

**UCORE RARE METALS INC.**  
**(A Development Stage Enterprise)**

Unaudited Condensed Interim Consolidated Financial Statements

**Third Quarter**  
**For the three and nine month period ended September 30, 2012**

In accordance with National instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the period ended September 30, 2012.

**UCORE RARE METALS INC.**

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

	September 30, 2012	December 31, 2011
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	338,000	268,265
Short-term deposits	3,082,772	7,285,967
Marketable securities	4,750	8,500
Accounts receivable (note 5)	272,292	216,160
Prepaid expenses	61,475	291,742
	<u>3,759,289</u>	<u>8,070,634</u>
<b>Equipment</b>	156,854	58,021
<b>Resource properties and related deferred costs (note 6)</b>	25,055,832	23,570,263
	<u>28,971,975</u>	<u>31,698,918</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	494,032	776,333
	<u>494,032</u>	<u>776,333</u>
<b>Shareholders' equity</b>		
Share capital	37,624,280	37,510,977
Contributed surplus	5,284,524	4,495,138
Warrants (note 8)	2,710,115	2,740,011
Accumulated other comprehensive loss	(752,432)	(176,666)
Deficit	(16,388,544)	(13,646,875)
	<u>28,477,943</u>	<u>30,922,585</u>
	<u>28,971,975</u>	<u>31,698,918</u>

Nature of operations (note 1)

Subsequent events (note 10)

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

**Approved on behalf of the Board of Directors**

(s) *Jim McKenzie*  
**Jim McKenzie, Director**

(s) *Jos De Smedt, Director*  
**Jos De Smedt, Director**

**UCORE RARE METALS INC.**

Condensed Interim Consolidated Statements of Comprehensive Loss

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	For the Three Months		For the Nine Months	
	Ended September 30		Ended September 30	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>EXPENSES</b>				
Amortization	6,601	5,897	15,974	17,447
Investor relations and marketing	54,756	84,450	188,194	204,827
Office and premises	81,951	55,577	197,019	161,005
Professional services	156,806	93,955	469,234	377,002
Salaries and consultants	329,865	261,807	926,385	680,617
Securities and regulatory	18,486	32,227	71,742	82,642
Share-based payments	212,271	134,461	703,204	515,813
Travel	71,725	35,461	248,759	187,218
Impairment of marketable securities	1,250	-	3,750	-
	<u>933,711</u>	<u>703,835</u>	<u>2,824,261</u>	<u>2,226,571</u>
<b>OTHER INCOME (LOSS)</b>				
Interest income	19,660	60,015	36,805	67,720
Foreign exchange	31,848	2,642	45,787	4,254
	<u>51,508</u>	<u>62,657</u>	<u>82,592</u>	<u>71,974</u>
<b>LOSS BEFORE INCOME TAXES</b>	<u>(882,203)</u>	<u>(641,178)</u>	<u>(2,741,669)</u>	<u>(2,154,597)</u>
<b>INCOME TAXES RECOVERABLE</b>	-	-	-	-
<b>NET LOSS</b>	<u>(882,203)</u>	<u>(641,178)</u>	<u>(2,741,669)</u>	<u>(2,154,597)</u>
<b>Net Loss per share - basic and diluted</b>	<u>(0.01)</u>	<u>(0.00)</u>	<u>(0.02)</u>	<u>(0.01)</u>
<b>Weighted average number of basic and diluted common shares outstanding</b>	<u>151,665,277</u>	<u>150,549,752</u>	<u>151,622,107</u>	<u>147,533,437</u>
<b>COMPREHENSIVE LOSS:</b>				
Net loss for the periods	(882,203)	(641,178)	(2,741,669)	(2,154,597)
Foreign currency translation difference arising on translation of foreign subsidiaries	54,203	-	(575,766)	(183,251)
Unrealized gain (loss) on available-for-sale securities	-	-	-	(15,750)
	<u>(828,000)</u>	<u>(641,178)</u>	<u>(3,317,435)</u>	<u>(2,353,598)</u>

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

**UCORE RARE METALS INC.**

Interim Consolidated Statement of Changes in Equity

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
<b>Balance at January 1, 2011</b>	136,653,253	\$ 31,102,550	\$ 3,818,574	\$ 4,884,270	\$ (428,896)	\$ (10,111,722)	\$ 29,264,776
Net Loss						(2,154,597)	(2,154,597)
Unrealised gain on marketable securities					(19,250)		(19,250)
Foreign currency translation adjustment					(289,637)		(289,637)
Share-based payments			574,878				574,878
Shares issued on exercise of warrants	14,636,499	4,186,418					4,186,418
Fair value of warrants exercised		2,144,259		(2,144,259)			-
Shares issued on exercise of options	75,000	40,000					40,000
Fair value of options exercised		37,750	(37,750)				-
<b>Balance at September 30, 2011</b>	<b>151,364,752</b>	<b>\$ 37,510,977</b>	<b>\$ 4,355,702</b>	<b>\$ 2,740,011</b>	<b>\$ (737,783)</b>	<b>\$ (12,266,319)</b>	<b>\$ 31,602,588</b>
<b>Balance at January 1, 2012</b>	151,364,752	\$ 37,510,977	\$ 4,495,138	\$ 2,740,011	\$ (176,666)	\$ (13,646,875)	\$ 30,922,585
Net Loss						(2,741,669)	(2,741,669)
Impairment on marketable securities							-
Foreign currency translation adjustment					(575,766)		(575,766)
Share-based payments			791,636				791,636
Shares issued on exercise of warrants	275,525	78,657					78,657
Fair value of warrants exercised		29,896		(29,896)			-
Shares issued on exercise of options	25,000	2,500					2,500
Fair value of options exercised		2,250	(2,250)				-
<b>Balance at September 30, 2012</b>	<b>151,665,277</b>	<b>\$ 37,624,280</b>	<b>\$ 5,284,524</b>	<b>\$ 2,710,115</b>	<b>\$ (752,432)</b>	<b>\$ (16,388,544)</b>	<b>\$ 28,477,943</b>

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

**UCORE RARE METALS INC.**

Condensed Consolidated Statements of Cash Flows

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	For the Nine Months Ended September 30,	
	2012	2011
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	(2,741,669)	(2,154,597)
Adjustments for items not involving cash:		
Amortization	15,974	17,447
Share based payments	703,204	515,813
Impairment of marketable securities	3,750	-
	<u>(2,018,741)</u>	<u>(1,621,337)</u>
Change in non-cash operating working capital:		
Decrease (Increase) in accounts receivable	(56,132)	(67,787)
Decrease (Increase) in prepaid expenses	230,267	(69,288)
Increase (decrease) in accounts payable and accruals	(25,077)	(162,967)
	<u>(1,869,683)</u>	<u>(1,921,379)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common shares on exercise of options and warrants	81,157	4,226,418
	<u>81,157</u>	<u>4,226,418</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(114,807)	(11,707)
Resource property interests and options	(2,230,127)	(3,539,696)
Purchases of short-term deposits	-	(7,917,720)
Proceeds from redemption of short-term deposits	4,203,195	-
	<u>1,858,261</u>	<u>(11,469,123)</u>
<b>INCREASE (DECREASE) IN CASH</b>	69,735	(9,164,084)
<b>CASH, beginning of year</b>	268,265	9,306,218
<b>CASH, end of year</b>	<u>338,000</u>	<u>142,134</u>
Non-cash financing and investment activities:		
Accounts payable and accrued liabilities related to resource properties and related deferred costs	257,224	(551,580)

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

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine month period ended September 30, 2012

(unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

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## 1. NATURE OF OPERATIONS

Ucore Rare Metals Inc. ("Ucore" or the "Company") is a Corporation domiciled in Canada. The address of the Company's head office is 210 Waterfront Drive, Suite 106, Halifax N.S., B4A 0H3. The Company is engaged in the exploration for rare earth elements. The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues and is considered to be a development stage enterprise.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to liquidate its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The ability of the Company to continue as a going concern and the recoverability of amounts shown for resource properties are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development; and the future profitable production or proceeds from disposition of such properties. These condensed interim consolidated financial statements do not give effect to adjustments necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## 2. BASIS OF PRESENTATION

### Statement of compliance

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

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in the consolidated financial statements for the year ended December 31, 2011. The date the Board of Directors approved the financial statements is November 29, 2012.

### Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for available for sale financial assets, share based payments, and warrants measured at fair value.

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

### Use of estimates and judgments

The preparation of financial statements requires management to make estimates 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 quarter. Actual results could differ from those estimates.

## 3. FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 29 for debt instruments with a mixed measurement model having only two categories: amortised cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognised at fair value through profit and loss or at fair value through other comprehensive income. IFRS 9 is effective for annual periods

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
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beginning on or after January 2, 2015. The Company has not early adopted IFRS 9 and is currently evaluating the impact on its financial statements.

IAS 1, Presentation of Financial Statements was amended to revise the presentation of other comprehensive income. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company has not early adopted the amendments to IAS 1 and is currently evaluating the impact on its financial statements.

IFRS 10, Consolidated Financial Statements was issued by the IASB on May 12, 2011 and replaces the current IAS 27, Consolidated and Separate Financial Statements. The new standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This new standard is effective for fiscal years beginning January 1, 2013. The Company is currently evaluating the impact of this new standard.

IFRS 11, Joint Arrangements was issued by the IASB on May 12, 2011 and replaces the current IAS 31, Interests in Joint Ventures. The new standard classifies joint arrangements as either joint ventures or joint operations. Interests in joint ventures will be accounted for using equity accounting, eliminating the proportionate consolidation option currently available under IAS 31. This new standard is effective for fiscal years beginning January 1, 2013. The Company is currently evaluating the impact of this new standard.

The IASB issued IFRS 12, Disclosure of Interest in Other Entities on May 12, 2011. This standard establishes disclosure requirements for interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet entities. This new standard is effective for fiscal years beginning January 1, 2013. The Company is currently evaluating the impact of this standard.

IFRS 13, Fair Value Measurement was issued by the IASB on May 12, 2011. This is a comprehensive standard for fair value measurement and disclosure of fair value measurements across various IFRS standards. IFRS 13 provides a definition of fair value, sets out a single IFRS framework for measuring fair value, and outlines requirements for disclosure of fair value measurements. The new standard is effective for fiscal years beginning January 1, 2013. The Company is currently evaluating the impact of this new standard.

IAS 19, Employee Benefits was issued by the IASB and introduced changes to the accounting for defined benefit plans and other employee benefits. The amendments to other employee benefits include modification of the accounting and termination benefits and classification of other employee benefits. The Company does not anticipate the application of IAS 19 to have a material impact on its consolidated financial statements.

## 4. CAPITAL MANAGEMENT

The Company's capital at September 30, 2012 consists of shareholders' equity of \$28,477,943 (2011: 30,922,585). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties 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 short-term, highly-liquid, high-grade financial instruments.

There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

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Notes to Condensed Interim Consolidated Financial Statements  
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## 5. RELATED PARTY TRANSACTIONS

As at September 30, 2012 the Company has recorded an advance to an Officer of the Company in the amount of \$38,185 (December 31, 2011 - \$13,095), which is non-interest bearing with no fixed terms of repayment. During the period ending September 30, 2012, the Company paid \$42,625 (2011 - \$28,000) in consulting fees to Directors of the Company. Additionally, travel expenditure in the amount of \$3,563 (2011 - \$9,871) was reimbursed to directors of the Company.

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

## 6. RESOURCE PROPERTIES AND RELATED DEFERRED COSTS

The Company's interest in resource properties and related deferred costs consists of the following:

	December 31, 2011	Acquisition Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	September 30, 2012
Bokan Mountain, Alaska	\$ 20,679,003	\$ -	\$ 1,884,644	\$ -	(575,766)	\$ 21,987,881
Lost Pond, Newfoundland	\$ 2,800,000	-	-	-	-	\$ 2,800,000
Ray Mountains, Alaska	\$ 91,260	-	176,691	-	-	\$ 267,951
	\$ 23,570,263	\$ -	\$ 2,061,335	\$ -	-\$ 575,766	\$ 25,055,832

	December 31, 2010	Acquisition Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	December 31, 2011
Bokan Mountain, Alaska	\$ 14,602,853	\$ 229,863	\$ 5,666,065	\$ -	\$ 180,222	\$ 20,679,003
Lost Pond, Newfoundland	2,800,000	-	-	-	-	\$ 2,800,000
Ray Mountains, Alaska	-	52,413	38,847	-	-	\$ 91,260
Canada - Other	431,193	-	-	(431,193)	-	-
	\$ 17,402,853	\$ 282,276	\$ 5,704,912	\$ -	\$ 180,222	\$ 23,570,263

### Impairment

During 2006, the Company acquired a 100% interest in a number of claims in the Makkovik River area of the Central Mineral Belt, located in Labrador. Subsequently, the Company entered into a Letter Agreement with Bayswater Uranium Corporation ("Bayswater") 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. During the year ended December 31, 2011, Bayswater notified the Company of its intention to terminate this agreement. As a result, the Company undertook an impairment review with respect to this property and the carrying amount of this property was written down to nil at December 31, 2011. The resulting impairment charge totaled \$431,193.



# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine month period ended September 30, 2012

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## 7. SHARE BASED PAYMENTS

Changes in stock options during the nine month period ended September 30, 2012 and year ended December 31, 2011 are summarized as follows:

	Nine month period ended September 30, 2012		Year ended December 30, 2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
<b>Opening balance</b>	<b>6,365,320</b>	<b>0.54</b>	<b>5,269,920</b>	<b>0.61</b>
Granted	700,000	0.36	2,370,000	0.58
Exercised	(25,000)	0.10	(75,000)	0.53
Forfeited or expired	(250,320)	1.14	(1,199,600)	0.88
<b>Closing balance</b>	<b>6,790,000</b>	<b>0.51</b>	<b>6,365,320</b>	<b>0.54</b>

The weighted average share price on the date on which options were exercised during the first three quarters of 2012 was \$0.51 (2011: \$0.95). The following table summarizes information about the stock options outstanding and exercisable at September 30, 2012:

Exercise price per share \$	Number of outstanding options	Expiry Date	Number of exercisable options
0.10	400,000	April 24, 2014	400,000
0.21	150,000	June 10, 2014	150,000
0.28	250,000	May 14, 2017	-
0.35	250,000	August 6, 2014	250,000
0.38	200,000	February 2, 2015	200,000
0.40	300,000	August 19, 2015	300,000
0.40	150,000	September 14, 2017	-
0.41	300,000	April 2, 2017	100,000
0.45	150,000	July 2, 2013	150,000
0.47	850,000	March 31, 2013	850,000
0.49	20,000	December 1, 2015	20,000
0.55	1,920,000	November 7, 2016	640,000
0.56	150,000	November 17, 2016	50,000
0.67	1,150,000	September 29, 2015	1,150,000
0.75	300,000	July 29, 2016	200,000
0.84	250,000	September 21, 2014	250,000
	<b>6,790,000</b>		<b>4,710,000</b>

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine month period ended September 30, 2012

(unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

## 8. WARRANTS

Changes in share purchase warrants during the nine month period ended September 30, 2012 and year ended December 31, 2011 are summarized as follows:

	Nine month period ended September 30, 2012		Year ended December 30, 2011	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
<b>Opening balance</b>	<b>17,878,397</b>	<b>0.47</b>	<b>32,514,896</b>	<b>0.39</b>
Exercised	(275,525)	0.29	(14,636,499)	0.23
Expired	(4,959,747)	0.30	-	-
<b>Closing balance</b>	<b>12,643,125</b>	<b>0.54</b>	<b>17,878,397</b>	<b>0.47</b>

The following table summarizes information about the warrants outstanding and exercisable at September 30, 2012:

Exercise price per share \$	Number of outstanding warrants	Expiry Date	Number of exercisable warrants
0.55	11,674,999	December 9, 2012	11,674,999
0.40	968,126	December 9, 2012	968,126

## 9. COMMITMENTS

In February 2012 the company entered into a five year operating lease agreement on its head office premises in Halifax which begins October 2012 and expires November 2017. As of September 30, 2012 these commitments required total payments including estimated common expenses, as follows:

	Amount
Year ending December 31, 2012	18,637
Year ending December 31, 2013	111,824
Year ending December 31, 2014	111,824
Year ending December 31, 2015	111,824
Year ending December 31, 2016	93,186

## 10. SUBSEQUENT EVENTS

During the month of October 2012, 968,126 of \$0.40 share purchase warrants were exercised for total proceeds of \$387,250, representing all remaining \$0.40 warrants.

On November 28, 2012 applied to the TSX Venture Exchange to have the expiry date of its outstanding warrants extended from December 9, 2012 to March 31, 2013.