

**UCORE RARE METALS INC.**  
**(Formerly Ucore Uranium Inc.)**  
**(A Development Stage Enterprise)**

Unaudited Interim Consolidated Financial Statements

**Third Quarter**  
**For the nine month period ended September 30, 2010**

In accordance with National instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended September 30, 2010.

**UCORE RARE METALS INC.**

(Formerly Ucore Uranium Inc.)

Interim Consolidated Balance Sheets

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	September 30 2010 \$	December 31 2009 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	459,351	183,830
Short-term deposits	2,600,793	1,993,533
Marketable securities	21,750	15,000
Sales taxes recoverable	26,628	23,892
Prepaid expenses (note 7)	49,535	34,646
	<u>3,158,057</u>	<u>2,250,901</u>
<b>Capital assets</b>	53,880	67,365
<b>Resource properties and related deferred costs (note 6)</b>	<u>20,885,348</u>	<u>18,089,688</u>
	<u>24,097,285</u>	<u>20,407,954</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<u>584,590</u>	<u>310,231</u>
<b>Future income tax liability</b>	<u>878,000</u>	<u>878,000</u>
	<u>1,462,590</u>	<u>1,188,231</u>
<b>Shareholders' equity</b>		
Share capital (note 8)	24,001,613	19,690,320
Contributed surplus	4,330,092	3,064,561
Warrants (note 10)	1,637,578	2,320,708
Accumulated other comprehensive loss	(24,000)	(24,500)
Deficit	(7,310,588)	(5,831,366)
	<u>22,634,695</u>	<u>19,219,723</u>
	<u>24,097,285</u>	<u>20,407,954</u>

Nature of operations (note 1)

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  
Jos De Smedt, Director

**UCORE RARE METALS INC.**

(Formerly Ucore Uranium Inc.)

Interim Consolidated Statements of Operations, Comprehensive Income and Deficit

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>EXPENSES</b>				
Amortization	5,249	7,842	15,535	21,471
Investor relations and marketing	27,278	51,585	234,218	61,106
Office and premises	32,316	23,292	102,369	83,488
Professional services	34,209	14,838	62,563	39,146
Salaries and consultants	127,781	162,680	531,529	383,261
Securities and regulatory	7,380	13,064	49,176	44,462
Stock-based compensation	161,846	105,250	287,969	286,945
Travel	54,475	26,863	194,407	51,856
	<u>450,534</u>	<u>405,414</u>	<u>1,477,766</u>	<u>971,735</u>
<b>OTHER INCOME (LOSS)</b>				
Interest income	1,612	8,047	5,183	27,678
Gain (loss) on disposal of equipment	-	5,427	-	445
Foreign exchange	(1,562)	17,302	(6,639)	19,351
	<u>50</u>	<u>30,776</u>	<u>(1,456)</u>	<u>47,474</u>
<b>LOSS BEFORE INCOME TAXES</b>	<u>(450,484)</u>	<u>(374,638)</u>	<u>(1,479,222)</u>	<u>(924,261)</u>
<b>FUTURE INCOME TAX RECOVERY</b>	<u>-</u>	<u>(94,000)</u>	<u>-</u>	<u>(190,000)</u>
<b>NET LOSS FOR THE PERIODS</b>	<u>(450,484)</u>	<u>(280,638)</u>	<u>(1,479,222)</u>	<u>(734,261)</u>
<b>DEFICIT, beginning of periods</b>	<u>(6,860,104)</u>	<u>(4,593,258)</u>	<u>(5,831,366)</u>	<u>(4,139,635)</u>
<b>DEFICIT, end of periods</b>	<u>(7,310,588)</u>	<u>(4,873,896)</u>	<u>(7,310,588)</u>	<u>(4,873,896)</u>
<b>Loss per share - basic and diluted</b>	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.02)</u>	<u>(0.01)</u>
<b>Weighted average number of common shares outstanding</b>	<u>106,016,456</u>	<u>80,299,347</u>	<u>94,369,182</u>	<u>69,166,375</u>
<b>COMPREHENSIVE LOSS:</b>				
Net loss for the periods	(450,484)	(280,638)	(1,479,222)	(734,261)
Unrealized gain (loss) on available-for-sale securities	5,000	(12,500)	-	(10,000)
	<u>(445,484)</u>	<u>(293,138)</u>	<u>(1,479,222)</u>	<u>(744,261)</u>

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

**UCORE RARE METALS INC.**

(Formerly Ucore Uranium Inc.)

Interim Consolidated Statements of Cash Flows

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the periods	(450,484)	(280,638)	(1,479,222)	(734,261)
Adjustments for items not involving cash:				
Amortization	5,249	7,842	15,535	21,471
Stock-based compensation	161,846	105,250	287,969	286,945
Future income tax recovery	-	(94,000)	-	(190,000)
Loss on disposal of equipment	-	(5,427)	-	(445)
	<u>(283,389)</u>	<u>(266,973)</u>	<u>(1,175,718)</u>	<u>(616,290)</u>
Change in non-cash operating working capital:				
Decrease (increase) in accounts receivable	-	-	-	34,268
Decrease (increase) in sales taxes recoverable	(12,101)	(2,029)	(2,736)	121,923
Decrease (increase) in prepaid expenses	(347)	2,527	(14,889)	(4,664)
Increase (decrease) in accounts payable and accruals	300,108	50,058	542,886	52,179
Increase (decrease) in due to related parties	-	-	-	-
	<u>4,271</u>	<u>(216,417)</u>	<u>(650,457)</u>	<u>(412,584)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of common shares and warrants for cash	-	3,700,000	4,000,000	4,000,000
Issuance of common shares on exercise of options and warrants	774,608	197,112	970,518	203,112
Financing costs	-	(300,199)	(383,105)	(306,231)
	<u>774,608</u>	<u>3,596,913</u>	<u>4,587,413</u>	<u>3,896,881</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of capital assets	-	(5,418)	(2,050)	(5,418)
Proceeds on disposal of equipment	-	5,427	-	12,427
Resource property interests and options, net	(2,878,780)	(1,045,007)	(3,052,125)	(1,233,855)
Short-term deposits	(825,097)	(1,748,042)	(607,260)	(1,581,185)
Recovery of staking security deposits	-	-	-	2,300
	<u>(3,703,877)</u>	<u>(2,793,040)</u>	<u>(3,661,435)</u>	<u>(2,805,731)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<u>(2,924,998)</u>	<u>587,456</u>	<u>275,521</u>	<u>678,566</u>
<b>CASH, beginning of periods</b>	<u>3,384,349</u>	<u>137,540</u>	<u>183,830</u>	<u>46,430</u>
<b>CASH, end of periods</b>	<u>459,351</u>	<u>724,996</u>	<u>459,351</u>	<u>724,996</u>
Non-cash financing and investment activities:				
Accounts payable and accrued liabilities related to resource properties and related deferred costs	240,228	614,126	268,527	614,126
Issuance (receipt) of common shares on payment of property option agreements	(6,250)	9,450	(6,250)	9,450
Issuance of warrants as compensation pursuant to private placement financing	165,454	190,000	165,454	190,000

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

# UCORE RARE METALS INC.

(Formerly Ucore Uranium Inc.)

Notes to Interim Consolidated Financial Statements  
For the nine month period ended September 30, 2010

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

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## 1. NATURE OF OPERATIONS

Ucore Rare Metals Inc. (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 company. The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, obtaining necessary financing and permitting to complete the development, and future profitable production or proceeds from the disposition thereof.

## 2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim financial statements. Accordingly, certain information and note disclosure normally included in annual consolidated financial statements have been condensed or omitted. The interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2009, except as noted. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2009. Certain comparative financial data has been reclassified to conform to the presentation adopted in these financial statements.

## 3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

### *Business combinations*

In January 2009, the CICA issued the new handbook Section 1582, *Business Combinations*, effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with United States GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company’s financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of adopting this pronouncement on the consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2011.

### *Consolidated financial statements and non-controlling interests*

In January 2009, the CICA issued the new handbook Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*, effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with United States GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interest in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent’s equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent’s ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company, which controls 100% of all of its subsidiaries, is currently considering the impact of adopting these pronouncements on its consolidated financial statements in fiscal 2011 in connection with the conversion to IFRS.

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## *International Financial Reporting Standards*

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. The Company has not yet completed a detailed assessment of the impact of these differences on the financial statements. The Company will commence reporting under the new standards on January 1, 2011.

## **4. CAPITAL MANAGEMENT**

The Company’s capital consists of share capital, contributed surplus and warrants. 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. FINANCIAL INSTRUMENTS**

The Company recognizes financial instruments based on their classification. Depending on the financial instruments’ classification, changes in subsequent measurements are recognized in net income or comprehensive income (loss).

If a financial instrument is measured at fair value, changes in its fair value shall usually be recognized in the period in which the change occurs, with some exceptions, such as for cash flow hedges and available-for-sale investments. For investments designated as being available-for-sale, changes in the fair value shall be recorded directly in shareholders’ equity in a separate account called “Accumulated Other Comprehensive Income (Loss)” until the asset is disposed of or becomes impaired. At that time, the gains and losses are transferred to the Statement of Operations and Deficit.

The Company has implemented the following classifications:

- Cash and short-term deposits are classified as financial assets held for trading. These financial assets are marked-to-market through net income at each period end.
- Marketable securities are classified as available-for-sale financial assets and are marked-to-market with changes in fair value recognized in other comprehensive income (loss) each period or in the Statement of Operations to the extent the decline in value is considered to be other than temporary.
- Sales taxes recoverable, accounts receivable and due from related parties are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Accounts payable and due to related parties are classified as “Other Financial Liabilities”. After their initial fair value measurement, they are measured at amortized costs using the effective interest method.

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## Fair value

The fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The carrying values of cash, short-term deposits, accounts receivable, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

## Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Short-term deposits are held in interest-bearing instruments that can be converted to cash without penalty at any time and are recorded at fair value.

## Foreign currency rate risk

A significant portion of the Company's transactions occur in United States dollars and accordingly, the related financial assets are subject to fluctuations in the respective exchange rates. At period end, the Company had net US dollar liabilities of \$280,000. A 10% weakening in the exchange rate would result in a foreign exchange gain of \$28,000. (A 10% strengthening would have an equal but opposite impact.)

## Concentration of credit risk

Management does not believe it is exposed to any significant concentration of credit risk. All of the sales taxes recoverable are with the Government of Canada.

## Interest rate risk

The Company has cash, short-term deposits and no interest-bearing debt. The Company's short term funds are held primarily in guaranteed investment certificates, the rates of which are fixed for periods ranging up to one year. A one-percent change in the interest rate for these instruments would affect the Company by an annualized amount of interest equal to approximately \$31,000.

## 6. RESOURCE PROPERTIES AND RELATED DEFERRED COSTS

The Company's interests in resource properties consist of:

	December 31, 2009	Acquisition Costs	Deferred Exploration Costs	September 30, 2010
	\$	\$	\$	\$
Bokan Mountain/Dotson Ridge, Alaska	12,859,236	100,295	2,695,153	15,654,684
Lost Pond Uranium, Newfoundland and Labrador	4,691,493	-	212	4,691,705
Canada, Other	538,959	-	-	538,959
<b>Total</b>	<b>18,089,688</b>	<b>100,295</b>	<b>2,695,365</b>	<b>20,885,348</b>

# UCORE RARE METALS INC.

(Formerly Ucore Uranium Inc.)

Notes to Interim Consolidated Financial Statements  
For the nine month period ended September 30, 2010

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

	December 31, 2008 \$	Acquisition Costs \$	Deferred Exploration Costs \$	December 31, 2009 \$
Bokan Mountain/Dotson Ridge, Alaska	10,357,952	108,979	2,392,305	12,859,236
Lost Pond Uranium, Newfoundland and Labrador Canada, Other	4,646,851 536,799	9,450 -	35,192 2,160	4,691,493 538,959
<b>Total</b>	<b>15,541,602</b>	<b>118,429</b>	<b>2,429,657</b>	<b>18,089,688</b>

During the nine month period ended September 30, 2010 the company received 50,000 shares of Kirrin Resources Inc. pursuant to an option agreement dated September 15, 2008 relating to the Lost Pond property. These shares were valued at \$6,250 and represent a recovery of deferred exploration costs.

## 7. RELATED PARTY TRANSACTIONS

As at September 30, 2010 the Company has recorded an advance, for corporate expenses, to an Officer of the Company in the amount of \$12,056 as a prepaid expense (December 31, 2009 - \$12,056), which is non-interest bearing with no fixed terms of repayment.

During the period ended September 30, 2010, the Company entered into transactions with related parties as follows:

Geological consulting fees paid to a company owned by a director of the Company	\$ 9,875
Reimbursement of expenses paid to a company owned by a director of the Company	\$ 2,809
Fees for airborne surveys paid to a company owned by an officer of the Company	\$ 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.

## 8. SHARE CAPITAL

Changes in share capital during the three and nine month periods ended September 30, 2010 are summarized as follows:

Authorized	Three month period ended September 30, 2010		Nine month period ended September 30, 2010	
Unlimited number of common voting shares	Number of shares	Ascribed Value \$	Number of shares	Ascribed Value \$
Unlimited number of first preferred non-voting shares issuable in series				
Unlimited number of second preferred non-voting shares issuable in series				
<b>Issuance of common shares</b>		\$		\$
<b>Opening balance</b>	<b>105,410,516</b>	<b>22,489,465</b>	<b>86,475,198</b>	<b>19,690,320</b>
For cash and fair value pursuant to option and warrant agreements	3,916,125	1,512,148	4,669,625	1,846,278
Pursuant to property agreements	-	-	-	-
Pursuant to private placement, net of costs	-	-	18,181,818	2,465,015
<b>Closing balance</b>	<b>109,326,641</b>	<b>24,001,613</b>	<b>109,326,641</b>	<b>24,001,613</b>

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 value allocated to the common shares was \$2,909,091 and the value allocated to the warrants was \$1,090,909. The Company paid



# UCORE RARE METALS INC.

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Notes to Interim Consolidated Financial Statements

For the nine month period ended September 30, 2010

(unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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 totaled \$103,105.

The value allocated to the warrants was based on the Black-Scholes model, using an assumed volatility of 115% and an expected life of 2 years, resulting in the following allocation of proceeds and costs between common shares and warrants:

	<b>Common Shares</b>	<b>Warrants</b>	<b>Total</b>
	<b>Ascribed Value</b>	<b>Ascribed Value</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Gross Proceeds</b>	<b>2,909,091</b>	<b>1,090,909</b>	<b>4,000,000</b>
Cash costs	(278,622)	(104,483)	(383,105)
Broker Warrants	(165,454)	165,454	-
<b>Net Proceeds</b>	<b>2,465,015</b>	<b>1,151,880</b>	<b>3,616,895</b>

## 9. STOCK-BASED COMPENSATION

Changes in stock options during the three and nine month periods ended September 30, 2010 are summarized as follows:

	<b>Three month period ended</b>		<b>Nine month period ended</b>	
	<b>September 30, 2010</b>		<b>September 30, 2010</b>	
	Number of	Weighted	Number of	Weighted
	options	average	options	average
		exercise		exercise
		price		price
		\$		\$
<b>Opening balance</b>	<b>4,252,420</b>	<b>0.57</b>	<b>4,177,420</b>	<b>0.59</b>
Granted	1,450,000	0.59	1,650,000	0.59
Exercised	(10,000)	0.10	(35,000)	0.10
Forfeited or expired	(187,500)	0.22	(287,500)	0.58
<b>Closing balance</b>	<b>5,504,920</b>	<b>0.59</b>	<b>5,504,920</b>	<b>0.59</b>

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Notes to Interim Consolidated Financial Statements  
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The following table summarizes information about the stock options outstanding and exercisable at September 30, 2010:

Exercise price per share \$	Number of outstanding options	Expiry Date	Number of exercisable options
0.10	580,000	April 24, 2014	137,500
0.21	150,000	June 10, 2014	37,500
0.35	250,000	August 6, 2014	166,667
0.38	200,000	February 2, 2015	66,666
0.40	300,000	August 19, 2015	-
0.45	250,000	July 2, 2013	187,500
0.47	850,000	March 31, 2013	850,000
0.50	300,000	October 2, 2011	300,000
0.67	1,150,000	September 29, 2011	-
0.75	50,000	November 22, 2012	50,000
0.76	102,000	March 13, 2011	102,000
0.84	250,000	September 21, 2014	62,500
0.97	47,600	November 16, 2011	47,600
1.00	25,000	January 30, 2012	25,000
1.00	100,000	February 1, 2012	100,000
1.04	750,000	December 21, 2011	375,000
1.22	50,320	March 14, 2012	50,320
1.25	100,000	June 13, 2012	100,000
	<b>5,504,920</b>		<b>2,658,253</b>

## 10. WARRANTS

Changes in share purchase warrants during the three and nine month periods ended September 30, 2010 are summarized as follows:

	Three month period ended September 30, 2010		Nine month period ended September 30, 2010	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
<b>Opening balance</b>	<b>25,202,636</b>	<b>0.27</b>	<b>18,538,750</b>	<b>0.30</b>
Granted	-	0.29	10,363,636	0.29
Exercised	(3,906,125)	0.20	(4,634,625)	0.21
Forfeited or expired	(730,000)	0.55	(3,701,250)	0.55
<b>Closing balance</b>	<b>20,566,511</b>	<b>0.27</b>	<b>20,566,511</b>	<b>0.27</b>

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Notes to Interim Consolidated Financial Statements  
For the nine month period ended September 30, 2010

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The following table summarizes information about the warrants outstanding and exercisable at September 30, 2010:

<b>Exercise price per share</b>	<b>Number of outstanding</b>		<b>Expiry Date</b>	<b>Number of exercisable warrants</b>
<b>\$</b>	<b>warrants</b>			
0.10	2,365,000		April 2, 2011	2,365,000
0.30	7,562,500		July 24, 2011	7,562,500
0.26	285,000		July 24, 2011	285,000
0.30	9,090,909		June 18, 2012	9,090,909
0.22	1,263,102		June 18, 2012	1,263,102

## 11. SUBSEQUENT EVENTS

On November 9, 2010, the Company announced a Private Placement of up to 25,000,000 units at a price of \$0.40 per unit. Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole warrant gives the holder the right to purchase one common share at an exercise price of \$0.55 for a period of 24 months. The financing is expected to close on December 8, 2010 subject to certain conditions. The Company intends to pay a commission of 7% of the gross proceeds and issue brokers' warrants equal to 7% of the aggregate number of units issued by the Company pursuant to the Placement. Each brokers' warrant gives the holder the right to purchase one common share at an exercise price of \$0.40 for a period of 24 months from the closing date.