

**UCORE RARE METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2012**

*This Management's Discussion and Analysis of Ucore Rare Metals Inc. ("Ucore" or the "Company"), prepared as of November 29, 2012, provides analysis of the Company's financial results for the period ended September 30, 2012. The following information should be read in conjunction with the unaudited financial statements and notes thereto for the period ended September 30, 2012 which are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in Canadian dollars unless otherwise noted.*

*This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address anticipated operating costs, possible future resource property expenditures, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects, are considered forward-looking because we have used what we know and expect today to make a statement about the future. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Forward-looking statements usually include words such as may, expect, plan, anticipate, budget, believe or similar words. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Additional details of the specific risks associated with the operations of the Company and such forward-looking statements are set out below under "Risks and Uncertainties". Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.*

## **Overview**

Ucore Rare Metals Inc. ("Ucore" or the "Company") is a junior exploration company listed on the TSX Venture Exchange (the "Exchange"), whose corporate strategy is to build shareholder value through the exploration and development of economically viable rare earth element ("REE") and uranium properties. Ucore is currently focusing its exploration activities on its Bokan Mountain/Dotson Ridge property in Alaska, while allowing its Lost Pond property in the Province of Newfoundland and Labrador to be advanced pursuant to a property option agreement.

On November 28, 2012, the Company released a preliminary economic assessment, prepared by Tetra Tech on the Bokan property, which estimated an NPV of \$577 million at a 10% discount rate and an IRR of 43%. Further details of the assessment are disclosed below.

Until a decision is made to proceed with the commercial development of one of its properties, the annual level of exploration expenditures of the Company is dependent on the Company's ability to either raise capital through the sale of shares or to attract project financing to continue to finance its exploration programs.

## **Resource Property Interests**

Ucore's primary focus for the 2012 year to date has been, and continues to be the Bokan Mountain/Dotson Ridge REE property in Alaska, where the Company has incurred the majority of its exploration expenditures for the past several years. Ucore's strategy continues to be, to the extent possible, to progress its properties, to seek strategic opportunities for the advancement of its properties or to release the properties. A detail of the Company's deferred exploration costs for the three and nine month periods ended September 30, 2012 is included in Schedules "A" and "B" respectively.

## ***Bokan Mountain/Dotson Ridge, Alaska***

In 2006, the Company acquired the right to the Bokan Mountain property through five separate option agreements to acquire a 100% interest in a parcel of unpatented mineral claims from underlying owners and through staking a 100% interest in an additional parcel of prospective ground. The option agreements provide for the Company to acquire a 100% interest in the optioned claims in exchange for total remaining payments of US\$90,000. The five vendors will retain Net Smelter Royalties ("NSR") ranging from 2% to 4% on their specific claims. The Company has the right to purchase between 33% and 100% of the NSR for cash payments of US\$500,000 to US\$1,000,000 per vendor.

On November 28, 2012, the Company reported the results of the Preliminary Economic Assessment (PEA) completed by Tetra Tech of Vancouver, BC, regarding the Dotson Ridge Zone of the Company's Bokan Mountain heavy rare earth property in Southeast Alaska.

### **Highlights of the PEA Include:**

- **Net Present Value (NPV):** \$577M at a 10% discount rate, pre-tax.
- **Internal Rate of Return (IRR):** 43%.
- **Payback Period:** 2.3 years.
- **Capital Cost:** \$221M, including a complete on-site rare earth oxide (REO) separation plant, and a contingency provision in the amount of \$25M. Among the lowest capital outlays in the rare earth mining sector.
- **Mining Rate:** 1,500 tonnes per day (TPD), 75% of mill feed is eliminated via the use of Dual Energy X-Ray Transmission (DEXRT) sorting and magnetic separation, netting approximately 375 TPD to feed the leach circuit.
- **Average Total Rare Earth Recoveries:** 81.6%
- **Production of REOs at site:** Deployment of Solid Phase Extraction (SPE) technology to generate high purity individual rare earth oxides at the site.
- **REO Production:** Averaging 2,250 tonnes per year (TPY) during the first five years at full production, including 95 tonnes of dysprosium oxide, 14 tonnes of terbium oxide, and 515 tonnes of yttrium oxide.
- **Mine Life:** 11 years, based on existing Inferred Mineral Resource Estimate (April 21, 2011), excluding highly prospective expansion at depth, along strike, and other exploration targets at the I&L Zone and beyond.
- **Direct Employment:** 170 employees.
- **Ease of Shipping Access:** Only rare earth project with immediate deep water shipping facilities, resulting in prospective mine-mouth shipping rates among the lowest in the industry.
- **Elimination of Tailings on Surface at Closure:** Only known mine to eliminate tailings on surface at closure. All tailings will be placed underground via cemented paste backfill. The processing plant will generate approximately 735 TPD of tailings, significantly less than the mine requirement of approximately 1,030 TPD backfill.
- **Recycling of Nitric Acid:** Nitric acid that is not consumed in the leach circuit will be recycled through the use of diffusion dialysis, greatly reducing acid consumption by more than 75%, resulting in significant financial and environmental benefits.
- **Near Term, High Value Production:** Relative high percentage of rare earth metals strategically critical to the US defense, clean energy, aerospace, supercomputing and transportation sectors: including Tb, Dy and Y.
- **Excellent Geopolitical Support:** Offset of completion risk through strong legislative and financial support at state and federal levels.

### Overview of Bokan Project and PEA

Ucore's Bokan Mountain project is located on Prince of Wales Island, Alaska, approximately 60 km southwest of Ketchikan, Alaska and 140 km northwest of Prince Rupert, British Columbia, with direct ocean access to the western seaboard and the Pacific Rim. The project is situated in the Tongass National Forest, within an area set aside for natural resource development.

The PEA has been completed based on the Inferred Resource Estimate Technical Report filed on April 21<sup>st</sup>, 2011 by Ucore, with the exclusion of the I&L Zone. The resource was estimated by R. J. Robinson of Aurora Geosciences. The resource incorporated into the current mine plan totals 5.3 million tonnes, with an average grade of 0.65% total rare earth oxides (TREO), at a cut-off grade of 0.4% TREO. Of the TREO, approximately 40% are comprised of heavy rare earth oxides. A summary of the operating assumptions and financial model for the project is as follows:

Item	Units	Year 1	Year 2	Annual for balance of mine life
Tonnes Mined	Mt	198,000	470,900	540,000
Tonnes Processed	Mt	198,000	470,900	540,000
Mined Grade TREO		0.416%	0.511%	0.473%
Recovery		81.6%	81.6%	81.6%

	(million \$US)
Total Revenue	\$2,546
Initial Capital Expenditure	\$221
Sustaining Capital	\$145
Total Before-Tax Cash Flow (undiscounted)	\$1,516
Before-tax NPV @ 8%	\$697
Before-tax NPV @ 10%	\$577
Before-tax NPV @ 12%	\$478
Before tax IRR (%)	43%

### Geology

The Dotson Ridge deposit is a well delineated rare earth element (REE) mineralized vein-dike system related to the Mesozoic Bokan peralkaline granitic complex. The mineralized system is a tabular body exposed at the surface for a strike length of 3.5 km. The deposit was drilled to a depth of 450 m, and remains open both along strike and at depth. The system outcrops along the ridge so that it is readily accessible for drilling and bulk sampling. The REE-bearing veins can be visually identified from the surrounding host rock and the material is amenable to DEXRT sorting, as noted below. An existing road network provides access to all main target areas. There are a number of other occurrences of REE mineralization located within, or at the margins of the Bokan complex which remain highly prospective exploration targets.

### Proposed Mining Plan

The underground mine design was completed by Stantec of Tempe, AZ. The design contemplates trackless mining with adit access and blasthole stoping with paste backfill as the preferred mining method for the project. This mining approach will result in a production rate of 1,500 tonnes per day, at a 0.4% TREO cut-off grade.

The mine plan proposes the use of mill tailings as cemented paste backfill to fill the mined out areas of the underground workings. At full production, the mill will produce approximately 735 TPD of tailings and the mine will require 1,030 TPD of backfill. This will result in all tailings being placed underground as backfill, thereby eliminating the need for a tailings facility at surface upon mine closure. Waste rock will be utilized for the remainder of the backfill.

### **Proposed Beneficiation and Processing Plan**

The proposed processing flow sheet consists of three areas: physical beneficiation, leaching and downstream REO separation.

#### **i) Physical Beneficiation**

The mine will produce 1,500 TPD of mineralized material which will be crushed and split into four size ranges. The fines will by-pass the sorters and each of the other size ranges will feed one of three sorters utilizing dual energy x-ray transmission. This circuit will reject approximately 50% of the feed as waste. The concentrated mineralized material will then be further crushed and ground in a rod mill. The resultant material will be processed by magnetic separators, which will reject a further 50% of their feed as waste.

In total, approximately 75% of non-REE bearing material will be discarded through the physical beneficiation process. The remaining 375 TPD of concentrated mineralized material is further ground to -40 um and then fed to the leaching circuit.

The physical beneficiation circuit results in significant savings in terms of initial capital expenditure and ongoing operating costs, due to reduced power and acid consumption during the leaching and separation process.

#### **ii) Leaching Circuit**

The leaching circuit consists of a nitric acid leach process. The concentrated mineralized material is leached utilizing nitric acid heated to a temperature of 90° C. The resultant slurry is filtered, with solids then submitted to the backfill plant to be placed underground as cemented paste backfill. Prior to the pregnant solution continuing on to the separation circuit it is treated by diffusion dialysis in order to recover the unconsumed nitric acid. The recovered acid is then recycled into the leach circuit, resulting in significant operating cost savings.

#### **iii) REO Separation Circuit**

The separation of individual rare earth oxides is achieved through the use of Solid Phase Extraction (SPE), a technology developed by IntelliMet LLC of Montana, in conjunction with Ucore. The pregnant leach solution generated by the nitric acid leach is introduced into a series of purpose-built SPE columns. The first stage of this process removes nuisance materials such as thorium, uranium, and iron from the solution. A subsequent series of columns then separates the rare earths into the following lanthanide sub-classes, Ce-La; Pr-Nd; Y; Sm-Eu-Gd; Tb-Dy; and Ho-Er-Tm-Yb-Lu. The final circuit of columns then separates the subclasses into individual rare earth chlorides, which can then be precipitated to generate individual purified rare earth oxides.

The SPE process produces chemical transfers of selective elements from the pregnant solution to a solid phase within a matter of seconds, giving the columns the capacity to process a large volume of solution in relatively small flow-through extraction units. The result is a relatively low initial capital cost for the SPE circuits. Waste products from the separation process will be returned underground as part of the cemented backfill.

### Capital Cost Estimate

Initial capital cost estimates for the project are as follows:

Item	Total Cost (million \$US)
<b>Direct Capital Cost</b>	
Site development	6.1
Mine underground	18.9
Mine surface facilities	23.8
Process	62.9
Tailings and waste rock management	10.1
Utilities	3.4
Buildings	3.0
Temporary facilities	5.2
Plant mobile equipment & misc.	1.4
Subtotal	134.7
<b>Indirect Capital Cost</b>	
Indirect construction costs	51.1
Owner's costs	10.9
Contingency	24.5
Subtotal	86.5
<b>Total Capital Cost</b>	<b>221.3</b>

Initial capital costs include all costs required to bring the facility to production. The ongoing sustaining capital costs are estimated to be \$145M over the 11 year mine life.

### Operating Cost Estimate

Item	Average Unit Cost (\$US/t mined)
Mining	41.69
Processing	54.83
G&A	13.56
Power	11.78
Misc.	0.93
<b>Total Operating Cost</b>	<b>122.78</b>

### REE Pricing Considerations

In developing rare earth pricing assumptions, a number of sources were considered by both Ucore and Tetra Tech. Price forecasts generated by analysts and Ucore's rare earth peer group vary widely. In selecting pricing assumptions, efforts were made to incorporate assumptions that were independent, supportable, and conservative. As a result, Tetra Tech has used a three-year trailing average of China FOB prices from October, 2009 to October, 2012 to establish prices for the rare earth oxides, except Ho, Lu, Yb & Er oxides, where two-

year trailing averages were used due to limited Chinese market data. These prices are displayed in “Scenario 1” below. The Company also considered the impact of pricing REO’s based on a 6-month trailing average and a 3-month trailing average. These results are displayed in “Scenario 2” and “Scenario 3” below, respectively.

	<b>Pricing Scenario 1 3-Year trailing average</b>	<b>Pricing Scenario 2 6-Month trailing average</b>	<b>Pricing Scenario 3 3-Month trailing average</b>
<b>REO</b>	<b>\$US/kg</b>	<b>\$US/kg</b>	<b>\$US/kg</b>
La <sub>2</sub> O <sub>3</sub>	48.69	20.85	18.42
Ce <sub>2</sub> O <sub>3</sub>	47.21	21.38	19.23
Pr <sub>2</sub> O <sub>3</sub>	113.10	110.00	103.08
Nd <sub>2</sub> O <sub>3</sub>	126.70	108.96	101.58
Sm <sub>2</sub> O <sub>3</sub>	57.74	71.79	61.42
Eu <sub>2</sub> O <sub>3</sub>	1,834.94	2,185.00	2010.00
Gd <sub>2</sub> O <sub>3</sub>	81.70	99.42	96.35
Tb <sub>2</sub> O <sub>3</sub>	1,520.83	1,907.12	1,840.38
Dy <sub>2</sub> O <sub>3</sub>	845.80	1,009.42	948.08
Ho <sub>2</sub> O <sub>3</sub>	211.39	107.25	107.05
Er <sub>2</sub> O <sub>3</sub>	88.20	153.61	140.08
Tm <sub>2</sub> O <sub>3</sub>	N/A	N/A	N/A
Yb <sub>2</sub> O <sub>3</sub>	102.79	124.07	110.51
Lu <sub>2</sub> O <sub>3</sub>	1,036.40	1,420.79	1,427.56
Y <sub>2</sub> O <sub>3</sub>	80.41	100.75	85.12
<b>NPV @ 10% Discount</b>	<b>\$577M</b>	<b>\$620M</b>	<b>\$513M</b>

### Economic Analysis and Sensitivity Analysis

The economic analysis was based on the mineral resource estimate filed by Ucore in April of 2011, totalling 5.3 million tonnes at an average grade of 0.65% TREO in the Inferred category. This resource is adequate to allow for an 11 year mine life, based on current mining assumptions including a mining rate of 1,500 TPD. TREO recoveries are expected to average 81.6%.

These assumptions, together with capital cost and operating cost estimates noted above, result in a before tax NPV, at a 10% discount rate, of \$577 million. The payback period for the project is 2.3 years from the start of production. The project generates a pre-tax IRR of 43%.

A sensitivity analysis was performed, to test the impact of changes to several key assumptions included in the economic model, with the following results:

Changes to selling price of REOs	NPV at 10%, \$US million	IRR, %
Increase of 20%	802	52%
Increase of 10%	690	47%
Base Case	577	43%
Decrease of 10%	464	38%
Decrease of 20%	352	33%

Changes in operating costs	NPV at 10%, \$ US million	IRR, %
Increase of 20%	519	40%
Increase of 10%	548	42%
Base Case	577	43%
Decrease of 10%	606	44%
Decrease of 20%	635	45%

Change in initial capital expenditure	NPV at 10%, \$ US million	IRR, %
Increase of 20%	526	37%
Increase of 10%	552	40%
Base Case	577	43%
Decrease of 10%	602	46%
Decrease of 20%	627	51%

### Environmental Assessment

Ucore is currently conducting environmental baseline studies to prepare for the forthcoming permitting process at the Dotson Ridge Project. The project plan is being developed in consultation with local stakeholders as well as state and federal regulators. A Plan of Operations, which will be based upon engineered facility designs advanced from the concepts presented in the PEA, will be submitted to the US Forest Service (USFS) to initiate a National Environmental Policy Act (NEPA) review. Permitting advantages for the project include the elimination of a permanent surface tailings storage facility, due to the use of x-ray sorting technology, which will allow for 100% of the mill tailings to be placed in mined out areas underground as cemented paste backfill. The study includes cost estimates for site water management and treatment.

### Qualified Persons

The technical disclosures in this press release have been reviewed and approved by Kenneth W. Collison, P. Eng. a consultant to and COO of Ucore together with the following independent qualified persons;

- R. J. Robinson, consultant, Aurora Geosciences Inc. for geology and mineral resource
- S. Annavarapu, consultant, AMEC (formerly Stantec) for mine planning.
- E. Bentzen, consultant, Lyntek for physical beneficiation processes.
- R. Hammen, consultant, IntelliMet for leaching and SPE processes.
- H. Ghaffari, consultant, Tetra Tech for cost estimating.
- S. Hafez, consultant, Tetra Tech for economic analysis.

### Cautionary Notes

Please note that the PEA is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

## **Expenditure on Bokan**

During the first three quarters of 2012, the Company incurred expenditure totalling \$326,000 with respect to the preliminary economic assessment. In total, \$852,000 of expenditure was incurred with respect to metallurgical research during the first three quarters of the year, including \$315,000 in the third quarter.

In total, the Company incurred expenditures totalling \$1.9 million on the project during the nine months ended September 30, 2012, including \$481,000 in the third quarter.

## ***Lost Pond, Newfoundland and Labrador***

The Lost Pond uranium and REE property, located near the west coast of Newfoundland, is the subject of an earn-in agreement between the Company and Kirrin Resources Inc. ("Kirrin").

Ucore and Kirrin entered into the Letter Agreement on September 15, 2008, granting Kirrin an option to earn up to a 50% interest in the Lost Pond property by completing work commitments. The amount of these work commitments was renegotiated in September of 2011. Work commitments totalling \$2.045 million over a four year period must be completed and Kirrin must issue 300,000 common shares to complete their earn-in.

Upon Kirrin fulfilling its earn-in obligations, the parties will form a 50/50 joint venture, with each partner contributing its pro-rata share of future expenditures, or alternatively, Ucore may elect to convert to a 35% interest, which will be carried through to completion of a pre-feasibility study. If either party dilutes its interest to less than 10% in the joint venture, its interest shall be converted to a royalty of 1.0% or 1.5% of gross sales, depending on underlying royalties, of which 0.5% may be purchased by the other party for \$500,000.

As a result disappointing uranium exploration results, the Company undertook an impairment review of the Lost Pond Property, which resulted in a write-down of \$1,033,367 for the year ended December 31, 2010. This write-down resulted in a carrying value of \$2,800,000 which is equal to management's best estimate of the fair value of these assets. While exploration results did not meet the objectives set for uranium exploration, the property remains of interest with respect to rare earth elements, with 9 distinct targets currently identified.

According to the most recent financial filings by Kirrin, it does not currently have adequate funding to meet the 2012 work commitments of the earn-in agreement. If Kirrin is unable to maintain its interest in the property, the Company will reconsider its alternatives for developing the project going forward. Regardless, the Company does not expect to incur significant expenditures on the Lost Pond property during fiscal 2012

## ***Ray Mountains, Alaska***

During 2011, the Company acquired through physical staking and claim recording approximately 11,400 acres located in the Ray Mountains, Alaska. Limited work was completed on the project during the period, primarily consisting of initial geochemical analyses of mineral samples obtained in the region. Further testing was undertaken on the property during the third quarter of 2012, at a total cost of \$133,000, for a total expenditure of \$176,961 during the three quarters ended September 30, 2012.

## ***Sandybeach Lake, Nunavut***

Ucore holds a 100% interest in the Sandybeach Lake property, located in southwestern Nunavut. The 18-square kilometre property is centered on Sandybeach Lake, located five kilometres northeast of the northern extents of Neultin Lake in Manitoba. The carrying value of the property was written down to nil in 2010, however, the Company intends to maintain the claims in good standing and is considering alternatives for the advancement of this property.

## ***Greater Newfoundland and Labrador***



In addition to the Lost Pond property, Ucore holds a portfolio of uranium properties spanning current and prospective uranium districts in Newfoundland and Labrador.

In 2007, the Company entered into a Letter Agreement with Bayswater Uranium Corporation 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 2011, Bayswater terminated this agreement. As a result, the Company conducted an impairment review with respect to this property and the carrying value of the property was reduced to nil at December 31, 2011. The Company has maintained a number of claims in the area which contain prospective exploration targets and is currently considering alternatives for the advancement of the project.

## Selected Annual Information

The following annual information is prepared in accordance with International Financial Reporting Standards with the exception of 2009 figures, which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Amounts are reported in thousands of Canadian dollars, except for per share amounts.

	<b>For the year ended December 31, 2011 \$</b>	<b>For the year ended December 31, 2010 \$</b>	<b>For the year ended December 31, 2009 \$</b>
Net loss	3,535	2,857	1,338
Loss per share – basic and diluted	0.02	0.03	0.02
Total assets	31,699	29,633	20,408

## Results of Operations

### During the nine months ended September 30, 2012

The Company has no operating revenues and is dependent on equity financings and/or project financing alternatives to fund its operations. As a result, the Company expects to incur operating losses until such time as an economic resource is identified, developed and exploited on one or more of the Company's properties.

During the first three quarters of 2012, the Company incurred a net loss before income taxes of \$2.74 million compared to a net loss before income taxes of \$2.15 million for the first three quarters of 2011. The increase in the loss was mainly a result of a general increase in activities at the Company, including increased engagement of outside consultants, increased staffing levels and an increase in share-based payments expensed during the period.

The Company earned approximately \$31,000 less interest income during the first three quarters than during the same period in fiscal 2011 as a result of decreases in cash and short term deposit balances on hand.

Operating expenses for the first three quarters of 2012 totalled \$2.8 million, compared with \$2.2 million for the same period during the prior year. The majority of this increase is due to increased use of professional services, increased staffing levels, and higher share based payments, together with a general increase in activity at the Company. Office and premises expenses for the first three quarters were approximately \$197,000, an increase of approximately \$36,000 compared to the prior year comparative. This is largely the result of opening a

Vancouver office for technical staff in January of 2012 as well as moving into a larger head office to facilitate increased staffing levels. Salaries and consultants' expenditures of approximately \$927,000 were incurred during the period, an increase of 36% compared to the same period in 2011 as the Company increased employee staffing levels. Professional services totalled approximately \$469,000, an increase of \$92,000 compared to the same period in 2011 as the Company increased its use of outside consultants for the year to date. Consultants were engaged during the period to provide general business consulting, advice with respect to the worldwide rare earth market, and government relation services. Travel expense increased by approximately \$62,000 to \$249,000 as a result of increased staffing levels. Expenditures on investor relations and marketing decreased by approximately \$17,000 as compared to the previous year largely due to less use of external investor relations firms.

The Company recorded non-cash stock-based compensation expense of approximately \$703,000 attributable to the estimated value of stock options earned during the period, an increase of approximately \$187,000 as compared to the first three quarters of 2011, as well as non-cash amortization expense of approximately \$16,000, representing depreciation of the Company's capital assets. In addition, the Company capitalized approximately \$88,000 of non-cash stock-based compensation expense during the period to resource properties, attributable to the value of stock options earned by the Company's exploration personnel. The increase in non-cash stock-based compensation expense was the result of the stock option grant which took place in late 2011, which impacted the first three quarters of 2012, as well as three smaller, individual grants during the first three quarters of 2012.

No income tax expense was recognised during the current period as the benefits of losses carried forward are not recognised as an asset in the financial statements.

The Company realised a currency exchange gain of approximately \$46,000 during the period relating to its foreign currency translation, as compared to a minimal gain for the prior year. As the Company continues to deal in both the Canadian and United States currencies, the Company may continue to incur foreign exchange gains and losses arising from changes in the value of the United States dollar relative to the Canadian dollar.

### **During the three months ended September 30, 2012**

During the three months ended September 30, 2012, the Company incurred a net loss before income taxes of \$0.9 million compared to a net loss before income taxes of \$0.6 million for the three months ended September 30, 2011. The increase in the net loss before income taxes is largely the result of increased staffing levels and share-based payment expenditure during the period.

During the current quarter, the Company earned approximately \$40,000 less in interest income than during the same period in fiscal 2011 as a result of lower cash and short term deposit balances.

Operating expenses for the current quarter totalled \$0.9 million, compared with \$0.7 million for the same period in 2011. This increase is generally a result of increases in both employee staffing levels and share-based payments, discussed below. Expenditures on Investor Relations and Marketing decreased by approximately \$30,000 during the third quarter of 2012, as compared to the same period of time in 2011 as a result of less use of external investor relations firms and timing of investor shows. Salaries and consultants' expenditures increased by \$68,000 to \$330,000 during the three month period as compared to the same period in 2011 as a result of increased staffing levels. The Company's expenditure on Professional services increased by approximately \$63,000 during the third quarter as compared to the same period in 2011. Travel expense increased by approximately \$36,000 to \$72,000 simply as a result of more employee travel during this timeframe.

The Company recorded non-cash stock-based compensation expense of approximately \$212,000 attributable to the estimated value of stock options earned during the period as compared to \$134,000 for the same period in 2011, as well as non-cash amortization expense of approximately \$7,000, representing depreciation of the

Company's capital assets. In addition, the Company capitalized approximately \$19,000 of non-cash stock-based compensation expense during the period to resource properties, attributable to the value of stock options earned by the Company's exploration personnel. The increase in the non-cash stock-based compensation expense is largely the result of an option grant in November of 2011 that impacts the first three quarters of 2012 as well as three smaller grants during 2012.

The Company will continue to review its portfolio of resource properties and write-down the carrying costs of any properties considered to be impaired in value, which could have a material impact on the Company's net loss in future periods.

The Company recognized no future income tax recovery during 2012 or 2011 as the benefit of non-capital losses carried forward was offset by a valuation allowance. The Company realised a currency exchange gain of approximately \$32,000 during the period relating to its foreign currency translation, as compared to a gain of approximately \$3,000 for the same period of the prior year. As the Company continues to deal in both the Canadian and United States currencies, the Company may continue to incur foreign exchange gains and losses arising from changes in the value of the United States dollar relative to the Canadian dollar.

## Summary of Quarterly Results

Expressed in thousands of dollars, except per share amounts	9/30/12 \$	6/30/12 \$	03/31/12 \$	12/31/11 \$	09/30/11 \$	06/30/11 \$	03/31/11 \$	12/31/10 \$
Net loss before provision for taxes	882	804	1,055	1,307	641	703	810	1,873
Loss per share – basic and diluted	0.01	0.01	0.01	0.01	0.00	0.01	0.01	0.02
Total Assets	28,972	29,368	30,409	31,698	33,251	31,512	32,627	29,634

During the fourth quarter of 2010, the Company undertook an impairment review of its resource properties, which resulted in a write-down of resource properties in the amount of \$1.2 million. This contributed significantly to the loss for the quarter ended December 31, 2010. General corporate activities increased significantly during 2011, with the Company bringing on additional employees and outside consultants, as well as obtaining larger office space to accommodate these increased levels of activity. The focus on investor relations and marketing continued. During the fourth quarter of 2011, the Company incurred an impairment loss on its Makkovik River project in the amount of \$431,193. All of these factors contributed to higher operational losses in the 2011 year. Administrative expenditure during the first three quarters of 2012 continues to grow as compared to previous years, as a result of increased activity levels, as discussed above.

## Liquidity and Capital Resources

At September 30, 2012, the Company had working capital of \$3.3 million, with a cash and short-term deposit balance of \$3.4 million. Short-term deposits consist of Guaranteed Investment Certificates that are cashable at any time with no penalty or loss of interest.

The Company used approximately \$2.0 million of working capital to fund operating expenses for the first three quarters of the year. Net cash expenditures on resource properties and related deferred costs totalled \$2.2 million during the nine month period. This was primarily funded from working capital.

The Company generated \$81,000 from the exercise of warrants and stock options during the first nine months of 2012.

The Company does not generate any revenue and consequently, within the next 12 months, the Company plans to rely on additional equity financings and/or entering into joint venture arrangements in order to continue exploration on its properties. There can be no assurance that the Company will be able to obtain the required financing, and the failure to do so could result in the loss of its interest in certain resource properties, delay exploration activities on its properties and limit the Company's ability to acquire additional properties. There can be no assurance of continued access to capital, including equity funding, in the future.

## **Off-Balance Sheet Arrangements**

At September 30, 2012, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## **Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures, non-cash stock-based compensation and deferred income tax assets and liabilities.

The Company's recoverability of the recorded value of its resource properties and associated deferred expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is subject to a number of risk factors, including legal and political risks, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

The factors affecting non-cash stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend on a variety of factors including the market value of the Company's shares and the financial objectives of the stock-based instrument holders.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused losses carried forward and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

## **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 39 ("IAS 39") for debt instruments with a mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 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 IAS1 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.

## 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 first nine months of 2012, the Company paid consulting fees of \$42,625 (2011: \$28,000) to a company owned by a Director 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.

## Outstanding Share Data

The following is the Company's issued and outstanding share data as of the date of this report. Each stock option and warrant is exercisable for one common share of the Company.

Securities	Number	Weighted average exercise price \$	Weighted average remaining life (years)
Common shares	151,665,277	n/a	n/a
Stock options under plans approved by shareholders	6,790,000	0.51	2.8

Warrants	11,674,999	0.55	0.03
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On November 28, 2012, the Company applied to the TSX Venture Exchange have the expiry date of the outstanding warrants amended from December 9, 2012 to March 31, 2013.

## Risks and Uncertainties

The Company's financial instruments consist of cash, short-term deposits, marketable securities, accounts receivable, and accounts payable and accrued liabilities. Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks arising from these financial instruments. The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

In conducting its business, the principal risks and uncertainties faced by the Company relate to exploration and development success of the Company's mineral properties as well as metal prices and to a lesser extent, market sentiment.

Exploration for minerals and development of mining operations involves numerous risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, including the possibility that resource properties may not in fact contain mineral deposits that can be exploited on an economical basis, the Company may be required to work in remote locations that lack the benefit of infrastructure and easy access.

The Company's exploration projects in Lost Pond, Newfoundland are subject to a joint venture with Kirrin Resources Inc. The termination of this joint venture could potentially have an impact on the Company. The Company is currently relying on this joint venture partner to advance this project and there is no assurance that this exploration project will continue.

The prices of metals fluctuate widely and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. The Company will be reliant on equity financing for its long-term working capital requirements and to fund its exploration programs. The Company does not generate any revenue and does not have sufficient funds to put any of its resources interests into production from its own financial resources. There is no assurance that such financing will be available to the Company, or that it will be available on acceptable terms.

## Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International financial reporting standards.

TSX Venture-listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.

## Other Information

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ucore.com](http://www.ucore.com).

**UCORE RARE METALS INC.**

Schedule "A"

Schedule of Resource Properties

For the three months ended September 30, 2012

**Details of Resource Properties and Related Deferred Costs**

	Bokan Mountain/ Dotson Ridge	Ray Mountains, Alaska	Lost Pond	Total September 30, 2012
<b>Mineral Properties</b>				
Balance, beginning of period	\$ 3,783,973	\$ 52,413	\$ 1,213,757	\$ 5,050,143
Expenditures during period	-	-	-	\$ -
Change in foreign exchange rates	11,932	-	-	\$ 11,932
Balance, end of period	<u>3,795,905</u>	<u>52,413</u>	<u>1,213,757</u>	<u>5,062,075</u>
<b>Deferred Exploration expenditures:</b>				
Geology	74,570	132,864	-	207,434
Environmental & permitting	42,828	-	-	42,828
Preliminary economic assessment	48,428	-	-	48,428
Metallurgy	315,297	-	-	315,297
	<u>481,123</u>	<u>132,864</u>	<u>-</u>	<u>613,987</u>
Balance, beginning of period	17,668,582	82,674	1,586,243	19,337,499
	<u>18,149,705</u>	<u>215,538</u>	<u>1,586,243</u>	<u>19,951,486</u>
Change in foreign exchange rates	42,271	-	-	42,271
Balance, end of period	<u>18,191,976</u>	<u>215,538</u>	<u>1,586,243</u>	<u>19,993,757</u>
<b>Mineral properties and deferred exploration expenditures, end of period</b>	<u>\$ 21,987,881</u>	<u>\$ 267,951</u>	<u>\$ 2,800,000</u>	<u>\$ 25,055,832</u>



**UCORE RARE METALS INC.**

Schedule "B"

Schedule of Resource Properties

For the nine months ended September 30, 2012

**Details of Resource Properties and Related Deferred Costs**

	Bokan Mountain/ Dotson Ridge	Ray Mountains, Alaska	Lost Pond	Total September 30, 2012
<b>Mineral Properties</b>				
Balance, beginning of period	\$ 3,922,656	\$ 52,413	\$ 1,213,757	\$ 5,188,826
Expenditures during period	-	-	-	-
Change in foreign exchange rates	(126,751)	-	-	(126,751)
Impairment	-	-	-	-
Balance, end of period	<u>3,795,905</u>	<u>52,413</u>	<u>1,213,757</u>	<u>5,062,075</u>
<b>Deferred Exploration expenditures:</b>				
Geology	542,178	176,691	-	718,869
Drilling	-	-	-	-
Environmental & permitting	164,575	-	-	164,575
Preliminary economic assessment	325,962	-	-	325,962
Metallurgy	851,929	-	-	851,929
	<u>1,884,644</u>	<u>176,691</u>	<u>-</u>	<u>2,061,335</u>
Balance, beginning of period	<u>16,756,347</u>	<u>38,847</u>	<u>1,586,243</u>	<u>18,381,437</u>
	<u>18,640,991</u>	<u>215,538</u>	<u>1,586,243</u>	<u>20,442,772</u>
Change in foreign exchange rates	(449,015)	-	-	(449,015)
Impairment	-	-	-	-
Balance, end of period	<u>18,191,976</u>	<u>215,538</u>	<u>1,586,243</u>	<u>19,993,757</u>
<b>Mineral properties and deferred exploration expenditures, end of period</b>	<u>\$ 21,987,881</u>	<u>\$ 267,951</u>	<u>\$ 2,800,000</u>	<u>\$ 25,055,832</u>