC is commercializing this technology to support the competitiveness of mining and metal-recycling companies globally. To date, the Company has not earned significant revenues and is considered a development stage enterprise.

2. GOING CONCERN

These condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards 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 2024 and 2023, has negative working capital and has a deficit. Management estimates that the Company may not have sufficient funds to fund all of the Company's planned expenditures in 2024. 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, continue commercialization of the Company's RapidSX™ technology, and construct the Company's Strategic Metals Complex is contingent upon securing financing or monetizing assets. The Company is actively pursuing various financing alternatives including equity and debt financing to increase its liquidity and capital resources. The timing and availability of additional financing will be determined largely by market conditions, and the commercialization of Company's RapidSX™ technology.

Although the Company has historically been successful in obtaining financing in the past, there can be no assurances that the Company will be able to obtain adequate financing in the future or generate future sources of revenue. This represents a material uncertainty that casts substantial doubt on the Company's ability to continue as a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

3. BASIS OF PRESENTATION

Statement of compliance

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

The date the Board of Directors approved these condensed interim financial statements is May 28, 2024.

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, 2023.

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, 2023.

The Company adopted the following accounting standards and amendments to accounting standards effective January 1, 2024:

IAS 1 – Presentation of Financial Statements
In October 2022, the IASB finalized issuance of Classification of Liabilities as Current or Non-Current, which made amendments 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. These amendments had no impact on the Company's condensed interim consolidated financial statements.

5. CAPITAL MANAGEMENT

The Company's capital as at March 31, 2024 consists of shareholders' equity of $45,425,936 (December 31, 2023 - $49,076,168). 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

Scientific Research and Experimental Development Tax Credit ("SR&ED")

SR&ED credits are recorded as a cost recovery against the Company's RapidSX™ Pilot Plant (note 7). During the three-month period ended March 31, 2024, the Company recorded a cost recovery to the Company's RapidSX™ Pilot Plant of $Nil (December 31, 2023 - $270,054).

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

6. RECEIVABLES (continued)

Government assistance

United States Department of Defense ("US DoD")

On June 2, 2023, the Company was awarded a fixed firm-price $4,000,000 USD government grant by the United States Army Contracting Command-Orlando (ACC-ORL or U.S. DoD (Department of Defense)) to conduct a rare earth element separation technology capabilities prototype project at the Company's RapidSX™ commercialization and demonstration facility. The Company receives payments based on milestones, which are divided into fixed tranches and are dependent on the successful completion of specific project stages. During the three-month period ended March 31, 2024, the Company recorded a cost recovery of $340,683 ($251,167 USD) in research and development for completion of the second project stage.

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

On November 1, 2023, the Company executed an agreement with NRC-CMRDD for non-repayable contributions to the Company totaling $4,275,848 out of a total project budget of $8,308,441 for the demonstration of the commercial efficacy of the Company's RapidSX™ rare earth element ("REE") separation technology platform specifically for light REEs. The project is to be completed by March 31, 2025 and the eligible expenditures period runs from September 22, 2023, to March 31, 2025.

The following table is a summary of the Company's amounts receivable at March 31, 2024, and December 31, 2023.

	March 31, 2024 ($)	December 31, 2023 ($)
Goods and Service Tax / Harmonized Sales Tax	235,636	257,384
SR&ED tax credit receivable	240,000	240,000
US DoD	339,450	339,450
NRC-CMRDD	925,126	925,126
Total	1,740,212	1,761,960

Subsequent to March 31, 2024, the Company received the amount receivable from the US DoD and NRC-CMRDD. The amount receivable from the NRC-CMRDD was subject to a holdback of 10%, resulting in a net amount received by the Company of $832,613.

7. PLANT AND EQUIPMENT

	Office Equipment ($)	Exploration Equipment ($)	Research Equipment ($)	RapidSX™ Pilot Plant[(3)] ($)	Construction in Progress [(2)] ($)	Total ($)
Cost						
Balance, January 1, 2023	262,048	142,746	68,559	2,363,022	-	2,836,375
Additions [(1)]	2,403	-	-	4,875,758	531,730	5,409,892
Balance, December 31, 2023	264,451	142,746	68,559	7,238,780	531,730	8,246,266
Additions [(1)]	-	-	-	-	44,205	44,205
Balance, March 31, 2024	264,451	142,746	68,559	7,328,780	575,935	8,290,471
Accumulated amortization						
Balance, January 1, 2023	241,817	141,049	51,078	-	-	433,944
Amortization	6,785	75	17,481	49,210	-	73,551
Balance, December 31, 2023	248,602	141,124	68,559	49,210	-	507,495
Amortization	2,873	13	-	447,810	-	450,696
Balance, March 31, 2024	251,475	141,137	68,559	497,020	-	958,191
Net book value						
Balance, December 31, 2023	15,849	1,622	-	7,189,571	531,730	7,738,771
Balance, March 31, 2024	12,976	1,609	-	6,741,760	575,935	7,332,280

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

7. PLANT AND EQUIPMENT (continued)

(1) Additions to the RapidSX™ Pilot Plant during the year ended December 31, 2023 were reduced by a SR&ED recovery of $270,054.
(2) Construction in progress relates to the Company's Strategic Metals Complex which is being constructed in Alexandria, Louisiana. Amortization will occur once the Strategic Metals Complex has been fully constructed and available for commercial production.
(3) On December 21, 2023, the Company completed the commissioning of its RapidSX™ Pilot Plant, at which point it became available for use.

8. RIGHT OF USE ASSET

The Company recognized a right-of-use asset for the Company's Strategic Metals Complex located in Alexandria, Louisiana, and the Company's head office located in Bedford, Nova Scotia. The following table provides details of the Company's right-of-use assets at March 31, 2024, and December 31, 2023.

	Office	Strategic Metals Complex	Total
Cost	($)	($)	($)
Balance, December 31, 2022	416,201	-	416,201
Additions	299,262	2,844,770	3,144,032
Balance, December 31, 2023	715,463	2,844,770	3,560,233
Additions	-	-	-
Balance, March 31, 2024	715,463	2,844,770	3,560,233
Depreciation			
Balance, December 31, 2022	342,314	-	342,314
Charge for the year	90,512	-	90,512
Balance, December 31, 2023	432,826	-	432,826
Charge for the period	24,938	72,371	97,309
Balance, March 31, 2024	457,764	72,371	530,135
Net book value			
Balance, December 31, 2023	282,637	2,844,770	3,127,407
Balance, March 31, 2024	257,699	2,772,399	3,030,098

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

The Company has entered into a sub-lease agreement for the Company's Strategic Metals Complex facility in Alexandria, Louisiana, effective from January 1, 2024, to May 31, 2024. For the three-month period ended March 31, 2024, the Company recognized other income of $132,243 (March 31, 2023 - $Nil) related to the sub-lease.

9. INTELLECTUAL PROPERTY

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

	December 31, 2023 ($)	Additions ($)	Amortization ($)	March 31, 2024 ($)
Intellectual property	8,074,379	-	134,450	7,939,929

	December 31, 2022 ($)	Additions ($)	Amortization ($)	December 31, 2023 ($)
Intellectual property	8,089,154	-	14,775	8,074,379

Depreciation of the Company's intellectual property is calculated using the straight-line method over the estimated useful life of the Company's intangible assets of 15 years.

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

10. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

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

	December 31, 2023 ($)	Deferred exploration costs ($)	Movement in exchange rates ($)	March 31, 2024 ($)
Bokan Mountain, Alaska	39,060,195	44,865	(534,619)	39,639,679

	December 31, 2022 ($)	Deferred exploration costs ($)	Movement in exchange rates ($)	December 31, 2023 ($)
Bokan Mountain, Alaska	39,673,847	233,016	(846,668)	39,060,195

Bokan Mountain, Alaska

The Company holds the exclusive right to acquire up to a 100% interest in the Bokan Mountain rare earth element property, subject to certain royalties. The Company holds a 100% interest in five separate option agreements to acquire a 100% interest in a parcel of unpatented mineral claims from underlying owners and staked a 100% interest in an additional parcel of prospective ground. The option agreements provide for the Company to acquire a 100% interest in the optioned claims in exchange for total remaining payments of US$90,000. The five vendors will retain Net Smelter Royalties ("NSR") ranging from 2% to 4% on their specific claims. The Company has the right to purchase between 33% and 100% of the NSR for cash payments of US$500,000 to US$1,000,000 per vendor.

11. DEFERRED GOVERNMENT ASSISTANCE

The Company receives payments under the US DoD other transaction agreement based on payment milestones which are divided into fixed tranches and tied to the successful completion of each stage. The Company records amounts related to the payment milestones under the US DoD other transaction agreement initially as a liability and amortizes the liability based on the percentage of incurred expenditures for each milestone. The following table reconciles the changes attributable to the Company's deferred government assistance:

Deferred government assistance (US DoD)	March 31, 2024 ($)	December 31, 2023 ($)
Balance, beginning of period	339,450	-
Additions – achievement of 1st milestone	-	339,450
Amortization	-	-
Balance, end of period	339,450	339,450

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

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

12. LEASE LIABILITIES (continued)

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

	March 31, 2024 ($)	December 31, 2023 ($)
Balance, beginning of period	3,134,837	87,250
Additions	-	3,144,033
Lease payments	(151,587)	(112,386)
Finance expense	67,724	15,940
Foreign exchange	62,640	-
Balance, end of period	3,113,614	3,134,837
Current portion	106,441	160,362
Non-current portion	3,007,173	2,974,475
Balance, end of period	3,113,614	3,134,837

13. LOANS PAYABLE

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

	2023 Orca LOC[(a)] ($)	2022 Orca LOC[(b)] ($)	Orca Term Loan[(c)] ($)	Total ($)
Balance, December 31, 2022	-	1,285,402	899,113	2,184,515
Additions	2,984,517	-	-	2,984,517
Deferred financing fees	-	(616,863)	(639,315)	(1,256,178)
Loss (gain) on loan restructuring	(241,986)	(140,951)	26,714	(356,223)
Interest and accretion expense	106,233	404,751	180,570	691,555
Foreign exchange	(71,636)	(33,985)	(22,055)	(127,677)
Balance, December 31, 2023	2,777,128	898,354	445,027	4,120,509
Interest and accretion expense	104,450	101,268	30,445	236,163
Foreign exchange	61,890	20,126	9,978	91,994
Balance, March 31, 2024	2,943,468	1,019,748	485,450	4,448,666

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

a) 2023 Orca LOC

On May 9, 2023, the Company entered into a secured line of credit facility (the "2023 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. The Company has drawn down the full value during the year. All amounts owing under the 2023 Orca LOC were 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. Given the short term to maturity the cost of the warrants was expensed during the year ended December 31, 2023.

13. LOANS PAYABLE (continued)

On December 22, 2023, the Company amended the 2023 Orca LOC agreement, where by the available principal amount was increased to $2,200,000 USD and the maturity date was extended to January 31, 2026. The incremental amount of $1,200,000 USD was advanced on amendment. A total of 1,000,000 warrants previously issued to Orca in connection with the original 2023 Orca LOC were cancelled concurrently with the execution of the amendment. As consideration for increasing the principal amount available and the extension of the maturity date the Company issued 2,900,000 warrants with each warrant entitling Orca to acquire one common share at an exercise price of $0.89 for a period ending on January 31, 2026. The amended 2023 Orca LOC has an interest rate of 10%. The effective interest rate used to determine the fair value of the amended 2023 Orca LOC for initial recognition was 15%.

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 amendment resulted in a gain on extinguishment of $241,986. The fair value of the warrants was determined to be $1,192,603 using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate – 3.99%, expected life – 2.11 years, expected annual volatility – 71.28%, expected dividends – Nil. The value of the warrants was expensed as a cost of extinguishing the original 2023 Orca LOC agreement.

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.

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 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.

On December 22, 2023, the Company renegotiated the 2022 Orca LOC agreement extending the maturity date to January 31, 2026. 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 the extension of the maturity date the Company issued 1,500,000 warrants with each warrant entitling Orca to acquire one common share of the Company at an exercise price of $0.89 for a period ending on January 31, 2026. The renegotiated 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%.

13. LOANS PAYABLE (continued)

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 $140,960. The fair value of the warrants was determined to be $616,863 using the Black -Scholes option pricing model using the following assumptions: risk-free interest rate – 3.99%, expected life – 2.11 years, expected annual volatility – 71.28%, expected dividends – Nil.

c) Orca Term Loan

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 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 $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.

On December 22, 2023, the Company renegotiated the Orca Term Loan extending the maturity date to January 31, 2027. A total of 1,000,000 previously issued to Orca in connection with the amended Orca Term Loan were cancelled concurrently with the execution of the amendment. As consideration for the extension of the maturity date the Company issued 1,200,000 warrants with each warrant entitling Orca to acquire one common share of the Company at an exercise price of $0.89 for a period ending on January 31, 2027. 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 loss on modification of $26,714. The fair value of the warrants was determined to be $639,315 using the Black -Scholes option pricing model using the following assumptions: risk-free interest rate – 3.78%, expected life – 3.11 years, expected annual volatility – 81.29%, expected dividends – Nil.

14. CONVERTIBLE DEBENTURES

2020 Convertible Debentures

On May 21 and May 29, 2020, the Company issued 1,280 and 1,520 respectively, of convertible debentures, with a face value of $1,000 each for total gross proceeds of $2.8 million. As at March 31, 2024, 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.

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

14. CONVERTIBLE DEBENTURES (continued)

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 were 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, 2022	39,157	1,150,120	1,189,277
Accretion on discount	(1,589)	162,472	160,883
Gain on extension of convertible debentures	(4,520)	(163,054)	(167,574)
Balance, December 31, 2023	33,048	1,149,538	1,182,586
Accretion on discount	1,152	41,582	42,734
Balance, March 31, 2024	34,200	1,191,120	1,225,320

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, 2022	5,389	62,023	67,142
Fair value adjustment	(3,156)	15,548	12,392
Balance, December 31, 2023	2,233	77,571	79,804
Fair value adjustment	336	11,693	12,029
Balance, March 31, 2024	2,569	89,264	91,833

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	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Expected volatility	45%	62%	45%	62%
Risk-free interest rate	4.97%	4.89%	4.97%	4.89%
Conversion option term	0.17 years	0.42 years	0.17 years	0.42 years
Credit spread	21.00%	21.00%	21.00%	21.00%
Underlying share price	$0.75	$0.87	$0.75	$0.87

Subsequent to March 31, 2024, the Company announced its intention to further extend the convertible debentures until January 31, 2026. See note 20 for further details.

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

14. CONVERTIBLE DEBENTURES (continued)

2024 Convertible Debentures

On January 30 and February 9, 2024, the Company issued 1,510 and 480 respectively, of convertible debentures, with a face value of $1,000 each for total gross proceeds of $1,990,000. The convertible debentures bear interest of 7.5% payable semi-annually and mature on January 31, 2026. The debenture holder has the right at any time on or prior to the maturity date to convert all or any portion of the outstanding principal into units of the Company at a conversion price of $0.75 per unit. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable by the holder to purchase one common share at an exercise price of $1.05 per common share, exercisable until the maturity date of the debenture. The Company has the option to extend the maturity date of the convertible debentures by one additional year, at any time during the term. If extended, the Company shall pay a cash extension fee to the holders in the amount of six months of interest. For accounting purposes, the debentures represent a hybrid financial instrument, consisting of a host loan obligation, and embedded derivative instruments comprising the conversion and extension features of the debenture. The Company accounts for the host loan obligation at amortized cost, accrued to maturity over the term of the debenture. The embedded conversion and extension options are accounted for as a financial liability measured at fair value through profit or loss. In connection with the issuance of the convertible debentures the Company paid cash finder's fees of $89,250 and issued 230,999 finder's warrants. The finder's warrants entitle the holder to purchase one common share of the Company at a price of $0.75 for a period of two years from the date of issuance. The Company determined that the fair value of the finder's warrants was $90,930. The fair value of the finder's warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions: volatility 97.19%, an expected life of 2 years, risk free rate of 4.04%, and zero expected divided yield

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

	January 30, 2024 Tranche ($)	February 9, 2024 Tranche ($)
Host liability component at issue	1,157,301	369,730
Conversion and extension options at issue date	1,132,182	409,899
Loss on initial recognition	779,483	299,629
Proceeds from issue	1,510,000	480,000
Cash finder's fees	(67,750)	(21,500)
Net proceeds from issue	1,442,250	458,500

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

	January 30, 2024 Tranche ($)	February 9, 2024 Tranche ($)	Total ($)
Balance on initial recognition	1,157,301	369,730	1,527,031
Deferred financing fees	(57,237)	(31,749)	(88,986)
Accretion on discount	29,585	8,552	38,137
Balance, March 31, 2024	1,129,649	346,533	1,476,182

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

	January 30, 2024 Tranche ($)	February 9, 2024 Tranche ($)	Total ($)
Balance on initial recognition	1,132,182	409,899	1,542,081
Fair value adjustment	(525,210)	(229,430)	(754,640)
Balance, March 31, 2024	606,972	180,469	787,441

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

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

14. CONVERTIBLE DEBENTURES (continued)

	Trance 1 – January 30, 2024		Trance 2 – February 9, 2024	
	March 31, 2024	January 30, 2024	March 31, 2024	February 9, 2024
Expected volatility	69%	70%	69%	70%
Risk-free interest rate	4.13%	4.42%	4.13%	4.12%
Conversion option term	1.85 years	2.01 years	1.85 years	1.98 years
Credit spread	20.00%	21.00%	20.00%	21.00%
Underlying share price	$0.75	$0.81	$0.75	$0.88

15. 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.

	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	-
Total	3,352,517	859,168	122,504	4,334,189

b) Stock Options

For the period ended March 31, 2024, the Company recognized share-based compensation of $204,055 (March 31, 2023 - $302,836) for options granted to directors, employees, and consultants of which $9,151 was record in research in development for the three months ended March 31, 2024 and $11,099 was capitalized to the Company's Pilot Plant for the three months ended March 31, 2023. As a result of the transactions during the period ended March 31, 2024, $194,904 (March 31, 2023- $291,737) was charged to net loss.

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

15. SHARE CAPITAL (continued)

Changes in stock options during the period ended March 31, 2024 and year ended December 31, 2023 are summarized below:

		Period ended March 31, 2024		Year ended December 31, 2023
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Opening balance	5,189,000	1.11	3,594,000	1.02
Granted	-	-	1,635,000	1.32
Expired	-	-	(40,000)	2.10
Closing balance	5,189,000	1.11	5,189,000	1.11
Weighted average remaining life		3.14 years		3.39 years

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 year ended December 31, 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 year ended December 31, 2023 were as follows:

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

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2024:

Exercise price per share ($)	Number of options outstanding	Expiry date	Number of exercisable (vested) options
0.85	2,325,000	August 9, 2027	2,325,000
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	475,000
1.45	210,000	March 6, 2028	140,000
1.55	40,000	September 23, 2024	40,000
1.65	185,000	May 15, 2025	185,000
	5,189,000		4,169,000
Weighted average remaining life			3.14 years

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.

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

15. SHARE CAPITAL (continued)

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 period ended March 31, 2024 and year ended December 31, 2023 are summarized below:

		Period ended March 31, 2024		Year ended December 31, 2023
	Number of Compensation options	Weighted average exercise price ($)	Number of compensation options	Weighted average exercise price ($)
Opening balance	220,555	1.00	-	-
Granted	-	-	220,555	1.00
Closing balance	220,555	1.00	220,555	1.00
Weighted average remaining life		2.32 years		2.57 years

The following table summarizes information about the compensation options outstanding and exercisable at March 31, 2024:

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		2.32 years

d) Warrants

Changes in share purchase warrants during the period ended March 31, 2024 and year ended December 31, 2023 are summarized as follows:

		Period ended March 31, 2024		Year ended December 31, 2023
	Number of warrants	Weighted average exercise price ($)	Number of warrants	Weighted average exercise price ($)
Opening balance	19,086,245	1.02	14,684,075	1.02
Granted	230,999	0.75	9,011,250	1.02
Cancelled	-	-	(3,150,000)	0.92
Exercised	-	-	(857,000)	0.75
Expired	(3,656,060)	1.46	(602,080)	1.80
Closing balance	15,661,184	0.92	19,086,245	1.02
Weighted average remaining life		1.46 years		1.40 years

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

15. SHARE CAPITAL (continued)

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.

	March 31, 2024 ($)	December 31, 2023 ($)
Risk-free interest rate	4.04%	4.08%
Expected life	2.00 year	2.36 years
Expected volatility	97%	92%
Expected dividends	Nil	Nil

During the period ended March 31, 2024, warrants from financings completed in 2021 expired unexercised. This resulted in a decrease to warrants and an increase to contributed surplus of $370,270. During the year ended December 31, 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 years ended December 31, 2023, the Company amended the terms of the Orca Loan and the Orca Line of Credit agreements and as a result of the amendments the Company cancelled 3,150,000 warrants resulting in a decrease to warrants and an increase to contributed surplus of $853,147.

The following table summarize information about the warrants outstanding and exercisable at March 31, 2024:

Exercise price per share ($)	Expiry date	Number of warrants
0.65	December 22, 2024	363,140
0.75	January 31, 2026	6,999
0.75	February 9, 2026	224,000
0.85	December 22, 2024	7,055,795
0.89	January 31, 2026	4,400,000
0.89	January 31, 2027	1,200,000
1.25	July 27, 2026	2,204,750
1.25	July 28, 2026	206,500
		15,661,184
Weighted average remaining life		1.46 years

e) Deferred Share Units

During the period ended March 31, 2024 and the year ended December 31, 2023 no deferred share units were issued. As at March 31, 2024, 55,710 (December 31, 2023 – 55,710) deferred share units are outstanding which are fully vested.

16. 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 March 31, 2024 ($)	Period ended March 31, 2023 ($)
Director's fees	54,750	54,750
Share-based payments to directors (stock options)	56,147	101,839
Key management short-term benefits	133,769	126,962
Share-based payments to key management (stock options)	51,821	87,021
	296,487	370,572

For the three-month period ended March 31, 2024 (Expressed in Canadian dollars)

16. RELATED PARTY TRANSACTIONS (continued)

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 $166,813 during the three-month period ended March 31, 2024, compared to $22,125 for the same period in 2023. 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 13 and 20.

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

17. 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:

	March 31, 2024			December 31, 2023		
Financial liabilities:	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Convertible debenture – conversion option ($)	-	(879,274)	-	-	(79,804)	-

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.

March 31, 2024	Carrying amount ($)	Total contractual cash flows ($)	2024 ($)	2025 ($)	2026 ($)	2027 ($)	2028 ($)	>2028 ($)
Interest- lease liabilities	-	1,475,535	196,348	248,105	225,169	198,029	174,009	433,875
Principal repayments – lease liabilities	3,113,861	3,113,861	80,648	119,831	307,291	289,400	313,421	2,003,270
Interest – convertible debentures	-	347,326	184,582	150,477	12,267	-	-	-
Principal – convertible debentures	3,245,000	3,245,000	1,255,000	-	1,990,000	-	-	-
Interest – loans payable	-	1,132,344	415,129	553,506	153,910	9,799	-	-
Principal repayments – loans payable	7,156,054	7,156,054	-	-	5,849,571	1,306,483	-	-
Trade and other payables	3,513,988	3,513,988	3,513,988	-	-	-	-	-
	17,028,903	19,984,108	5,645,695	1,071,919	8,538,208	1,803,711	487,430	2,437,145

17. FINANICAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market Risk

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

Foreign Currency Risk

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

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

	March 31, 2024 ($)	December 31, 2023 ($)
Cash	113,834	138,270
Other asset	69,232	67,823
Accounts payable	(284,802)	(337,352)
Loans payable	(4,448,666)	(4,120,509)
Lease liability	(2,843,565)	(2,844,771)
	(7,393,875)	(7,096,539)

A 10% change in the US dollar exchange rate would affect net and comprehensive loss and deficit by $739,388 (2023 - $709,654).

Interest Rate Risk

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

Commodity risk

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

Equity price risk

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

18. SUPPLEMENTARY CASH FLOW INFORMATION

	March 31, 2024 ($)	March 31, 2023 ($)
Non-cash financing and investing activities:		
Accounts payable and accrued liabilities related to resource properties and related exploration costs	(1,669)	(18,065)
Accounts receivable related to RapidSX™ Pilot Plant	-	191,304
Accounts payable related to RapidSX™ Pilot Plant	(1,886,259)	404,461
Prepaids related to resource properties and related exploration costs	35,471	(37,255)
Share based payments related to RapidSX™ Pilot Plant	-	11,099

19. 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 consolidated financial statements for the period ended March 31, 2024.

20. SUBSEQUENT EVENTS

a) Convertible Debenture Extension

On April 26, 2024, the Company announced amendments to certain previously-issued convertible debentures with a current maturity date of May 31, 2024. The Company intends to extend the maturity date of the its previously issued convertible debentures to January 31, 2026. Further, the Company intends to incorporate the following amended conversion features. At any time during the term of the 2020 convertible debentures, a holder may elect to convert the outstanding net principal amount, or any portion thereof, into units at a conversion price of $0.90 per unit. Each unit shall consist of one common share of the Company and one-half of a warrant with each whole warrant entitling the holder to acquire a common share at an exercise price of $1.30 for a period ending on the maturity date. In consideration for the extension and amendments, the Company will pay a restructuring fee equal to six months of interest. The other terms of the 2020 convertible debentures will remain unchanged.

b) Loan Amendments

On April 26, 2024, the Company announced amendments to the 2023 Orca LOC and the 2022 Orca LOC with Orca. The Company and Orca have agreed to further amend their debt arrangements regarding the 2022 Orca LOC and the 2023 Orca LOC, and have entered into amending agreements in connection with these amendments. The Company and Orca have agreed to: increase the credit limit under the 2023 Orca LOC from $2.2 million USD to $3.2 million USD; and amend the interest payment terms of both the 2022 Orca LOC and the 2023 Orca LOC in accordance with the following:

(a) whereas interest was previously payable on maturity, interest will now be payable quarterly, unless the Company would have less than $2.0 million in cash after such interest payment; and

(b) in the event that the Company would have less than $2.0 million in cash after a quarterly interest payment:

- the interest will not be payable at that time,
- interest will compound on unpaid interest at the rate outlined in the applicable debt agreements between the parties (as amended), and
- unpaid interest will be added to the next quarterly interest payment.

In consideration for the above-stated amendments to the 2023 Orca LOC the Company has agreed to issue 1,300,000 additional warrants to Orca, with each warrant entitling Orca to acquire one common share at an exercise price of $0.75 per share until January 31, 2026. The warrants will contain a condition precedent to their exercise such that no warrants shall be exercisable if such exercise would cause Orca's ownership of the Company's, as calculated on a partially diluted basis, to exceed 19.99% of the aggregate of the issued and outstanding shares in the capital of the Company.