

UCORE RARE METALS INC.
(A Development Stage Enterprise)

Unaudited Condensed Interim Consolidated Financial Statements

First Quarter
For the three month period ended March 31, 2014

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 March 31, 2014.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	March 31, 2014	December 31, 2013
	\$	\$
ASSETS		
Current assets		
Cash	1,556,582	1,311,770
Short-term deposits	1,358,112	1,354,485
Marketable securities	1,000	750
Trade and other receivables (note 5)	141,781	245,431
Prepaid expenses	124,475	66,641
	<u>3,181,950</u>	<u>2,979,077</u>
Equipment	168,766	185,524
Resource properties and related deferred costs (note 6)	<u>26,243,641</u>	<u>25,597,196</u>
	<u>29,594,357</u>	<u>28,761,797</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	331,910	288,662
Other liability	25,200	25,200
	<u>357,110</u>	<u>313,862</u>
Shareholders' equity		
Share capital	41,808,973	40,699,968
Contributed surplus	9,201,849	9,144,336
Warrants (note 8)	1,812,427	2,072,993
Accumulated other comprehensive loss	1,056,191	536,370
Deficit	(24,642,193)	(24,005,732)
	<u>29,237,247</u>	<u>28,447,935</u>
	<u>29,594,357</u>	<u>28,761,797</u>

Nature of operations (note 1)

Subsequent events (note 9)

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 Ended March 31	
	2014	2013
	\$	\$
EXPENSES		
Amortization	12,393	12,085
Investor relations and marketing	51,983	59,390
Office and premises	61,276	66,759
Professional services	46,235	90,356
Salaries and consultants	350,869	338,248
Securities and regulatory	4,762	67,163
Share-based payments	81,719	140,107
Travel	34,434	65,164
	<u>643,671</u>	<u>839,272</u>
OTHER INCOME (LOSS)		
Interest income	5,833	2,623
Foreign exchange	1,377	(5,799)
	<u>7,210</u>	<u>(3,176)</u>
LOSS BEFORE INCOME TAXES	<u>(636,461)</u>	<u>(842,448)</u>
INCOME TAXES RECOVERABLE	<u>-</u>	<u>(444,088)</u>
NET LOSS	<u>(636,461)</u>	<u>(398,360)</u>
Net Loss per share - basic and diluted	<u>(0.00)</u>	<u>(0.00)</u>
Weighted average number of basic and diluted common shares outstanding	<u>176,359,223</u>	<u>152,633,403</u>
COMPREHENSIVE LOSS:		
Net loss for the periods	(636,461)	(398,360)
<i>Items which may subsequently be recycled through profit or loss</i>		
Foreign currency translation difference arising on translation of foreign subsidiaries	519,571	330,853
Unrealized gain (loss) on available-for-sale securities	250	(1,250)
	<u>(116,640)</u>	<u>(68,757)</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
Balance at January 1, 2013	152,633,402	\$ 38,311,650	\$ 5,875,314	\$ 3,062,679	\$ (527,820)	\$ (20,438,546)	\$ 26,283,277
Net Loss						(398,360)	(398,360)
Impairment of marketable securities					(1,250)		(1,250)
Foreign currency translation adjustment					330,853		330,853
Share-based payments			162,053				162,053
Expiry of warrants			3,062,679	(3,062,679)			-
Tax effect of expired warrants			(444,088)				(444,088)
Balance at March 31, 2013	152,633,402	\$ 38,311,650	\$ 8,655,958	\$ -	\$ (198,217)	\$ (20,836,906)	\$ 25,932,485
Balance at January 1, 2014	173,833,402	\$ 40,699,968	\$ 9,144,336	\$ 2,072,993	\$ 536,370	\$ (24,005,732)	\$ 28,447,935
Net Loss						(636,461)	(636,461)
Impairment of marketable securities					250		250
Foreign currency translation adjustment					519,571		519,571
Share-based payments			87,413				87,413
Shares issued on exercise of warrants	2,448,157	788,539					788,539
Fair value of warrants exercised		260,566		(260,566)			-
Shares issued on exercise of options	300,000	30,000					30,000
Fair value of options exercised		29,900	(29,900)				-
Balance at March 31, 2014	176,581,559	\$ 41,808,973	\$ 9,201,849	\$ 1,812,427	\$ 1,056,191	\$ (24,642,193)	\$ 29,237,247

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 Three Months Ended March 31,	
	2014	2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(636,461)	(398,360)
Adjustments for items not involving cash:		
Amortization	12,393	12,085
Share based payments	81,719	140,107
Deferred income tax recovery	-	(444,088)
	<u>(542,349)</u>	<u>(690,256)</u>
Change in non-cash operating working capital:		
Decrease (Increase) in accounts receivable	103,650	(129,048)
Decrease (Increase) in prepaid expenses	(57,834)	(154,778)
Increase (decrease) in accounts payable and accruals	14,551	23,058
	<u>(481,982)</u>	<u>(951,024)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares on exercise of options and warrants	818,539	-
	<u>818,539</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(352)	(19,173)
Resource property interests and options	(87,766)	(368,087)
Purchase of short-term deposits	(1,294,622)	
Proceeds from redemption of short-term deposits	1,290,995	1,636,656
	<u>(91,745)</u>	<u>1,249,396</u>
INCREASE (DECREASE) IN CASH	244,812	298,372
CASH, beginning of year	1,311,770	302,120
CASH, end of year	<u>1,556,582</u>	<u>600,492</u>
Non-cash financing and investment activities:		
Accounts payable and accrued liabilities related to resource properties and related deferred costs	28,697	(89,445)

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 three month period ended March 31, 2014

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

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 ("IFRS") 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 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, 2013 with the exception of those new standards, amendments, and interpretations mandatorily effective as of January 1, 2014 discussed in note 3. The date the Board of Directors approved the financial statements is May 29, 2014.

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, 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 judgments based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

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3. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME JANUARY 1, 2014

A number of pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2014. The following new standards, amendments, and interpretations that have been adopted by the Corporation have had no material impact on these condensed interim consolidated financial statements:

- IFRS 9 – Financial Instruments
- Investment Entities – IFRS 10, IFRS 12 and IAS 27
- Amendments to IAS 32 – Offsetting Financial Assets and Liabilities
- IFRIC 21 - Levies

4. CAPITAL MANAGEMENT

The Company's capital at March 31, 2014 consists of shareholders' equity of \$29,237,247 (2013: 25,932,485). 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.

5. RELATED PARTY TRANSACTIONS

As at March 31, 2014 the Company has recorded an advance to an Officer of the Company in the amount of \$64,804 (December 31, 2013 - \$38,269), which is non-interest bearing with no fixed terms of repayment. During the period ending March 31, 2014, the Company paid \$nil (2013 - \$6,750) in consulting fees to Directors of the Company. Additionally, travel expenditures in the amount of \$nil (2013 - \$338) were 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 consist of the following:

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	December 31, 2013	Acquisition Costs	Deferred Exploration Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	March 31, 2014
Bokan Mountain, Alaska	\$ 25,291,005	\$ -	\$ 126,874	\$ -	\$ 519,571	\$ 25,937,450	
Ray Mountains, Alaska	\$ 306,191	-	-	-	-	\$ 306,191	
	\$ 25,597,196	\$ -	\$ 126,874	\$ -	\$ 519,571	\$ 26,243,641	

	December 31, 2012	Acquisition Costs	Deferred Exploration Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	December 31, 2013
Bokan Mountain, Alaska	\$ 22,941,491	\$ 95,728	\$ 1,186,596	\$ -	\$ 1,067,190	\$ 25,291,005	
Lost Pond, Newfoundland	800,000	-	-	(800,000)	-	\$ -	
Ray Mountains, Alaska	306,191	-	-	-	-	\$ 306,191	
	\$ 24,047,682	\$ 95,728	\$ 1,186,596	(800,000)	\$ 1,067,190	\$ 25,597,196	

Impairment

The Company holds a 100% interest in the Lost Pond uranium and rare earth element property, located east of Stephenville, Newfoundland. The Company's 100% interest is subject to a 2% NSR (1% on contiguous claims optioned from third parties), 50% of which can be purchased by the Company for cash payments of \$500,000 to \$1,000,000 to each of three different vendors.

In the prior year, due to uncertain plans for future development of these claims, the Company identified an impairment indicator on this property. As a result, the Company has written down the carrying value of the Lost Pond property to \$nil.

7. SHARE BASED PAYMENTS

Changes in stock options during the three month period ended March 31, 2014 and year ended December 31, 2013 are summarized as follows:

	Three month period ended March 31, 2014		Year ended December 31, 2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Opening balance	10,525,000	0.40	6,790,000	0.51
Granted	150,000	0.27	4,735,000	0.27
Exercised	(300,000)	0.10	-	-
Forfeited	-	-	(1,000,000)	0.47
Closing balance	10,375,000	0.41	10,525,000	0.40

The weighted average share price on the date on which options were exercised during the quarter ended March 31, 2014 was \$0.41, there were no options exercised during the same period in the prior year. The following table summarizes information about the stock options outstanding and exercisable at March 31, 2014:

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Exercise price per share				
\$	Number of outstanding options	Expiry Date	Number of exercisable options	
0.10	100,000	April 24, 2014	100,000	
0.21	150,000	June 10, 2014	150,000	
0.25	500,000	May 13, 2018	500,000	
0.26	3,685,000	June, 18, 2018	1,228,333	
0.26	250,000	October 18, 2018	-	
0.26	150,000	February 17, 2019	-	
0.28	250,000	May 14, 2017	250,000	
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	150,000	
0.41	300,000	March 30, 2017	300,000	
0.46	300,000	January 29, 2018	200,000	
0.49	20,000	December 1, 2015	20,000	
0.55	1,920,000	November 7, 2016	1,920,000	
0.56	150,000	November 17, 2016	100,000	
0.67	1,150,000	September 29, 2015	1,150,000	
0.75	300,000	July 29, 2016	300,000	
0.84	250,000	September 21, 2014	250,000	
	10,375,000		7,368,333	

8. WARRANTS

Changes in share purchase warrants during the three month period ended March 31, 2014 and year ended December 31, 2013 are summarized as follows:

	Three month period ended March 31, 2014		Year ended December 31, 2013	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Opening balance	21,077,594	0.34	11,674,999	0.55
Granted	-	-	21,077,594	0.34
Exercised	(2,448,157)	0.32	-	-
Expired	-	-	(11,674,999)	0.55
Closing balance	18,629,437	0.35	21,077,594	0.34

9. SUBSEQUENT EVENTS

On April 17, 2014 the Company announced that it has completed the third and final tranche of a non-brokered private placement (the "Private Placement"). The cumulative gross proceeds for the Private Placement of \$7,878,126 were received in three tranches on April 11, 2014, April 16, 2014, and April 17, 2014. The Offering consisted of 20,731,912 Units priced at \$0.38 per unit (the "Units"). Each Unit sold was comprised of one common share in the capital 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 \$0.50 per

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Common Share for a period of 36 months. All Common Shares and Warrants issued in connection with the Private Placement are subject to a statutory hold period that expires four months after the issuance of each tranche.

The Company has paid finder's fees totaling \$26,942 and issued a total of 140,900 finder's warrants pursuant to certain subscriptions. Each finder's warrant issued with respect to the final tranche entitles the holder to acquire one Common Share at a price of \$0.38 per Unit for a period of 24 months from the date of issuance.

The Company plans to use the net proceeds of the Offering for permitting activities and feasibility studies on the Bokan Mountain / Dotson Ridge property and for general working capital purposes.