UCORE RARE METALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

This Management's Discussion and Analysis of Ucore Rare Metals Inc. ("Ucore" or the "Company"), prepared as of May 6, 2011, provides analysis of the Company's financial results for the year ended December 31, 2010. The following information should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2010 which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise noted.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address anticipated operating costs, possible future resource property expenditures, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects, are considered forward-looking because we have used what we know and expect today to make a statement about the future. 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 and actual results or developments may differ materially from those in the forward-looking statements. Forward-looking statements usually include words such as may, expect, plan, anticipate, budget, believe or similar words. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Additional details of the specific risks associated with the operations of the Company and such forward-looking statements are set out below under "Risks and Uncertainties". Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Overview

Ucore Rare Metals Inc. ("Ucore" or the "Company") (formerly Ucore Uranium Inc.) is a junior exploration company listed on the TSX Venture Exchange (the "Exchange"), whose corporate strategy is to build shareholder value through the exploration and development of economically viable rare earth element ("REE") and uranium properties. Ucore is currently focusing its exploration activities on its Bokan Mountain/Dotson Ridge property in Alaska, while allowing its Lost Pond property in the Province of Newfoundland and Labrador to be advanced pursuant to a property option agreement.

Until a decision is made to proceed with the commercial development of one of its properties, the annual level of exploration expenditures of the Company is dependent on the Company's ability to either raise capital through the sale of shares or to attract project financing to continue to finance its exploration programs.

Resource Property Interests

Ucore's primary focus during 2010 was, and continues to be the Bokan Mountain/Dotson Ridge REE property in Alaska, where the Company incurred the majority of its exploration expenditures in 2010. Ucore's strategy continues to be, to the extent possible, to progress its properties, to seek strategic opportunities for the advancement of its properties or to release the properties. A detail of the Company's deferred exploration costs for the year ended December 31, 2010 is included in Schedule "A".

Bokan Mountain/Dotson Ridge, Alaska

Ucore owns a 100% interest in 422 claims at Bokan Mountain/Dotson Ridge and has the option to purchase a 100% interest in an additional 90 claims by making payments of US$ 90,000, subject to certain net Smelter Royalties ("NSRs").

The 2010 drill program at Bokan Mountain/Dotson Ridge consisted of 13 infill holes on the Dotson Zone in order to confirm continuity of ore zones from the 2009 results and to test mineralisation at greater depth, three holes at Sunday Lake to test mineralisation along the intrusive contact of the Bokan complex, and two reconnaissance holes at the Geoduck Zone. The program consisted of 3,770 meters in total. In addition, 45 trenches were channel sampled along the Dotson Zone. Drilling is being planned for 2011 and it is anticipated that the Bokan Mountain / Dotson Ridge Property will continue to be the focus of the Company's exploration activities.

The Company released a NI 43-101 compliant resource estimate on March 7, 2011, with a base-case resource estimated using a TREO cut-off grade of 0.5%. At this cut-off, Bokan hosts an Inferred Mineral Resource of 3.7 million tonnes grading 0.75% TREO, with 39% of the TREO being the higher value heavy rare earth oxides.

The Company incurred exploration expenditures on Bokan Mountain / Dotson Ridge of $3,030,000 during the year ended December 31, 2010.

Lost Pond, Newfoundland and Labrador

The Lost Pond uranium and REE property is Ucore's largest Newfoundland property, located near the province's west coast.

Ucore entered into a Letter Agreement with Kirrin Resources Inc. ("Kirrin") on September 15, 2008, granting Kirrin an option to earn up to a 50% interest in the Lost Pond property by completing work commitments of $2.6 million over a four year period, including a minimum expenditure of $0.7 million by December 31, 2010, and issuing 300,000 Kirrin common shares (split adjusted), including 50,000 common shares (split adjusted) that were received by Ucore upon signing of the Letter Agreement. A further 50,000 common shares (split adjusted) were received by Ucore during the year.

Upon Kirrin fulfilling its earn-in obligations, the parties will form a 50/50 joint venture, with each partner contributing its pro-rata share of future expenditures, or alternatively, Ucore may elect to convert to a 35% interest, which will be carried through to completion of a pre-feasibility study. If either party dilutes its interest to less than 10% in the joint venture, its interest shall be converted to a royalty of 1.0% or 1.5% of gross sales, depending on underlying royalties, of which 0.5% may be purchased by the other party for $500,000.

On February 24, 2011, Kirrin resources announced the drill results from its 2010 drill program at Lost Pond, noting that these results did not meet the objectives set for uranium exploration at the property. As a result of this information, the Company undertook an impairment review of the Lost Pond Property, which resulted in a write-down of $1,892,605. This write-down resulted in a carrying value of $2,800,000 which is equal to management's best estimate of the fair value of these assets. While the results of the drill program did not meet the objectives set for uranium exploration, the property remains of interest with respect to rare earth elements, with nine targets to be evaluated during 2011.

As a result of the Letter Agreement with Kirrin, Ucore does not expect to incur significant expenditures on the Lost Pond property during fiscal 2010.

Sandybeach Lake, Nunavut

Ucore holds a 100% interest in the Sandybeach Lake property, located in southwestern Nunavut. The 18-square kilometre property is centered on Sandybeach Lake, located five kilometres northeast of the northern extents of Neultin Lake in Manitoba. Due to the fact that the Company's focus continues to be on the Bokan Mountain property it is unlikely that the Sandybeach lake property will be able to compete for capital expenditure in the near future. As a result, the Company has written off costs associated with Sandybeach lake in the amount of $107,766. The Company intends to maintain the claims in good standing and will continue to consider alternatives for the advancement of this property.

Greater Newfoundland and Labrador

In addition to the Lost Pond property, Ucore holds a portfolio of uranium properties spanning current and prospective uranium districts in Newfoundland and Labrador.

During fiscal 2007, the Company entered into a Letter Agreement with Bayswater Uranium Corporation to provide for, on a 50/50 basis, the joint ownership and exploration of their mutual uranium properties in the Central Mineral Belt, now referred to as the Makkovik River Project.

Ucore also maintains a 100% interest in, subject to certain NSR's, the Deer Lake, Grommet Lake and Notakwanon River properties located in Newfoundland and Labrador.

The Company, and its partner, will continue to seek alternatives for the advancement of its properties in Newfoundland and Labrador.

Selected Annual Information

The following annual information is prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reported in thousands of Canadian dollars, except for per share amounts.

	For the year ended December 31, 2010 $	**For the year ended December 31, 2009 $**	**For the year ended December 31, 2008 $**
Net loss	3,776	1,338	2,956
Loss per share – basic and diluted	0.04	0.02	0.05
Total assets	31,044	20,408	17,150

Results of Operations

The Company has no operating revenues and is dependent on equity financings and/or project financing alternatives to fund its operations. As a result, the Company expects to incur operating losses until such time as an economic resource is identified, developed and exploited on one or more of the Company's properties.

During the year ended December 31, 2010, the Company incurred a net loss before income taxes of $4.3 million compared to a net loss before income taxes of $1.3 million for the year ended December 31, 2009. The increase for the loss was the write-down of resource properties in the amount of $2.0 million referred to above, together with a general increase in infrastructure associated with an increased focus on investor relations and other corporate activities.

The Company earned approximately $20,000 less interest income during the year ended December 31, 2010 than during the same period in fiscal 2009. The decline is a result of both the relatively low interest rate environment currently prevailing in Canada and lower average cash balances held during the current year.

Operating expenses in 2010 totalled $4.2 million, compared with $1.4 million for the prior year. The majority of this increase is due to the write-down of resource properties during 2010 in the amount of $2.0 million. The remainder of the increase in the operating expenditures is a result of an increased focus on investor relations and marketing, and a general increase in administrative infrastructure required as the Company advances the Bokan Mountain project. Office and premises expenses for the year were approximately $145,000, an increase of approximately $30,000 compared to the prior year, as the Company moved office during the year to accommodate its increased infrastructure. Salaries and consultants' expenditures of approximately $845,000 were incurred during the period, an increase of 53% compared to the same period in 2009 as the Company increased both employee staffing levels and the use of consultants. Professional services totalled approximately $50,000, a decrease of $19,000 compared to fiscal 2009 as the Company has reduced its use of legal, tax and other professional services. Travel expense increased by approximately 197% to $290,000 as a result of the aforementioned increased focus on investor relations and increased staffing levels. Expenditures on investor relations and marketing increased by approximately $195,000 as compared to the previous year as a result of an increased marketing effort which took place during the year.

The Company recorded non-cash stock-based compensation expense of approximately $443,000 attributable to the estimated value of stock options earned during the period, an increase of approximately $79,000 as compared to the prior year, as well as non-cash amortization expense of approximately $29,000, representing depreciation of the Company's capital assets. In addition, the Company capitalized approximately $74,000 of non-cash stock-based compensation expense during the period to resource properties, attributable to the value of stock options earned by the Company's exploration personnel. The increase in non-cash stock-based compensation expense was largely a result of increased valuations of stock options resulting from the higher price at which the Company's stock was trading during the year.

Ucore will continue to review its portfolio of resource properties and write-down the carrying costs of any properties considered to be impaired in value, which could have a material impact on the Company's net loss in future periods.

The Company recognized future income tax recoveries of $490,000 during the current year as non-capital losses carried forward were used to offset capital gains generated by the expiry of warrants. The Company incurred a currency exchange loss of approximately $37,000 during the year relating to its foreign currency translation, as compared to a loss of approximately $6,000 for the prior year. As the Company continues to deal in both the Canadian and United States currencies, the Company may continue to incur foreign exchange gains and losses arising from changes in the value of the United States dollar relative to the Canadian dollar.

Summary of Quarterly Results

Expressed in thousands of dollars, except per share amounts	12/31/010 $	9/30/010 $	6/30/010 $	3/31/10 $	12/31/09 $	9/30/09 $	6/30/09 $	3/31/09 $
Net loss before provision for taxes	2,787	450	599	430	413	375	297	253
Loss per share – basic and diluted	0.02	0.00	0.01	0.00	0.01	0.00	0.00	0.00
Total Assets	31,044	24,097	23,598	20,281	20,408	21,053	17,111	16,955

Commensurate with the economic downturn in the third quarter of fiscal 2008, the Company began to aggressively reduce its level of activity. This reduced level of activity carried through the first half of 2009. As a result of the financing completed during the third quarter of 2009 and the increased exploration undertaken on the Bokan Mountain / Dotson Ridge property, the level of activity increased during the third quarter of 2009. This increased level of activity continued through the fourth quarter of 2009 and has continued through 2010. The Company increased its focus on investor relations and marketing in the second quarter of 2010, which is reflected in the net loss for that quarter. During the fourth quarter of 2010, the Company undertook an impairment review of its resource properties, which resulted in a write-down of resource properties in the amount of $2 million, as discussed above. This contributed significantly to the loss for the quarter ended December 31, 2010.

Liquidity and Capital Resources

At December 31, 2010, the Company had working capital of $10.4 million, with a cash and short-term deposit balance of $11.6 million. Short-term deposits consist of Guaranteed Investment Certificates that are cashable at any time with no penalty or loss of interest.

The Company used approximately $1.6 million of working capital to fund operating expenses for the year ended December 31, 2010. Net cash expenditures on resource properties and related deferred costs totalled $3.2 million during the year. This was funded from working capital and the brokered private placements noted below.

On June 18, 2010, the Company completed a brokered private placement financing of 18,181,818 units at a price of $0.22 per unit, for aggregate gross proceeds of $4,000,000. Each unit consisted of one common share and one half warrant, with each full warrant entitling the holder to purchase an additional common share at a price of $0.30 until June 18, 2012. The Company paid broker fees of 7% of the gross proceeds in cash and broker warrants equal to 7% of the units issued. Each broker warrant gives the right to purchase one common share at a price of $0.22 for a period of two years. A total of $280,000 and 1,272,727 broker warrants were paid and issued. Other costs associated with the private placement totalled $103,105.

On December 9, 2010, the Company completed a brokered private placement financing of 25,000,000 units at a price of $0.40 per unit, for aggregate gross proceeds of $10,000,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.55 until December 9, 2012. The value allocated to the common shares was $6,780,000 and the value allocated to the warrants was $3,250,000. The Company paid finder's fees of 7% of the gross proceeds in cash and issued broker's warrants equal to 7% of the units issued. Each broker's warrant gives the holder the right to purchase one common share at an exercise price of $0.40 for a period of two years. A total of $700,000 and 1,750,000 broker's warrants were paid and issued. Other costs associated with the private placement totalled $171,386. An officer of the Company purchased 75,000 of the units issued.

The Company generated approximately $1,571,000 from the exercise of warrants and stock options during the year ended December 31, 2010.

The Company intends to use the funds generated by these financing activities to continue its exploration program on its Bokan Mountain/Dotson Ridge project in Alaska (see section entitled "Bokan Mountain/Dotson Ridge, Alaska") and to fund ongoing working capital requirements.

While management believes that the Company has sufficient funds to undertake of its currently planned activities for the next 18 months, the Company does not generate any revenue and consequently, in the future, the Company plans to rely on additional equity financings and/or entering into joint venture arrangements in order to continue exploration on its properties. There can be no assurance that the Company will be able to obtain the required financing, and the failure to do so could result in the loss of its interest in certain resource properties, delay exploration activities on its properties and limit the Company's ability to acquire additional properties. There can be no assurance of continued access to capital, including equity funding, in the future.

Off-Balance Sheet Arrangements

At December 31, 2010, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures, non-cash stock-based compensation and future income tax assets and liabilities.

The Company's recoverability of the recorded value of its resource properties and associated deferred expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is subject to a number of risk factors, including legal and political risks, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

The factors affecting non-cash stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend on a variety of factors including the market value of the Company's shares and the financial objectives of the stock-based instrument holders.

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Future income tax assets also result from unused losses carried forward and other deductions. The valuation of future income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

Recently Issued Accounting Pronouncements

In February 2008, the Canadian Accounting Standards Board announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS") and companies will begin reporting, with comparative data, under IFRS for fiscal years beginning on or after January 1, 2011. While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences with respect to recognition, measurement and disclosure.

In order to prepare for the transition to IFRS in 2011, the Company is following a three-phase transition plan: initial review and assessment; in-depth analysis; and implementation. The Company has performed an initial review of the expected impact of IFRS and is currently in the process of completing an in-depth analysis of the impact of IFRS. This in-depth analysis includes the identification and analysis of the differences between IFRS and the Company's current accounting policies to determine the accounting options available under IFRS, leading to the selection of IFRS accounting policies.

The Company has not yet completed its quantification of the effects of adopting IFRS. The financial performance and financial position as presented in the Company's Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS. A detailed analysis of the differences between IFRS and the Company's accounting policies as well as an assessment of the impact of various alternatives is being carried out. Some specific areas reviewed and considered to date are:

<u>Impairment of non-current assets</u>
IFRS uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of value in use and fair value less costs to sell. Under IFRS, previous impairment losses may be reversed where circumstances change such that the impairment has reduced.

<u>Stock based compensation</u>
There are a number of differences in accounting for stock based compensation however the differences depend on the contractual nature of the stock based compensation. IFRS 2 "Share based payments" requires that the entity treat each installment as a separate option grant.

<u>Deferred exploration for and evaluation of mineral resources</u>
Canadian GAAP is more comprehensive than IFRS, which only provides guidance up to the point that technical feasibility and commercial viability of extracting is demonstrated. Canadian GAAP allows for the capitalization of certain exploration and development costs. IFRS allows accounting in line with Canadian GAAP for the exploration and evaluation phase but expenditures beyond the exploration and evaluation (E&E) phase, must be considered in line with the capitalization criteria for PP&E and/or intangible assets. IFRS 6 "Exploration for and Evaluation of Mineral Resources" requires entities to select and consistently apply an accounting policy specifying which E&E expenditures are capitalized and which are expensed.

<u>First time adoption of IFRS's</u>
IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"), provides entities adopting IFRSs for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRSs. The company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in our circumstances. The most significant IFRS 1 exemptions for the Company are as follows:

<u>Business Combinations</u>
An exemption is available which allows the company, on transition to IFRSs, to either restate all past business combinations or to apply a more limited restatement approach.

<u>Share-Based Payments</u>
An exemption is available which would allow the company to elect not to apply IFRS 2, "Share-Based Payments" to equity instruments granted on or before November 7, 2002 or which vested before the company's date of transition to IFRSs on January 1, 2010.

At the implementation phase, the Company will implement the accounting policy changes and any modifications to accounting systems so that they are in place and operating effectively for the first required

IFRS reporting period. The Company will commence reporting under the new standards in the first quarter of fiscal year 2011.

Related Party Transactions

As at December 31, 2010 the Company has recorded an advance, for corporate expenses, to an Officer of the Company in the amount of $13,095 as a prepaid expense (December 31, 2009 - $12,056), which is non-interest bearing with no fixed terms of repayment.

During the year ended December 31, 2010, the Company paid consulting fees of $24,125 to a company owned by a Director of the Company. Helicopter rental fees were paid to a company owned by an officer of the Company in the amount of $43,970.

All related party transactions were in the normal course of operations and were valued at the exchange amount agreed to between the parties.

Outstanding Share Data

The following is the Company's issued and outstanding share data as of the date of this report. Each stock option and warrant is exercisable for one common share of the Company.

Securities	Number	Weighted average exercise price $	Weighted average remaining life (years)
Common shares	149,134,752	n/a	n/a
Stock options under plans approved by shareholders	5,167,920	0.60	2.7
Warrants	20,033,400	0.46	1.55

Between December 31, 2010 and the date of this report, 12,481,499 shares were issued pursuant to the exercise of warrant agreements, resulting in cash proceeds to the company of $3.5 million.

Risks and Uncertainties

The Company's financial instruments consist of cash, short-term deposits, marketable securities, accounts receivable, and accounts payable and accrued liabilities. Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks arising from these financial instruments. The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

In conducting its business, the principal risks and uncertainties faced by the Company relate to exploration and development success of the Company's mineral properties as well as metal prices and market sentiment to a lesser extent.

Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, including the possibility that resource properties may not in fact contain mineral deposits that can be exploited on an economical basis, the Company may be required to work in remote locations that lack the benefit of infrastructure and easy access.

The Company's exploration projects in Newfoundland and Labrador are subject to joint ventures by third party companies, specifically Kirrin Resources Inc. and Bayswater Uranium Corporation. The termination of either or both of these joint ventures could potentially have an impact on the Company. The Company is currently relying on these joint venture partners to advance these projects and there is no assurance that either of these exploration projects will continue.

The prices of metals fluctuate widely and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. The Company will be reliant on equity financing for its long-term working capital requirements and to fund its exploration programs. The Company does not generate any revenue and does not have sufficient funds to put any of its resources interests into production from its own financial resources. There is no assurance that such financing will be available to the Company, or that it will be available on acceptable terms.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture-listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.

Other Information

Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.ucore.com.

UCORE RARE METALS INC. Schedule "A"

Schedule of Resource Properties

For the year ended December 31, 2010

Details of Resource Properties and Related Deferred Costs

	Bokan Mountain/ Dotson Ridge	Lost Pond	Other	Total December 31, 2010
Mineral Properties				
Balance, beginning of period	$ 3,659,401	$ 2,520,944	$ 40,575	$ 6,220,920
Expenditures during period	123,585	-	-	123,585
Costs written off	-	(1,016,738)	(29,785)	(1,046,523)
Balance, end of period	3,782,986	1,504,206	10,790	5,297,982
Deferred Exploration expenditures:				
Geology	1,917,976	1,112	-	1,919,088
Drilling	1,018,337	-	-	1,018,337
Supervision	93,600	-	-	93,600
	3,029,913	1,112	-	3,031,025
Balance, beginning of period	9,199,835	2,170,549	498,384	11,868,768
	12,229,748	2,171,661	498,384	14,899,793
Costs written off	-	(875,867)	(77,981)	(953,848)
Balance, end of period	12,229,748	1,295,794	420,403	13,945,945
Mineral properties and deferred exploration expenditures, end of period	$ 16,012,734	$ 2,800,000	$ 431,193	$ 19,243,927