UCORE RARE METALS INC.

Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ucore Rare Metals Inc.

Opinion

We have audited the consolidated financial statements of Ucore Rare Metals Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

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

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the financial statements, which indicates that Entity has experienced significant losses and negative cash flows from operations in 2023 and 2022 and does not have sufficient capital to fund all of the Entity's planned expenditures in 2024 without additional financing.

As stated in note 2 in the financial statements, these events or conditions, along with other matters as set forth in note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "***Material Uncertainty related to Going Concern***" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of impairment indicators for resource properties and related exploration costs

Description of the matter

We draw attention to Notes 3, 4(e)(ii) and 10 to the financial statements. The Entity has resource properties and related exploration costs of $39,060,195. At the end of each reporting period, the Entity assess its exploration and evaluation assets to determine whether any indication of impairment exists. Judgement is required in determining whether indicators of impairment exist, including factors such as expiration of rights to explore with no right or expectation of renewal, substantive expenditure on further exploration and evaluation in the specific area is neither budgeted nor planned or the Entity has decided to discontinue such activities in the specific area, no commercially viable quantities are discovered and exploration and evaluation activities will be discontinued, or sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale (the "Factors").

Why the matter is a key audit matter

We identified the evaluation of impairment indicators for resource properties and related exploration costs as a key audit matter. This matter represented an area of higher assessed risk of material misstatement given the magnitude of the resource properties and related exploration costs. This matter was of most significance due to the difficulties in evaluating the results of our audit procedures to assess the Entity's determination of whether the Factors, individually and in the aggregate, resulted in indicators of impairment for resource properties and related exploration costs.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following: We assessed that the Entity's evaluation of potential impairment indicators was consistent with:

- Information included in Entity's press releases
- Inspecting publicly available information for changes in the price of applicable minerals
- Evidence obtained from reading the results of exploration activities and changes to estimates of mineral reserves and resources
- Information obtained from reading internal communications to management and the Board of Directors

We assessed expiration of rights to explore with no right or expectation of renewal by discussing with management if any rights were not expected to be renewed and by inspecting government registries.

We assessed substantive expenditure on further exploration and evaluation in the specific area is neither budgeted nor planned or the entity has decided to discontinue such activities in the specific area by inspecting budgeted expenditures, available cash flow to meet these budgeted expenditures, and discussion with management on the Entity's plans. We evaluated the Entity's ability to accurately budget expenditures by comparing the prior year budgeted expenditures to expenditures in the current year.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Carey Blair.

Halifax, Canada

April 29, 2024

UCORE RARE METALS INC.

Consolidated Statements of Financial Position
Expressed in Canadian dollars

	December 31, 2023	December 31, 2022
	$	$
ASSETS		
Current assets		
Cash	248,382	2,261,981
Marketable securities	-	1,500
Receivables (note 6)	1,761,960	433,511
Prepaid expenses and other	542,439	235,568
	2,552,781	2,932,560
Other asset	67,823	69,328
Plant and equipment (note 7)	7,738,771	2,402,431
Right-of-use asset (note 8)	3,127,407	73,887
Intellectual property (note 9)	8,074,379	8,089,154
Resource properties and related exploration costs (note 10)	39,060,195	39,673,847
	60,621,356	53,241,207
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	2,688,002	1,490,357
Deferred government assistance (note 11)	339,450	-
Lease liability (note 12)	160,362	87,250
Convertible debentures (note 14)	1,262,390	1,256,689
	4,450,204	2,834,296
Long-term liabilities		
Loans payable (note 13)	4,120,509	2,184,515
Lease liability (note 12)	2,974,475	-
	11,545,188	5,018,811
Shareholders' equity		
Share capital (note 15)	90,783,599	86,693,212
Contributed surplus (note 15)	28,910,719	25,781,314
Warrants (note 15)	7,037,088	4,951,382
Accumulated other comprehensive income	4,744,820	5,591,099
Deficit	(82,400,058)	(74,794,611)
	49,076,168	48,222,396
	60,621,356	53,241,207

Going concern (note 2)
Contingency (note 20)
Subsequent events (note 21)

Approved on behalf of the Board of Directors

(s) Patrick Ryan
Patrick Ryan, CEO and Director

(s) Geoff Clarke
Geoff Clarke, Director

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

UCORE RARE METALS INC.

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

	2023	2022
	$	$
EXPENSES		
Amortization	112,148	96,460
Investor relations and marketing	579,973	244,939
Office and premises	251,248	219,011
Professional services	1,270,257	709,469
Salaries and management fees	1,284,372	1,524,387
Securities and regulatory	109,908	117,664
Research and development, net (note 6)	132,217	1,055,009
Share-based payments (note 15)	1,483,593	747,316
Travel	325,210	134,023
	5,548,926	4,848,278
OTHER INCOME (EXPENSES)		
Interest income	13,955	3,295
Interest and accretion expense	(1,116,996)	(533,673)
Gain (loss) on debt restructuring (note 13)	(841,011)	196,591
Fair value adjustment of derivative liabilities (note 14)	(12,392)	132,492
Financing fee (note 13)	(333,395)	(219,905)
Gain on extension of convertible debentures (note 14)	167,574	-
Loss on the sale of securities	(1,000)	-
Foreign exchange gain (loss)	66,744	(199,437)
	(2,056,521)	(620,637)
NET LOSS	(7,605,447)	(5,468,915)
Net Loss per share - basic and diluted	(0.13)	(0.11)
Weighted average number of basic and diluted common shares	58,599,017	49,258,109
COMPREHENSIVE LOSS:		
Net loss for the year	(7,605,447)	(5,468,915)
Items which may be subsequently recycled through profit or loss		
Foreign currency translation difference arising on translation of foreign subsidiaries	(846,279)	1,701,621
Unrealized gain on available-for-sale securities	-	500
	(8,451,726)	(3,766,794)

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

UCORE RARE METALS INC.

Consolidated Statements of Changes in Equity
Expressed in Canadian dollars

	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	-	-	-	-	-	(5,468,915)	(5,468,915)
Unrealized gain (loss) on available for sale securities	-	-	-	-	500	-	500
Foreign currency translation adjustment	-	-	-	-	1,701,621	-	1,701,621
Issuance of warrants	-	-	-	742,965	-	-	742,965
Cancellation of warrants	-	-	529,509	(529,509)	-	-	-
Expiry of warrants	-	-	445,928	(445,928)	-	-	-
Private placement (net of issuance costs)	7,055,795	2,440,222	-	2,005,467	-	-	4,445,689
Share-based payments	-	-	772,784	-	-	-	772,784
Balance at December 31, 2022	56,139,925	$ 86,693,212	$ 25,781,314	$ 4,951,382	$ 5,591,099	$ (74,794,611)	$ 48,222,396
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	-	-	-	-	-	(7,605,447)	(7,605,447)
Shares issued on the exercise of warrants (note 15)	857,000	737,871	-	(95,821)	-	-	642,050
Issuance of warrants (note 13)	-	-	-	2,778,867	-	-	2,778,867
Foreign currency translation adjustment	-	-	-	-	(846,279)	-	(846,279)
Cancellation of warrants (note 13)	-	-	853,147	(853,147)	-	-	-
Expiry of warrants (note 15)	-	-	603,361	(603,361)	-	-	-
Private placement (net of issuance costs) (note 15)	4,822,500	3,352,516	122,504	859,168	-	-	4,334,188
Share-based payments (note 15)	-	-	1,550,393	-	-	-	1,550,393
Balance at December 31, 2023	61,819,425	$ 90,783,599	$ 28,910,719	$ 7,037,088	$ 4,744,820	$ (82,400,058)	$ 49,076,168

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

UCORE RARE METALS INC.

Consolidated Statements of Cash Flows
Expressed in Canadian dollars
For the years ended December 31

	2023	2022
	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	(7,605,447)	(5,468,915)
Adjustments and items not involving cash:		
Amortization	112,148	96,460
Amortization recorded in research and development	66,692	32,965
Change in fair value of derivative liability (note 14)	12,392	(132,492)
Gain (loss) on debt restructuring (note 13)	841,011	(196,591)
Financing fee (note 13)	333,395	219,905
Gain on extension of convertible debentures (note 14)	(167,574)	-
Share-based payments (note 15)	1,483,593	747,316
Interest and accretion expense	860,439	318,779
Realized loss on available-for-sale securities	1,000	-
Unrealized foreign exchange (gain) loss	(125,961)	167,758
	(4,188,312)	(4,214,815)
Change in non-cash operating working capital:		
Receivables	63,108	(27,821)
Prepaid expenses and other	(306,695)	(5,235)
Accounts payable and accrued liabilities	115,855	(216,949)
Deferred government assistance (note 11)	339,450	-
Cash flow used in operating activities	(3,976,594)	(4,464,820)
CASH FLOWS FROM (USED) IN FINANCING ACTIVITIES		
Interest paid on lease liabilities (note 12)	(15,941)	(11,349)
Repayment of lease liabilities (note 12)	(96,446)	(91,353)
Proceeds from loans payable (note 13)	2,984,517	2,628,142
Repayment of loans payable (note 13)	-	(1,153,822)
Issuance of common shares on exercise of warrants (note 15)	642,050	-
Proceeds from the issuance of common shares (net costs) (note 15)	4,334,189	4,445,689
Cash flows from financing activities	7,848,369	5,817,307
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of plant and equipment	(5,651,188)	(1,655,007)
Proceeds from the sale of securities	500	-
Additions to other asset	-	(8,986)
Additions to resource properties and related exploration costs	(234,861)	(762,533)
Cash flows used in investing activities	(5,885,549)	(2,426,526)
DECREASE IN CASH	(2,013,774)	(1,074,039)
Foreign exchange impact on cash	175	4,856
CASH, beginning of year	2,261,981	3,331,164
CASH, end of year	248,382	2,261,981

Supplementary Cash Flow Information (note 19)

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

1. NATURE OF OPERATIONS

Ucore Rare Metals Inc. ('Ucore' or the 'Company') is a corporation domiciled in Canada with its head office located at 210 Waterfront Drive, Suite 106, Bedford, Nova Scotia, B4A 0H3. The Company is focused on rare and critical metal resources, extraction, beneficiation, and separation technologies, aiming for production growth and scalability. Ucore holds an effective 100-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 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 2023 and 2022, 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. On February 9, 2024, subsequent to year end, the Company closed the second and final tranche of a convertible debenture offering for gross proceeds of $1,990,000. See note 21 for further details. 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 consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”).

The date the Board of Directors approved the consolidated financial statements for issuance is April 29, 2024.

3. BASIS OF PRESENTATION (continued)

Basis of measurement

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

Functional currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of Ucore Rare Metals Inc. The following wholly-owned subsidiaries have a U.S. dollar ("USD") functional currency: Ucore North America, LLC, Landmark Alaska Limited Partnership, Rare Earth One LLC, Mineral Solutions LLC, Landmark Minerals US Inc., and Ucore Rare Metals (US) Inc. All other subsidiaries have a Canadian dollar functional currency.

Critical judgments and estimates

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

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

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual development and exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See note 2 for more information.

Impairment assessment of intellectual property

During the year ended December 31, 2022, intellectual property, an intangible asset that was not available for use at that time was tested for impairment by comparing the carrying amount of the cash generating unit ("CGU") to its recoverable amount, which was determined based on the higher of the value in use and fair value less costs of disposal ("FVLCOD"). The Company applies judgment when determining the most appropriate method to estimate FVLCOD. During the year ended December 31, 2022, FVLCOD was determined based on a reproduction cost method which requires the Company to estimate key inputs and assumptions including cost estimates and inflation factors. During the year ended December 31, 2023, intellectual property became available for use, and consequently, no impairment assessment was required.

Recoverability of exploration and evaluation assets

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

3. BASIS OF PRESENTATION (continued)

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the greater of the fair value less cost of disposal and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital expenditures, exploration potential and operating costs. Fair value of exploration and evaluation assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participation may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risk to the asset.

If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through comparison to similar market assets and, where available, industry benchmarks.

4. MATERIAL ACCOUNTING POLICIES

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

(a) Consolidation:

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

(i) Subsidiaries

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the parent company.

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

(ii) Transactions eliminated on consolidation

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

(b) Resource properties and related exploration costs:

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

4. MATERIAL ACCOUNTING POLICIES (continued)

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

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

(c) Foreign currency translation:

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

(d) Financial instruments:

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

4. MATERIAL ACCOUNTING POLICIES (continued)

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

Type	Classification	Measurement
Cash	Financial Assets	Amortized cost
Marketable securities	Financial Assets	Fair value
Receivables	Financial Assets	Amortized cost
Accounts payable and accrued liabilities	Financial Liabilities	Amortized cost
Loans payable	Financial Liabilities	Amortized cost
Convertible debenture - host debt	Financial Liabilities	Amortized cost
Convertible debenture - conversion option	Financial Liabilities	Fair value

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

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

(e) Impairment:

(i) Financial assets

The Company recognizes an allowance for expected credit losses ("ECL") for all financial assets not held at fair value through profit and loss. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all of the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale, collateral held and other credit enhancements that are integral to the contractual terms.

(ii) Non-financial assets

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

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

4. MATERIAL ACCOUNTING POLICIES (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

Resource properties are tested for impairment when development of the property commences or whenever facts and circumstances indicate impairment. Such circumstances would include expiration of rights to explore with no right or expectation of renewal, substantive expenditure on further exploration and evaluation in the specific area is neither budgeted nor planned or the entity has decided to discontinue such activities in the specific area, no commercially viable quantities are discovered and exploration and evaluation activities will be discontinued, or sufficient data exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. An impairment loss is recognized for the amount by which the resource assets' carrying amount exceeds its recoverable amount. Where the assets are not associated with a specific cash generating unit, the recoverable amount is assessed using fair value less costs to sell for the specific assets.

(f) Income taxes:

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

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

(g) Share-based compensation:

The Company has a share-based compensation plan which is described in note 15. Awards of options to employees and others providing similar services under this plan are expensed based on the estimated fair value of the options or deferred share units at the grant date, with a corresponding credit to contributed surplus in shareholders' equity. Fair value is measured using the Black-Scholes pricing model. If the options and deferred share units are subject to vesting periods, the compensation cost is recognized over this period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Consideration paid by employees on the exercise of stock options is credited to share capital together with the amounts originally recorded as share-based compensation in contributed surplus related to the exercised options.

4. MATERIAL ACCOUNTING POLICIES (continued)

(h) Loss per share:

The calculation of basic loss per common share is based on net loss divided by the weighted average number of common shares outstanding during the period. The Company follows the treasury stock method of calculating diluted per share amounts. Since the Company has a net loss for all years being presented, the effect of the exercise of options and warrants has not been included in the calculation as it would be anti-dilutive.

(i) Plant and equipment:

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

Asset	Basis	Rate
Office equipment	Declining balance	30%
Exploration equipment	Declining balance	30%
Research equipment	Straight line	2 Years
RapidSX™ Pilot Plant	Straight line	4 Years

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

(j) Leases:

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES (continued)

The carrying amount of the Company's right-of-use assets is amortized on a straight-line basis over the life of the lease. The annual depreciation rates and remaining lease terms at December 31, 2023, for the Company's right-of-use assets are as follows:

Right-of-use asset	Basis	Remaining term
Office	Term of lease	2.84 years
Building	Term of lease	10 years

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

(k) Government assistance:

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

(l) Research and development:

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss (research expenses, net) as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

(m) Intangible assets:

Intangible assets acquired individually or with a group of other assets from others (other than in a business combination) are recognized at cost, including transaction costs, and allocated to the individual assets acquired based on relative fair values and no goodwill is recognized. Cost is measured based on cash consideration paid. If consideration given is in the form of non-cash assets, liabilities incurred, or equity interests issued, measurement of cost is based on either the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and more reliably measurable. Costs of internally developing, maintaining or restoring intangible assets that are not specifically identifiable, have indeterminate lives or are inherent in a continuing business are expensed as incurred.

4. MATERIAL ACCOUNTING POLICIES (continued)

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

If an income approach is used to measure the fair value of an intangible asset, the Company considers the period of expected cash flows used to measure the fair value of the intangible asset, adjusted as appropriate for Company-specific factors discussed above, to determine the useful life for amortization purposes. If no regulatory, contractual, competitive, economic or other factors limit the useful life of the intangible to the Company, the useful life is considered indefinite.

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

Intangible asset	Basis	Term
Intellectual property	Straight line	15 years

(n) Warrants:

From time to time the Company issues warrants in conjunction with share capital. Proceeds are allocated between share capital and warrants based on the relative fair value of each instrument. The fair value of the warrants is estimated using an appropriate option pricing model, as outlined in note 15.

Change in Accounting Policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2023. These changes were made in accordance with the applicable transitional provisions.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
On February 12, 2021, the IASB issued Amendments to IAS 8 to provide guidance to assist entities in distinguishing between accounting policies and accounting estimates. The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of this amendment did not have a material impact on the Company.

Other accounting standard issued but not yet effective

The following new and amended standard is not expected to have a significant impact on the Company's financial statements.

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. The application of the amendment has been made on a prospective basis and did not have an impact on the Corporation.

(Expressed in Canadian dollars, except where otherwise indicated)

4. MATERIAL ACCOUNTING POLICIES (continued)

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Company anticipates that the application of these amendments will not have a material effect on the Consolidation Financial Statements.

5. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity of $49,076,168 (2022 - $48,222,396). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties, the advancement of the Company's prospective separation technology, and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financings.

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

The Company invests all capital that is surplus to its immediate operational needs in a high interest savings account. There were no changes to the Company's approach to capital management during the year.

6. RECEIVABLES

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

SR&ED credits are recorded as a cost recovery against research and development and the Company's RapidSX™ Pilot Plant (note 7). During the year ended December 31, 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 $270,054 (December 31, 2022 - $113,020) respectively.

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.

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 December 31, 2023, and December 31, 2022.

	December 31, 2023 ($)	December 31, 2022 ($)
Goods and Service Tax / Harmonized Sales Tax	257,384	264,454
SR&ED tax credit receivable	240,000	169,057
US DoD	339,450	-
NRC-CMRDD	925,126	-
Total	1,761,960	433,511

(Expressed in Canadian dollars, except where otherwise indicated)

7. PLANT AND EQUIPMENT

	Office Equipment ($)	Exploration Equipment ($)	Research Equipment ($)	RapidSX™ Pilot Plant[3] ($)	Construction in Progress [2] ($)	Total ($)
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]	2,403	-	-	4,875,758	531,730	5,409,892
Balance, December 31, 2023	264,451	142,746	68,559	7,328,780	531,730	8,246,266
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	6,785	75	17,481	49,210	-	73,551
Balance, December 31, 2023	248,602	141,124	68,559	49,210	-	507,495
Net book value						
Balance, December 31, 2022	20,231	1,697	17,481	2,363,022	-	2,402,431
Balance, December 31, 2023	15,849	1,622	-	7,189,571	531,730	7,738,771

(1) Additions to the RapidSX™ Pilot Plant during the year ended December 31, 2023 were reduced by a SR&ED recovery of $270,054 (December 31, 2022 - $113,020).

(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 December 31, 2023, and December 31, 2022.

	Office	Strategic Metals Complex	Total
Cost	($)	($)	($)
Balance, December 31, 2021	416,201	-	416,201
Additions	-	-	-
Balance, December 31, 2022	416,201	-	416,201
Additions	299,262	2,844,770	3,144,032
Balance, December 31, 2023	715,763	2,844,770	3,560,233
Depreciation			
Balance, December 31, 2021	253,650	-	253,650
Charge for the year	88,664	-	88,664
Balance, December 31, 2022	342,314	-	342,314
Charge for the year	90,512	-	90,512
Balance, December 31, 2023	432,826	-	432,826
Net book value			
Balance, December 31, 2022	73,887	-	73,887
Balance, December 31, 2023	282,637	2,844,770	3,127,407

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

(Expressed in Canadian dollars,
except where otherwise indicated)

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

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

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 ($)	December 31, 2023 ($)
Bokan Mountain, Alaska	39,673,847	233,016	(846,668)	39,060,195

	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

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. DEFFERED 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. A reconciliation of the carrying amount of the deferred government assistance as at December 31, 2023, and changes during the year then ended is as follows:

Deferred government assistance (US DoD)	December 31, 2023 ($)	December 31, 2022 ($)
Balance, beginning of year	-	-
Additions – achievement of 1st milestone	339,450	-
Amortization	-	-
Balance, end of year	339,450	-

Notes to the Consolidated Financial Statements (Expressed in Canadian dollars,
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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. The following table reconciles the changes attributable to the Company's finance lease obligations:

	December 31, 2023 ($)	December 31, 2022 ($)
Balance, beginning of year	87,250	178,603
Additions	3,144,033	-
Lease payments	(112,386)	(110,649)
Finance expense	15,940	19,296
Balance, end of year	3,134,837	87,250
Current portion	160,362	87,250
Non-current portion	2,974,475	-
Balance, end of year	3,134,837	87,250

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, 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)
Gain 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	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

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

13. LOANS PAYABLE (continued)

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 in the current year.

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%.

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 $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%.

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.

(Expressed in Canadian dollars, except where otherwise indicated)

14. 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	(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

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	(3,156)	15,548	12,392
Balance, December 31, 2023	2,233	77,571	79,804

(Expressed in Canadian dollars, except where otherwise indicated)

14. CONVERTIBLE DEBENTURES (continued)

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	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Expected volatility	62%	61%	62%	61%
Risk-free interest rate	4.89%	4.41%	4.89%	4.41%
Conversion option term	0.42 years	0.39 years	0.42 years	0.41 years
Credit spread	21.00%	21.00%	21.00%	21.00%
Underlying share price	$0.87	$0.68	$0.87	$0.68

Subsequent to December 31, 2023, the Company announced its intention to further extend the convertible debentures until January 31, 2026. See note 21 for further details.

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

(Expressed in Canadian dollars, except where otherwise indicated)

15. SHARE CAPITAL (continued)

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	-
Total	2,440,222	2,005,467	4,445,689

b) Stock Options

The Company adopted an incentive stock option plan whereby options may be granted from time to time to directors, officers, employees, and consultants of the Company (the "Plan"). Pursuant to the terms of the Plan, up to 10% of the issued and outstanding common shares have been reserved for issuance as options, with no one individual being granted more than 5% of the issued and outstanding common shares.

Options granted under the Plan generally vest over a period of 12 to 18 months. Stock options expire up to five years after the date of grant. Stock options may also be granted to agents in certain public and private placements. Options granted to agents vest immediately and generally expire two years after the date of grant.

For the year ended December 31, 2023, the Company recognized share-based compensation of $1,550,393 (December 31, 2022- $827,343) for options granted to directors, employees, and consultants of which $66,800 (December 31, 2022 - $25,469) was capitalized to the Company's Pilot Plant. During the year ended December 31, 2022, the Company recorded a forfeiture recovery to share based compensation expense of $54,558. As a result of the transactions during the year ended December 31, 2023, $1,483,593 (December 31, 2022 - $747,316) was charged to net loss. Changes in stock options during the year ended December 31, 2023 and year ended December 31, 2022 are summarized below:

		Year ended December 31, 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		3.39 years		3.95years

(Expressed in Canadian dollars, except where otherwise indicated)

15. 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 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 and December 31, 2022, are as follows:

	December 31, 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 December 31, 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	475,000
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		3,324,000
Weighted average remaining life			3.39 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.

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.

(Expressed in Canadian dollars, except where otherwise indicated)

15. SHARE CAPITAL (continued)

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

		Year ended December 31, 2023		Year ended December 31, 2022
	Number of Compensation options	Weighted average exercise price ($)	Number of compensation options	Weighted average exercise price ($)
Opening balance	-	-	-	-
Granted	220,555	1.00	-	-
Closing balance	220,555	1.00	-	-
Weighted average remaining life		2.57 years		-

The following table summarize information about the compensation options outstanding and exercisable at December 31, 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		2.57 years

d) Warrants

Changes in share purchase warrants during the year ended December 31, 2023 and year ended December 31, 2022 are summarized as follows:

		Year ended December 31, 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	9,011,250	1.02	11,575,935	0.82
Cancelled	(3,150,000)	0.92	(2,150,000)	0.96
Exercised	(857,000)	0.75	-	-
Expired	(602,080)	1.80	(135,000)	1.80
Closing balance	19,086,245	1.02	14,684,075	1.02
Weighted average remaining life		1.40 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.

	December 31, 2023 ($)	December 31, 2022 ($)
Risk-free interest rate	4.08%	3.70%
Expected life	2.36 year	1.75 years
Expected volatility	92%	75%
Expected dividends	Nil	Nil

(Expressed in Canadian dollars, except where otherwise indicated)

15. SHARE CAPITAL (continued)

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 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 years ended December 31, 2023 and December 31, 2022, the Company amended the terms of the Orca Loan and the Orca Line of Credit agreements and a result of the amendments the Company cancelled 3,150,000 (2022 - 2,150,000) warrants resulting in a decrease to warrants and an increase to contributed surplus of $853,147 (2022 - $529,509). The following table summarize information about the warrants outstanding and exercisable at December 31, 2023:

Exercise price per share ($)	Expiry date	Number of warrants
0.65	December 22, 2024	363,140
0.85	December 22, 2024	7,055,795
0.89	January 31, 2026	4,400,000
0.89	January 31, 2027	1,200,000
1.00	February 8, 2024	306,060
1.25	July 27, 2026	2,204,750
1.25	July 28, 2026	206,500
1.50	February 8, 2024	3,350,000
		19,086,245
Weighted average remaining life		1.40 years

e) Deferred Share Units

The Company has adopted a Deferred Share Unit Plan for the directors and senior officers of the Company. Pursuant to the terms of the plan, the maximum number of Deferred Share Units issued to any individual, within any one year period, cannot exceed 1% of the issued and outstanding Shares as of the relevant Award Date, and the maximum number of Deferred Share Units issued to any individual, within any one year period, when aggregated with the number of Shares underlying all other awards made to such individual under all other Security Based Compensation Arrangements in such year period, cannot exceed 5% of the issued and outstanding Shares as of the relevant Award Date.

Awards granted under the Plan generally vest 25% immediately on the award date, 25% on the one-year anniversary of the award date, 25% on the two-year anniversary of the award date and 25% on the three-year anniversary of the award date. Early vesting is provided in the event of termination without cause, resignation at the request of the Company, death, or on the occurrence of a change of control of the Company.

During the years ended December 31, 2023 and 2022 there were no deferred share units issued. There are currently 55,710 (2022 – 55,710) deferred share units 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:

	Year ended December 31, 2023 ($)	Year ended December 31, 2022 ($)
Director's fees	212,000	219,000
Share-based payments to directors (stock options)	466,931	290,685
Key management short-term benefits	597,988	503,029
Share-based payments to key management (stock options)	418,843	245,283
	1,695,762	1,257,997

(Expressed in Canadian dollars, except where otherwise indicated)

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 $417,750 during the year ended December 31, 2023, compared to $290,050 for the year ended December 31, 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 13.

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

17. DEFRRED INCOME TAXES

Deferred income tax recovery differs from the amount that would be computed by applying the combined Canadian federal and Nova Scotia provincial statutory income tax rate of 29.0% (2022 – 29.0%) to net loss before income taxes. The reasons for the difference are as follows:

	2023	2022
Computed tax recovery at the statutory rates	$ (2,205,580)	$ (1,585,985)
Stock-based compensation, not deductible for tax purposes	430,242	216,722
Changes in tax assets related to deductible temporary differences and Unused tax losses not recognized	1,857,700	1,300,881
Other	(82,362)	68,382
	$ -	$ -

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

	2023	2022
Lease liability	$ 891,000	$ -
Non-capital losses carried forward	270,000	93,000
Right of use asset	(891,000)	-
Loans payable	(270,000)	(93,000)
	$ -	$ -

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

	2023	2022
Non-capital losses carried forward	$58,528,000	$ 55,817,000
Capital loss carried forward	4,187,000	4,187,000
SR&ED deductible pool	4,385,000	1,942,000
Debt and equity issuance costs	2,479,000	954,000
Marketable securities	46,000	44,000
Plant and equipment	1,621,000	1,381,000
Resource properties and related explorations costs	1,563,000	1,563,000
Convertible debentures	7,000	-
	$ 72,816,000	$ 65,888,000

The Company has accumulated losses for Canadian tax purposes of approximately $60,392,000, which may be carried forward and used to reduce taxable income in future years. These losses expire between 2026 and 2043.

(Expressed in Canadian dollars, except where otherwise indicated)

18. 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:

	December 31, 2023			December 31, 2022		
Financial assets:	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Marketable securities ($)	-	-	-	1,500	-	-
Financial liabilities:						
Convertible debenture – conversion option ($)	-	(79,804)	-	-	(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.

December 31, 2023	Carrying amount ($)	Total contractual cash flows ($)	2024 ($)	2025 ($)	2026 ($)	2027 ($)	2028 ($)	>2028 ($)
Interest- lease liabilities	-	1,511,505	259,393	243,218	220,421	193,743	170,243	424,487
Principal repayments – lease liabilities	3,134,837	3,134,837	162,889	119,444	302,809	283,138	306,638	1,959,919
Interest – convertible debentures	-	47,190	47,190	-	-	-	-	-
Principal – convertible debentures	1,255,000	1,255,000	1,255,000	-	-	-	-	-
Interest – loans payable	-	1,243,222	541,528	541,528	150,580	9,586	-	-
Principal repayments – loans payable	7,001,197	7,001,197	-	-	5,722,986	1,278,211	-	-
Trade and other payables	2,688,002	2,688,002	2,688,002	-	-	-	-	-
	14,079,036	16,880,953	4,954,002	904,190	6,396,796	1,764,678	476,881	2,384,406

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.

18. FINANICAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign Currency Risk

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

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

	December 31, 2023 ($)	December 31, 2022 ($)
Cash	138,270	311,897
Other asset	67,823	69,328
Accounts payable	(337,352)	(146,062)
Loans payable	(4,120,509)	(2,184,515)
Lease liability	(2,844,771)	-
	(7,096,539)	(1,949,352)

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

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.

19. SUPPLEMENTARY CASH FLOW INFORMATION

	December 31, 2023 ($)	December 31, 2022 ($)
Non-cash financing and investing activities:		
Accounts payable and accrued liabilities related to resource properties and related exploration costs	1,669	1,669
Accounts receivable related to RapidSX™ Pilot Plant	1,391,556	113,020
Accounts payable related to RapidSX™ Pilot Plant	1,083,458	802,800
Prepaids related to resource properties and related exploration costs	176	3,014
Capitalization of right-of-use assets and lease liabilities	3,144,033	-
Share based payments related to RapidSX™ Pilot Plant	66,800	25,468
Warrants issued in connection with loans payable	330,087	219,905
Warrants issued in connection with loan modifications	2,448,780	523,060

20. 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 year ended December 31, 2023.

21. 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) Convertible Debenture Financing

On February 9, 2024, the Company closed the second and final tranche of a non-brokered private placement of convertible debentures for gross proceeds of $1,990,000. Each debenture was issued at a price of $1,000 per debenture. The debentures bear interest at a rate of 7.5%, payable semi-annually on the last day of June and December of each year, commencing on June 30, 2024. The debentures have an approximately two-year term with the principal amount being due to be repaid in full by the company on January 31, 2026. The debentures are unsecured. At any time during the term of the debentures, a holder may elect to convert the outstanding net principal amount, or any portion thereof, into units at a conversion price of $0.75 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 $1.05 for a period ending on the maturity date of the debentures. The company paid a total of $89,250 finders' fees and issued a total of 231,000 finders' warrants. Each finder's warrant entitles the holder to acquire one common share of the company at a price of $0.75 for a period of 24 months from the date of issuance.

c) 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 USD$2.2 million to USD$3.2 million; 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 CAD$2.0 million in cash after such interest payment; and

(b) in the event that the Company would have less than CAD$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.

21. SUBSEQUENT EVENTS (continued)

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.