

UCORE RARE METALS INC.
(A Development Stage Enterprise)

Unaudited Condensed Interim Consolidated Financial Statements

First Quarter
For the three month period ended March 31, 2015

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, 2015.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	March 31, 2015	December 31, 2014
	\$	\$
ASSETS		
Current assets		
Cash	1,354,086	2,328,659
Restricted Cash	226,138	207,185
Marketable securities	500	1,000
Other receivables	147,729	139,013
Prepaid expenses and other (note 5)	300,053	308,467
	<u>2,028,506</u>	<u>2,984,324</u>
Equipment	394,799	332,599
Resource properties and related exploration costs (note 7)	35,162,764	32,664,247
	<u>37,586,069</u>	<u>35,981,170</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	728,746	692,827
Short-term debt (note 6)	383,310	-
	<u>1,112,056</u>	<u>692,827</u>
Shareholders' equity		
Share capital	45,859,586	45,859,586
Contributed surplus	9,845,815	9,771,525
Warrants (note 9)	5,578,632	5,578,632
Accumulated other comprehensive loss	3,751,955	1,987,075
Deficit	(28,561,975)	(27,908,475)
	<u>36,474,013</u>	<u>35,288,343</u>
	<u>37,586,069</u>	<u>35,981,170</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 Ended March 31	
	2015	2014
	\$	\$
EXPENSES		
Amortisation	9,791	12,393
Investor relations and marketing	46,208	51,983
Office and premises	62,736	61,276
Professional services	26,380	46,235
Salaries and consultants	348,097	350,869
Securities and regulatory	48,487	4,762
Share-based payments	68,826	81,719
Travel	50,152	34,434
	<u>660,677</u>	<u>643,671</u>
OTHER INCOME (LOSS)		
Interest income	3,544	5,833
Foreign exchange	3,633	1,377
	<u>7,177</u>	<u>7,210</u>
LOSS BEFORE INCOME TAXES	(653,500)	(636,461)
NET LOSS	(653,500)	(636,461)
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>197,563,471</u>	<u>176,359,223</u>
COMPREHENSIVE LOSS:		
Net loss for the periods	(653,500)	(636,461)
<i>Items which may subsequently be recycled through profit or loss</i>		
Foreign currency translation difference arising on translation of foreign subsidiaries	1,765,380	519,571
Unrealized gain (loss) on available-for-sale securities	(500)	250
	<u>1,111,380</u>	<u>(116,640)</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, 2014	152,633,402	\$ 38,311,650	\$ 5,875,314	\$ 3,062,679	\$ (527,820)	\$ (20,438,546)	\$ 26,283,277
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	155,381,559	\$ 39,420,655	\$ 5,932,827	\$ 2,802,113	\$ (7,999)	\$ (21,075,007)	\$ 27,072,589
Balance at January 1, 2015	197,563,471	\$ 45,859,586	\$ 9,771,525	\$ 5,578,632	\$ 1,987,075	\$ (27,908,475)	\$ 35,288,343
Net Loss						(653,500)	(653,500)
Impairment of marketable securities					(500)		(500)
Foreign currency translation adjustment					1,765,380		1,765,380
Share-based payments			74,290				74,290
Balance at March 31, 2015	197,563,471	\$ 45,859,586	\$ 9,845,815	\$ 5,578,632	\$ 3,751,955	\$ (28,561,975)	\$ 36,474,013

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,	
	2015	2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(653,500)	(636,461)
Adjustments for items not involving cash:		
Amortization	9,791	12,393
Share based payments	68,826	81,719
	<u>(574,883)</u>	<u>(542,349)</u>
Change in non-cash operating working capital:		
Decrease (Increase) in accounts receivable	(8,716)	103,650
Decrease (Increase) in prepaid expenses	8,414	(57,834)
Increase (decrease) in accounts payable and accruals	145,191	14,551
	<u>(429,994)</u>	<u>(481,982)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of short-term debt	383,310	-
Increase in restricted cash	(18,953)	-
Issuance of common shares on exercise of options and warrants	-	818,539
	<u>364,357</u>	<u>818,539</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(78,343)	(352)
Resource property interests and options	(830,593)	(87,766)
Purchase of short-term deposits	-	(1,294,622)
Proceeds from redemption of short-term deposits	-	1,290,995
	<u>(908,936)</u>	<u>(91,745)</u>
INCREASE (DECREASE) IN CASH	(974,573)	244,812
CASH, beginning of year	<u>2,328,659</u>	<u>1,311,770</u>
CASH, end of year	<u>1,354,086</u>	<u>1,556,582</u>
Non-cash financing and investment activities:		
Accounts payable and accrued liabilities related to resource properties and related deferred costs	(109,272)	28,697

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2015

(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, 2014 with the exception of those new standards, amendments, and interpretations mandatorily effective as of January 1, 2015 discussed in note 3. The date the Board of Directors approved the financial statements is May 29, 2015.

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.

UCORE RARE METALS INC.

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3. Accounting changes and recent pronouncements

(a) Adoption of new accounting standards

The Company adopted the following accounting standards and amendments to accounting standards effective January 1, 2015:

Amendments to IAS 19, *Employee Benefits*, clarify requirements in relation to contributions by employees and third parties. In addition, these amendments permit contributions that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. There was no impact on the Company's condensed interim consolidated financial statements upon the adoption of these amendments.

(b) Standards issued but not yet adopted:

For the purposes of preparing and presenting the Company's condensed interim consolidated financial statements, the Company has adopted all applicable standards and interpretations issued other than those discussed below. These standards have not been adopted because they are not effective for the Company until subsequent to December 31, 2015. Standards and interpretations issued, but not yet adopted include:

	<u>Effective for the Company</u>
Amendments to IAS 1, <i>Presentation of Financial Statements</i>	January 1, 2016
Amendments to IAS 16, <i>Property, Plant and Equipment</i>	January 1, 2016
Amendments to IAS 28, <i>Investments in Associates and Joint Ventures</i>	January 1, 2016
Amendments to IAS 38, <i>Intangibles</i>	January 1, 2016
Amendments to IFRS 10, <i>Consolidated Financial Statements</i>	January 1, 2016
Amendments to IFRS 11, <i>Joint Arrangements</i>	January 1, 2016
IFRS 15, <i>Revenue from Contracts with Customers</i>	January 1, 2017
IFRS 9, <i>Financial Instruments</i>	January 1, 2018

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*. These amendments clarify materiality guidance, aggregation and disaggregation of items in the statement of financial position, aggregation of an entity's share of other comprehensive income of equity accounted associates and joint ventures, and guidance on ordering of financial statement notes. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangibles*. These amendments prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. These amendments are not anticipated to impact the Company's consolidated financial statements as revenue-based depreciation or amortization methods are not used.

In September 2014, the IASB issued amendment to IAS 28, *Investments in Associates and Joint Ventures*, and IFRS 10, *Consolidated Financial Statements*. These amendments address a conflict between IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not anticipated to impact the Company's consolidated financial statements.

In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements*. The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. These amendments are not anticipated to impact the Company's consolidated financial statements.

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In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The standard replaces IAS 11, *Construction Contracts*; IAS 18, *Revenue*; IFRIC 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfer of Assets from Customers*; and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. This standard establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017, and permits early adoption. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, which will replace IAS 39, *Financial Instruments, Recognition and Measurement*. The replacement standard provides a new model for the classification and measurement of financial instruments. The IASB has determined the revised effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018. The Company will evaluate the impact of the change to the consolidated financial statements based on the characteristics of financial instruments outstanding at the time of adoption.

4. CAPITAL MANAGEMENT

The Company's capital at March 31, 2015 consists of shareholders' equity of \$36,474,013 (2014: 35,288,343). 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, 2015 the Company has recorded an advance to an Officer of the Company in the amount of \$192,088 (December 31, 2014 - \$192,088), which is non-interest bearing with no fixed terms of repayment. During the period ending March 31, 2015, the Company paid \$3,054 (2014 - \$nil) in consulting fees to Directors of the Company. Additionally, travel expenditures in the amount of \$nil (2014 - \$nil) 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. SHORT-TERM DEBT

The Company entered into a loan agreement for \$383,310 in short-term debt during the period. This loan is to be repaid in full on August 3, 2015 with interest calculated at 6% per annum. The loan is secured by the barge at the Bokan Mountain property which was previously used as a site camp.

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7. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

The Company's interest in resource properties and related exploration costs consist of the following:

	December 31, 2014	Acquisition Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	March 31, 2015
Bokan Mountain, Alaska	\$ 32,082,396	\$ -	\$ 733,137	\$ -	\$ 1,765,380	\$ 34,580,913
Ray Mountains, Alaska	\$ 329,857	-	-	-	-	\$ 329,857
Seagull Tin, Yukon	\$ 251,994	-	-	-	-	\$ 251,994
	\$ 32,664,247	\$ -	\$ 733,137	\$ -	\$ 1,765,380	\$ 35,162,764

	December 31, 2013	Acquisition Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	December 31, 2014
Bokan Mountain, Alaska	\$ 25,291,005	\$ 105,820	\$ 5,235,116	\$ -	\$ 1,450,455	\$ 32,082,396
Ray Mountains, Alaska	306,191	-	23,666	-	-	\$ 329,857
Seagull Tin, Yukon	-	251,994	-	-	-	\$ 251,994
	\$ 25,597,196	\$ 357,814	\$ 5,258,782	-	\$ 1,450,455	\$ 32,664,247

8. SHARE BASED PAYMENTS

Changes in stock options during the three month period ended March 31, 2015 and year ended December 31, 2014 are summarized as follows:

	Three month period ended March 31, 2015		Year ended December 31, 2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Opening balance	13,825,000	0.37	10,525,000	0.40
Granted	-	-	4,350,000	0.28
Exercised	-	-	(550,000)	0.13
Forfeited	(200,000)	0.38	(500,000)	0.60
Closing balance	13,625,000	0.37	13,825,000	0.37

No options were exercised during the quarter ended March 31, 2015, the weighted average share price on the date on which options were exercised during the prior year was \$0.41. The following table summarizes information about the stock options outstanding and exercisable at March 31, 2015:

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Exercise price per share				
\$	Number of outstanding options	Expiry Date	Number of exercisable options	
0.25	500,000	May 13, 2018	500,000	
0.26	3,685,000	June 11, 2018	3,685,000	
0.26	250,000	October 30, 2018	166,667	
0.27	150,000	February 17, 2019	100,000	
0.27	650,000	April 25, 2019	216,667	
0.27	3,050,000	June 30, 2019	1,016,667	
0.28	250,000	May 14, 2017	250,000	
0.32	500,000	June 30, 2019	166,667	
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	300,000	
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	150,000	
0.67	1,150,000	September 29, 2015	1,150,000	
0.75	300,000	July 29, 2016	300,000	
	13,625,000		10,691,688	

9. WARRANTS

Changes in share purchase warrants during the three month period ended March 31, 2015 and year ended December 31, 2014 are summarized as follows:

	Three month period ended March 31, 2015		Year ended December 31, 2014	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Opening balance	39,502,249	0.43	21,077,594	0.34
Granted	-	-	20,872,812	0.50
Exercised	-	-	(2,448,157)	0.32
Expired	-	-	-	-
Closing balance	39,502,249	0.43	39,502,249	0.43

10. SUBSEQUENT EVENTS

On May 20, 2015 the Company entered into an agreement in which \$4,000,000 USD was raised through the sale of a royalty on the future sale of products and services related to the processing of rare earth elements and other specialty metals and critical materials utilizing the SuperLig® Molecular Recognition Technology ("MRT"). Under the terms of the agreement, the purchaser will make payments totaling \$4,000,000 USD over a 120 day period.

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(Expressed in Canadian dollars)

The royalty will be on production from future MRT installations and be comprised of a gross royalty of 5% of sales payable until the recapture of the investment; and a net smelter royalty of 2% on the first production client with expected gross revenue, as estimated by the Company, exceeding \$50,000,000 per annum.

The purchaser has the option to increase the amount of the investment by up to \$1,000,000 in exchange for a larger royalty if, prior to August 13, 2015, written notice is provided signaling such intent. This may be done in tranches of \$500,000 USD, where each \$500,000 USD payment would result in an increase in the royalty by a factor of 0.25%.

The purchaser has the right to convert the total amount of the investment, minus any royalty amounts already then paid, into common shares of the Company. If the purchaser elects to convert such amount, the Company's royalty obligation shall cease, and the conversion amount shall be converted into common shares at the greater of (i) the 30 day volume weighted average share price of the Company's common shares, less a 20% discount, (ii) the market price of the Company's common shares on the day immediately prior to the conversion date, less a 20% discount; or (iii) \$0.25 per common share. The closing of this transaction is subject to and conditional upon the acceptance and approval of the TSX Venture Exchange.

The company is in the process of evaluating the impact of this transaction on the consolidated financial statements.