Ucore Announces Increase in Private Placement Financing to $4.2 Million and Update

written by Raj Shah | December 19, 2022

December 19, 2022 (Source) – On December 6, 2022, **Ucore Rare Metals Inc. (TSXV: UCU) (OTCQX: UURAF) ("Ucore"** or the **"Company")** announced its plans to complete a non-brokered private placement of approximately 3.1 million units ("**Units**") for total proceeds of $2 million (the "**Offering**"). The Company is pleased to announce that it has received subscription agreements for in excess of $4.2 million and that the Company intends to increase the size of the Offering and accept these additional orders.

Proceeds from the Offering are expected to be used towards: the commissioning of the Company's planned RapidSX™ demonstration plant; the processing of initial feedstock through the Company's demonstration plant; the finalization of offtake and feedstock agreements; engineering work for the Company's proposed Strategic Metals Complex in Louisiana, USA; for the partial settlement of short-term debt (see below); and for general working capital purposes.

Each Unit will consist of one common share of the Company (a "**Common Share**") and one Common Share purchase warrant (a "**Warrant**"). Each Warrant will entitle the holder to purchase one Common Share at a price of $0.85 for a 24-month term.

Each Unit offered was priced at $0.65. Pursuant to National Instrument 45-102 – *Resale of Securities*, the Common Shares, Warrants, and any underlying Common Shares to be issued upon exercise of the Warrants will be subject to a four-month hold

period commencing on the closing date of the Offering. Additional hold periods and/or trading or resale restrictions may also apply in the United States.

The issuance of the securities offered pursuant to the Offering is expected to be completed on a private placement and prospectus-exempt basis, as applicable, such that the distributions will be exempt from any applicable prospectus and securities registration requirements.

The closing of the Offering and the issuance of the Common Shares and Warrants will be conditional upon the final approval of the TSX Venture Exchange (the "**TSXV**").

To accommodate these additional orders, the closing of the Offering has been extended and is expected to take place on or about December 22, 2022 or such other date(s) as may be determined by the Company.

The Company further announces that it has renegotiated the terms of certain debt agreements with Orca Holdings, LLC ("**Orca**").

On July 20, 2022 the Company entered into an agreement with Orca for the provision of a short-term secured line of credit (the "**Line of Credit**") in the amount of USD$2 million, which has subsequently been drawn down in full by the Company (the "**Line of Credit Agreement**"). According to the Line of Credit Agreement, any amounts owing on the Line of Credit were to be repaid by the Company on January 20, 2023, unless the repayment date is accelerated due to the Company's completion of an equity financing for net proceeds exceeding USD$3 million whereby the repayment date would be five business days after the closing of such financing. Although the upsized Offering would have triggered the full repayment, the parties have instead executed an amendment to the Line of Credit Agreement, whereby a total of USD$850,000 will be repaid by December 30, 2022 (subject to the

closing of the above-noted Offering), and the maturity date for the remaining USD$1,150,000 will be extended to March 31, 2024 (the "**Line of Credit Amending Agreement**"). The parties also agreed to keep the annual interest rate on the Line of Credit at 9% even though market interest rates have risen since July 2022. A total of 1,150,000 warrants previously issued to Orca in connection with the Line of Credit Agreement are deemed to have expired concurrently with the execution of this Line of Credit Amending Agreement. In consideration for not requiring the full repayment of the Line of Credit, not increasing the interest rate and for extending the due date of the Line of Credit to March 31, 2024 on the USD$1,150,000 that is expected to remain outstanding after the USD$850,000 repayment is made following the closing of the Offering, a total of 1,150,000 warrants will be issued to Orca, with each warrant entitling Orca to acquire one Common Share at an exercise price of $0.75. These warrants will have a term ending on March 31, 2024.

The Company is party to a secured term loan (the "**Term Loan**") payable to Orca in the amount of USD$964,927.81 which currently has a maturity date of November 30, 2023. The parties have executed an agreement to extend the maturity date of this Term Loan to November 30, 2024 (the "**Term Loan Amending Agreement**"). The parties also agreed to keep the annual interest rate on the Term Loan at 9% even though market interest rates have risen considerably during 2022. A total of 1 million warrants with an exercise price of $1.20 that were previously issued to Orca in connection with the Term Loan are deemed to have expired concurrently with the execution of the Term Loan Amending Agreement. In consideration for extending the maturity date for the Term Loan to November 30, 2024 and for not increasing the interest rate, a total of 1 million warrants will be issued to Orca, with each warrant entitling Orca to acquire one Common Share at an exercise price of $0.85. The warrants have a term

ending on November 30, 2024.

Orca is expected to participate in the Offering and is expected to subscribe for a total of 1,785,000 Units.

Orca is wholly owned by Mr. Randy Johnson, a member of Ucore's Board of Directors. The above-described transactions with Orca are considered to be related party transactions within the meaning of Multilateral Instrument 61-01 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The transactions are exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 since neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involves interested parties, exceeds 25% of the Company's market capitalization.

No new insiders and no control persons were created in connection with the closing of the transactions. Prior to the implementation of the transactions described above regarding the Offering, the Line of Credit Amending Agreement and the Term Loan Amending Agreement, Mr. Johnson directly or indirectly held beneficial ownership of, and control and direction over, a total of 5,092,406 Common Shares, 3,000,000 warrants, and 265,000 stock options of the Company, representing approximately 10.37% of the issued and outstanding Common Shares (on a non-diluted basis) or approximately 15.96% upon the exercise of the warrants and the stock options (on a partially diluted basis).

Immediately following the expected upcoming completion of the transactions described above regarding the Offering, the Line of Credit Amending Agreement and the Term Loan Amending Agreement, Mr. Johnson is expected to directly or indirectly hold beneficial ownership of, and control and direction over, a total of 6,877,406 Common Shares, 4,785,000 warrants, and 265,000

stock options of the Company, representing approximately 12.38% of the issued and outstanding Common Shares (on a non-diluted basis) or approximately 19.68% upon the exercise of the warrants and the stock options (on a partially diluted basis). The figures in this paragraph assume that exactly $4.2 million will be raised by the Company in the Offering. Exact percentage ownership figures will not be known until all of the subscriptions for the Offering are finalized and accepted in preparation for the closing.

The above-described transactions were reviewed and unanimously approved by the Company's Board of Directors. No special committee was created to negotiate, review and approve the Line of Credit Amending Agreement, Term Loan Amending Agreement, or the Offering agreements; rather, the agreements were negotiated by the Company with Mr. Johnson declaring his conflict and abstaining from the Board of Directors' deliberations. No cash consideration was paid pursuant to the extension of the due dates for the Line of Credit or Term Loan, and no commissions or similar fees were paid to any person with respect to those extensions. This news release and the related material change report are being issued and filed on SEDAR less than 21 days before the date of the agreements and the expected closing of the issuance of the Warrants since the Company was considering and reviewing financing alternates and the Company and the terms of these agreements were not settled and confirmed by Orca until December 18, 2022.

Further, the Company also reports that it has received a copy of a statement of claim from a former employee who is alleging wrongful dismissal. The Company is of the opinion that the claim is without merit.

For further information about the Company, please visit www.ucore.com and also review the Company's disclosure

available on www.SEDAR.com.

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About Ucore Rare Metals Inc.

Ucore is focused on rare- and critical-metal resources, extraction, beneficiation, and separation technologies with the potential for production, growth, and scalability. Ucore has an effective 100% ownership stake in the Bokan-Dotson Ridge Rare Earth Element Project in Southeast Alaska, USA. Ucore's vision and plan is to become a leading advanced technology company, providing best-in-class metal separation products and services to the mining and mineral extraction industry.

Through strategic partnerships, this plan includes; disrupting the People's Republic of China's control of the US REE supply chain through the near-term development of a heavy and light rare-earth processing facility in the US State of Louisiana, subsequent SMCs in Alaska and Canada and the longer-term development of Ucore's heavy-rare-earth-element mineral-resource property at Bokan Mountain on Prince of Wales Island, Alaska. Ucore is listed on the TSXV under the trading symbol "UCU" and in the United States on the OTC Markets' OTCQX® Best Market under the ticker symbol "UURAF."

About RapidSX™ Technology

Innovation Metals Corp. ("**IMC**") developed the RapidSX™ separation technology platform with early-stage assistance from the United States Department of Defense ("**US DoD**"), later resulting in the production of commercial-grade, separated rare-earth oxides at the pilot scale. RapidSX™ combines the time-proven chemistry of conventional solvent extraction ("**SX**") with a new column-based platform, which significantly reduces time to completion and plant footprint, as well as potentially lowering

capital and operating costs. SX is the international rare-earth-element ("**REE**") industry's standard commercial separation technology and is currently used by 100% of all REE producers worldwide for bulk commercial separation of both heavy and light REEs. Utilizing similar chemistry to conventional SX, RapidSX™ is not a "new" technology but represents a significant improvement on the well-established, well-understood, proven conventional SX separation technology preferred by REE producers.

Forward-Looking Statements

This press release includes certain statements that may be deemed "forward-looking statements." All statements in this release (other than statements of historical facts) that address future business development, technological development and/or acquisition activities (including any related required financings), timelines, events, or developments that the Company is pursuing, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance or results, and actual results or developments may differ materially from those in forward-looking statements.

Regarding the disclosure in the main body of the press release above, the Company has assumed that it will be able to collect subscription agreements and funds from a sufficient number of accredited investors such that the Company will be able to close the Offering on schedule and with gross proceeds of approximately $4.2 million. The Company also expects that the TSXV will provide conditional and final approvals for the completion of the Offering and will also approve the granting of the new warrants to Orca pursuant to the terms of the Line of Credit Amending Agreement and the Term Loan Amending Agreement.

Regarding the disclosure in the press release above, including in the "About Ucore Rare Metals Inc." and the "About RapidSX™ Technology" sections, the Company has assumed that it will be able to procure or retain additional partners and/or suppliers, in addition to Innovation Metals Corp. ("IMC"), as suppliers for Ucore's expected future Strategic Metals Complexes ("SMCs"). Ucore has also assumed that sufficient external funding will be found to complete the Demo Plant commissioning and demonstration schedule and also later prepare a new National Instrument 43-101 ("NI 43-101") technical report that demonstrates that the Bokan Mountain Rare Earth Elements project ("Bokan") is feasible and economically viable for the production of both REE and co-product metals and the then prevailing market prices based upon assumed customer offtake agreements. Ucore has also assumed that sufficient external funding will be secured to continue the development of the specific engineering plans for the SMCs and their construction. Factors that could cause actual results to differ materially from those in forward-looking statements include, without limitation: IMC failing to protect its intellectual property rights in RapidSX™; RapidSX™ failing to demonstrate commercial viability in large commercial-scale applications; Ucore not being able to procure additional key partners or suppliers for the SMCs; Ucore not being able to raise sufficient funds to fund the specific design and construction of the SMCs and/or the continued development of RapidSX™; adverse capital-market conditions; unexpected due-diligence findings; the emergence of alternative superior metallurgy and metal-separation technologies; the inability of Ucore and/or IMC to retain its key staff members; a change in the legislation in Louisiana or Alaska and/or in the support expressed by the Alaska Industrial Development and Export Authority ("AIDEA") regarding the development of Bokan and/or the Alaska SMC; the availability and procurement of any required interim and/or long-term financing that may be required; and

general economic, market or business conditions.

Neither the TSXV nor its Regulation Services Provider (as that term is defined by the TSXV) accept responsibility for the adequacy or accuracy of this release.

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