

UCORE RARE METALS INC.
(A Development Stage Enterprise)

Unaudited Interim Consolidated Financial Statements

First Quarter
For the three month period ended March 31, 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 consolidated financial statements for the period ended March 31, 2012.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	March 31, 2012	December 31, 2011
	\$	\$
ASSETS		
Current assets		
Cash	134,964	268,265
Short-term deposits	5,696,084	7,285,967
Marketable securities	6,250	8,500
Accounts receivable (note 5)	163,137	216,160
Prepaid expenses	187,976	291,742
	<u>6,188,411</u>	<u>8,070,634</u>
Equipment	63,019	58,021
Resource properties and related deferred costs (note 6)	24,157,714	23,570,263
	<u>30,409,144</u>	<u>31,698,918</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	426,138	776,333
	<u>426,138</u>	<u>776,333</u>
Shareholders' equity		
Share capital	37,586,858	37,510,977
Contributed surplus	4,840,757	4,495,138
Warrants (note 8)	2,720,480	2,740,011
Accumulated other comprehensive loss	(463,017)	(176,666)
Deficit	(14,702,072)	(13,646,875)
	<u>29,983,006</u>	<u>30,922,585</u>
	<u>30,409,144</u>	<u>31,698,918</u>

Nature of operations (note 1)

Subsequent event (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
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	
	2012	2011
	\$	\$
EXPENSES		
Amortization	4,665	5,387
Investor relations and marketing	84,207	79,662
Office and premises	59,180	52,258
Professional services	153,852	113,716
Salaries and consultants	338,134	208,504
Securities and regulatory	37,393	34,712
Share-based payments	300,587	254,008
Travel	94,815	65,322
Impairment of marketable securities	2,250	-
	<u>1,075,083</u>	<u>813,569</u>
OTHER INCOME (LOSS)		
Interest income	10,117	3,705
Foreign exchange	9,769	(378)
	<u>19,886</u>	<u>3,327</u>
LOSS BEFORE INCOME TAXES	<u>(1,055,197)</u>	<u>(810,242)</u>
INCOME TAXES RECOVERABLE	<u>-</u>	<u>-</u>
NET LOSS	<u>(1,055,197)</u>	<u>(810,242)</u>
Net Loss per share - basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>
Weighted average number of basic and diluted common shares outstanding	<u>152,375,878</u>	<u>142,934,700</u>
COMPREHENSIVE LOSS:		
Net loss for the periods	(1,055,197)	(810,242)
Foreign currency translation difference arising on translation of foreign subsidiaries	(286,351)	(270,945)
Unrealized gain (loss) on available-for-sale securities	-	(9,750)
	<u>(1,341,548)</u>	<u>(1,090,937)</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, 2011	136,653,253	\$ 31,102,550	\$ 3,818,574	\$ 4,884,270	\$ (428,896)	\$ (10,111,722)	\$ 29,264,776
Net Loss						(810,242)	(810,242)
Unrealised gain on marketable securities					(9,750)		(9,750)
Foreign currency translation adjustment					(270,945)		(270,945)
Share-based payments			274,231				274,231
Shares issued on exercise of warrants	11,324,625	2,935,818					2,935,818
Fair value of warrants exercised		1,496,480		(1,496,480)			-
Shares issued on exercise of options	75,000	40,000					40,000
Fair value of options exercised		37,750	(37,750)				-
Balance at March 31, 2011	148,052,878	\$ 35,612,598	\$ 4,055,055	\$ 3,387,790	\$ (709,591)	\$ (10,921,964)	\$ 31,423,888
Balance at January 1, 2012	151,364,752	\$ 37,510,977	\$ 4,495,138	\$ 2,740,011	\$ (176,666)	\$ (13,646,875)	\$ 30,922,585
Net Loss						(1,055,197)	(1,055,197)
Impairment on marketable securities							-
Foreign currency translation adjustment							-
Share-based payments			347,869		(286,351)		61,518
Shares issued on exercise of warrants	180,000	51,600					51,600
Fair value of warrants exercised		19,531		(19,531)			-
Shares issued on exercise of options	25,000	2,500					2,500
Fair value of options exercised		2,250	(2,250)				-
Balance at March 31, 2012	151,569,752	\$ 37,586,858	\$ 4,840,757	\$ 2,720,480	\$ (463,017)	\$ (14,702,072)	\$ 29,983,006

UCORE RARE METALS INC.

Condensed Consolidated Statements of Cash Flows

Expressed in Canadian dollars

	For the Three Months ended March 31,	
	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(1,055,197)	(810,242)
Adjustments for items not involving cash:		
Amortization	4,665	5,387
Share based payments	300,587	254,008
Impairment of marketable securities	2,250	-
	<u>(747,695)</u>	<u>(550,847)</u>
Change in non-cash operating working capital:		
Decrease (Increase) in accounts receivable	53,023	(46,575)
Decrease (Increase) in prepaid expenses	103,766	(45,347)
Increase (decrease) in accounts payable and accruals	(94,923)	(72,347)
	<u>(685,829)</u>	<u>(715,116)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares on exercise of options and warrants	54,100	2,975,818
	<u>54,100</u>	<u>2,975,818</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(9,664)	(7,195)
Resource property interests and options	(1,081,791)	(582,508)
Purchases of short-term deposits	-	(10,003,705)
Proceeds from redemption of short-term deposits	1,589,883	-
	<u>498,428</u>	<u>(10,593,408)</u>
INCREASE (DECREASE) IN CASH	(133,301)	(8,332,706)
CASH, beginning of year	<u>268,265</u>	<u>9,306,218</u>
CASH, end of year	<u>134,964</u>	<u>973,512</u>
Non-cash financing and investment activities:		
Accounts payable and accrued liabilities related to resource properties and related deferred costs	414,115	(15,638)

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, 2012

(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 454 Voyageur Way, Hammonds Plains, N.S., B4B 2A7. 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 AND FIRST-TIME ADOPTION OF IFRS

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 used in the preparation of the consolidated financial statements for the year ended December 31, 2011. The date the Board of Directors approved the financial statements is July 8, 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 and share based payments 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
For the three month period ended March 31, 2012

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

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 March 31, 2012 consists of shareholders' equity of \$29,843,831 (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.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2012

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

5. RELATED PARTY TRANSACTIONS

As at March 31, 2012 the Company has recorded an advance to an Officer of the Company in the amount of \$44,345 (December 31, 2011 - \$13,095), which is non-interest bearing with no fixed terms of repayment. During the period ending March 31, 2012, the Company paid \$11,250 (2011 - \$21,000) in consulting fees to Directors of the Company. Additionally, travel expenditure in the amount of \$1,250 (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	March 31, 2012
Bokan Mountain, Alaska	\$ 20,679,003	\$ -	\$ 873,802	\$ -	-\$ 286,351	\$ 21,266,454
Lost Pond, Newfoundland	\$ 2,800,000	-	-	-	-	\$ 2,800,000
Ray Mountains, Alaska	\$ 91,260	-	-	-	-	\$ 91,260
	\$ 23,570,263	\$ -	\$ 873,802	\$ -	-\$ 286,351	\$ 24,157,714

	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
Canada - Other	-	52,413	38,847	-	-	\$ 91,260
	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 totalled \$431,193.

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2012

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

7. SHARE BASED PAYMENTS

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

	Three month period ended March 31, 2012		Year ended December 30, 2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Opening balance	6,365,320	0.54	5,269,920	0.61
Granted	-	-	2,370,000	0.58
Exercised	(25,000)	0.10	(75,000)	0.53
Forfeited or expired	(150,320)	1.07	(1,199,600)	0.88
Closing balance	6,190,000	0.53	6,365,320	0.54

The weighted average share price on the date on which options were exercised during the first quarter of 2012 was \$0.51 (2011: \$0.95). The following table summarizes information about the stock options outstanding and exercisable at March 31, 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
0.35	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
0.45	150,000	July 2, 2013	150,000
0.47	850,000	March 31, 2013	850,000
0.49	20,000	December 1, 2015	13,333
0.55	1,920,000	November 7, 2016	-
0.56	150,000	November 17, 2016	-
0.67	1,150,000	September 29, 2015	1,150,000
0.75	300,000	July 29, 2016	100,000
0.84	250,000	September 21, 2014	250,000
1.25	100,000	June 13, 2012	100,000
	6,190,000		3,951,333

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2012

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

8. WARRANTS

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

	Three month period ended March 31, 2012		Year ended December 30, 2011	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Opening balance	17,878,397	0.30	32,514,896	0.39
Exercised	(180,000)	0.29	(14,636,499)	0.23
Closing balance	17,698,397	0.30	17,878,397	0.30

The following table summarizes information about the warrants outstanding and exercisable at March 31, 2012:

Exercise price per share \$	Number of outstanding warrants	Expiry Date	Number of exercisable warrants
0.30	5,035,272	June 18, 2012	5,035,272
0.22	20,000	June 18, 2012	20,000
0.55	11,674,999	December 9, 2012	11,674,999
0.40	968,126	December 9, 2012	968,126

9. SUBSEQUENT EVENTS

- (a) Subsequent to March 31, 2012 a total of 95,525 shares were issued pursuant to the exercise of warrant agreements, for total proceeds of \$27,000.
- (b) On June 18, 2012, a total of 4,959,747 warrants expired unexercised.
- (c) Subsequent to March 31, 2012, the Company entered into an operating lease for the rental of premises in Bedford, Nova Scotia. The term of the lease is from July 1, 2012 to June 30, 2017. Annual commitments total \$111,824.