

UCORE RARE METALS INC.
(A Development Stage Enterprise)

Unaudited Condensed Interim Consolidated Financial Statements

First Quarter
For the three month period ended March 31, 2013

In accordance with National instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the period ended March 31, 2013.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	March 31, 2013	December 31, 2012
	\$	\$
ASSETS		
Current assets		
Cash	600,492	302,120
Short-term deposits	202,194	1,838,850
Marketable securities	2,500	3,750
Trade and other receivables (note 5)	505,926	376,878
Prepaid expenses	293,787	139,009
	<u>1,604,899</u>	<u>2,660,607</u>
Equipment	170,861	163,773
Resource properties and related deferred costs (note 6)	<u>24,679,123</u>	<u>24,047,682</u>
	<u>26,454,883</u>	<u>26,872,062</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	<u>522,398</u>	<u>588,785</u>
Shareholders' equity		
Share capital	38,311,650	38,311,650
Contributed surplus	8,655,958	5,875,314
Warrants (note 8)	-	3,062,679
Accumulated other comprehensive loss	(198,217)	(527,820)
Deficit	(20,836,906)	(20,438,546)
	<u>25,932,485</u>	<u>26,283,277</u>
	<u>26,454,883</u>	<u>26,872,062</u>

Nature of operations (note 1)

Subsequent events (note 9)

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

Approved on behalf of the Board of Directors*(s) Jim McKenzie***Jim McKenzie, Director***(s) Jos De Smedt, Director***Jos De Smedt, Director**

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	For the Three Months Ended March 31	
	2013	2012
	\$	\$
EXPENSES		
Amortization	12,085	4,665
Investor relations and marketing	59,390	84,207
Office and premises	66,759	59,180
Professional services	90,356	153,852
Salaries and consultants	338,248	338,134
Securities and regulatory	67,163	37,393
Share-based payments	140,107	300,587
Travel	65,164	94,815
Impairment of marketable securities	-	2,250
	<u>839,272</u>	<u>1,075,083</u>
OTHER INCOME (LOSS)		
Interest income	2,623	10,117
Foreign exchange	(5,799)	9,769
	<u>(3,176)</u>	<u>19,886</u>
LOSS BEFORE INCOME TAXES	<u>(842,448)</u>	<u>(1,055,197)</u>
INCOME TAXES RECOVERABLE	<u>(444,088)</u>	<u>-</u>
NET LOSS	<u>(398,360)</u>	<u>(1,055,197)</u>
Net Loss per share - basic and diluted	<u>(0.00)</u>	<u>(0.01)</u>
Weighted average number of basic and diluted common shares outstanding	<u>152,633,403</u>	<u>152,375,878</u>
COMPREHENSIVE LOSS:		
Net loss for the periods	(398,360)	(1,055,197)
<i>Items which may subsequently be recycled through profit or loss</i>		
Foreign currency translation difference arising on translation of foreign subsidiaries	330,853	(286,351)
Unrealized gain (loss) on available-for-sale securities	(1,250)	-
	<u>(68,757)</u>	<u>(1,341,548)</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, 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)
Foreign currency translation adjustment					(286,351)		(286,351)
Share-based payments			347,869				347,869
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
Balance at January 1, 2013	152,633,402	\$ 38,311,650	\$ 5,875,314	\$ 3,062,679	\$ (527,820)	\$ (20,438,546)	\$ 26,283,277
Net Loss						(398,360)	(398,360)
Impairment of marketable securities					(1,250)		(1,250)
Foreign currency translation adjustment					330,853		330,853
Share-based payments			162,053				162,053
Expiry of warrants			3,062,679	(3,062,679)			-
Tax effect of expired warrants			(444,088)				(444,088)
Balance at March 31, 2013	152,633,402	\$ 38,311,650	\$ 8,655,958	\$ -	\$ (198,217)	\$ (20,836,906)	\$ 25,932,485

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

UCORE RARE METALS INC.

Condensed Consolidated Statements of Cash Flows

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	For the Three Months Ended March 31,	
	2013	2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(398,360)	(1,055,197)
Adjustments for items not involving cash:		
Amortization	12,085	4,665
Share based payments	140,107	300,587
Deferred income tax recovery	(444,088)	
Impairment of marketable securities	-	2,250
	<u>(690,256)</u>	<u>(747,695)</u>
Change in non-cash operating working capital:		
Decrease (Increase) in accounts receivable	(129,048)	53,023
Decrease (Increase) in prepaid expenses	(154,778)	103,766
Increase (decrease) in accounts payable and accruals	23,058	(94,923)
	<u>(951,024)</u>	<u>(685,829)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares on exercise of options and warrants	-	54,100
	<u>-</u>	<u>54,100</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(19,173)	(9,664)
Resource property interests and options	(368,087)	(1,081,791)
Proceeds from redemption of short-term deposits	1,636,656	1,589,883
	<u>1,249,396</u>	<u>498,428</u>
INCREASE (DECREASE) IN CASH	298,372	(133,301)
CASH, beginning of year	<u>302,120</u>	<u>268,265</u>
CASH, end of year	<u><u>600,492</u></u>	<u><u>134,964</u></u>
Non-cash financing and investment activities:		
Accounts payable and accrued liabilities related to resource properties and related deferred costs	(89,445)	415,115

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, 2013

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

1. NATURE OF OPERATIONS

Ucore Rare Metals Inc. ("Ucore" or the "Company") is a Corporation domiciled in Canada. The address of the Company's head office is 210 Waterfront Drive, Suite 106, Halifax N.S., B4A 0H3. The Company is engaged in the exploration for rare earth elements. The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues and is considered to be a development stage enterprise.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to liquidate its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The ability of the Company to continue as a going concern and the recoverability of amounts shown for resource properties are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development; and the future profitable production or proceeds from disposition of such properties. These condensed interim consolidated financial statements do not give effect to adjustments necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*.

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in the consolidated financial statements for the year ended December 31, 2013 with the exception of those new standards, amendments, and interpretations mandatorily effective as of January 1, 2013 discussed in note 3. The date the Board of Directors approved the financial statements is May 29, 2013.

Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for available for sale financial assets, share based payments, and warrants measured at fair value.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

Use of estimates and judgments

The preparation of financial statements requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgments based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

UCORE RARE METALS INC.

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3. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME JANUARY 1, 2013

A number of pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2013. The following new standards, amendments, and interpretations that have been adopted in these condensed interim consolidated financial statements have had an impact on the Company's future results, financial position, and/or presentation and disclosure of such items:

- Amendment to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 revised the presentation of other comprehensive income (OCI). Separate subtotals are required for items which may subsequently be recycled through profit or loss and items that will not be recycled through profit or loss. The Company has updated the presentation of OCI on the face of the condensed interim consolidated statements of comprehensive loss.

- IFRS 12 Disclosures of Interest in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Company has not made such disclosures. The application of IFRS 12 will result in additional disclosures in the annual consolidated financial statements.

- IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

In addition, the following new or amended standards and interpretations, that are mandatory for 2013 annual periods, have not had a material impact on the Company at this time:

- IFRS 7 Financial Instruments: Disclosures: Amendments – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IAS 19 Employee Benefits (Amendments)

4. CAPITAL MANAGEMENT

The Company's capital at March 31, 2013 consists of shareholders' equity of \$25,932,485 (2012: 26,283,277). 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.

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5. RELATED PARTY TRANSACTIONS

As at March 31, 2013 the Company has recorded an advance to an Officer of the Company in the amount of \$50,833 (December 31, 2012 - \$20,833), which is non-interest bearing with no fixed terms of repayment. During the period ending March 31, 2013, the Company paid \$6,750 (2012 - \$11,250) in consulting fees to Directors of the Company. Additionally, travel expenditures in the amount of \$338 (2012 - \$1,250) were reimbursed to directors of the Company.

All related party transactions were in the normal course of operations and were valued at the exchange amount agreed to between the parties.

6. RESOURCE PROPERTIES AND RELATED DEFERRED COSTS

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

	December 31, 2012	Acquisition Costs	Deferred Exploration Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	March 31, 2013
Bokan Mountain, Alaska	\$ 22,941,491	\$ 8,448	\$ 284,031	\$ -	\$ 330,853	\$ 23,564,823	
Lost Pond, Newfoundland	\$ 800,000	-	-	-	-	\$ 800,000	
Ray Mountains, Alaska	\$ 306,191	-	8,109	-	-	\$ 314,300	
	\$ 24,047,682	\$ 8,448	\$ 292,140	\$ -	\$ 330,853	\$ 24,679,123	

	December 31, 2011	Acquisition Costs	Deferred Exploration Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	December 31, 2012
Bokan Mountain, Alaska	\$ 20,679,003	\$ 150,274	\$ 2,458,618	\$ -	\$ (346,404)	\$ 22,941,491	
Lost Pond, Newfoundland	2,800,000	-	-	(2,000,000)	-	\$ 800,000	
Ray Mountains, Alaska	91,260	9,364	205,567	-	-	\$ 306,191	
	\$ 23,570,263	\$ 159,638	\$ 2,664,185	(2,000,000)	\$ (346,404)	\$ 24,047,682	

Impairment

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

The Company had entered into a Letter Agreement with Kirrin Resources Inc. ("Kirrin") pursuant to which Kirrin had the ability to earn up to a 50% interest in the Lost Pond property by completing work commitments of \$2,045,000 on the property by December 31, 2014 and by issuing 300,000 Kirrin common shares (split adjusted) to the Company.

A minimum of \$1,200,000 of this work was required to be completed by December 31, 2012. Kirrin did not reach this level of expenditure by December 31, 2012 and as a result, the Letter Agreement was terminated.

As a result of the termination of the Letter Agreement, management undertook an impairment review with respect to the Lost Pond property.

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The recoverable amount was determined based on the fair value of the property less costs to sell. The fair value was based on the amount of a recent third party offer for a 70% interest in the property discounted to reflect the uncertainty of receiving a similar offer given current market conditions, which represented the best information available. Based on this, the recoverable amount of the asset was \$800,000 resulting in an impairment of \$2,000,000. The assumptions used to estimate the recoverable value are subject to further change which could lead to further write-downs or the reversal of the previously recognised impairment.

7. SHARE BASED PAYMENTS

Changes in stock options during the three month period ended March 31, 2013 and year ended December 31, 2012 are summarized as follows:

	Three month period ended March 31, 2013		Year ended December 30, 2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Opening balance	6,790,000	0.51	6,365,320	0.54
Granted	300,000	0.46	700,000	0.36
Exercised	-	-	(25,000)	0.10
Forfeited or expired	(850,000)	0.47	(250,320)	1.14
Closing balance	6,240,000	0.51	6,790,000	0.51

There were no options exercised during the first quarter of 2013, the weighted average share price on the date on which options were exercised during the same period in the prior year was \$0.51. The following table summarizes information about the stock options outstanding and exercisable at March 31, 2013:

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
0.28	250,000	May 14, 2017	83,333
0.35	250,000	August 6, 2014	250,000
0.38	200,000	February 2, 2015	200,000
0.40	300,000	August 19, 2015	300,000
0.40	150,000	September 14, 2017	50,000
0.41	300,000	March 30, 2017	200,000
0.45	150,000	July 2, 2013	150,000
0.46	300,000	January 29, 2018	-
0.49	20,000	December 1, 2015	20,000
0.55	1,920,000	November 7, 2016	1,280,000
0.56	150,000	November 17, 2016	100,000
0.67	1,150,000	September 29, 2015	1,150,000
0.75	300,000	July 29, 2016	300,000
0.84	250,000	September 21, 2014	250,000
	6,240,000		4,883,333

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2013

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

8. WARRANTS

Changes in share purchase warrants during the three month period ended March 31, 2013 and year ended December 31, 2012 are summarized as follows:

	Three month period ended March 31, 2013		Year ended December 31, 2012	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Opening balance	11,674,999	0.55	17,878,397	0.47
Exercised	-	-	(1,243,651)	0.37
Expired	(11,674,999)	0.55	(4,959,747)	0.30
Closing balance	-	-	11,674,999	0.55

9. SUBSEQUENT EVENTS

On May 13, 2013 the Company completed an equity offering (the "Offering") previously announced on March 15, 2013, in the full amount for gross proceeds of \$5,000,000. The Offering consisted of 20,000,000 Units priced at \$0.25 per unit (the "Units"). Each Unit sold was comprised of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one Common Share at a price of \$0.35 per Common Share for a period of 36 months.

The Offering was conducted on an agency basis by Byron Capital Markets Ltd., ("Byron") as Canadian agent, and Knight Capital Americas LLC, as United States agent, (collectively, the "Agents"). Byron has been granted an option, exercisable at any time until 30 days following the closing of the Offering, to sell additional Units or Warrants up to 15% of the number of Units sold pursuant to the Offering at the issue price of the Units, to cover over-allotments, if any and for market stabilization purposes.

In consideration for their services in connection with the Offering, the Agents, selling group members and finders received aggregate cash commissions of \$269,398.50, and an aggregate total of 1,077,594 non-transferable broker warrants (the "Broker Warrants"), with each Broker Warrant entitling the holder thereof to acquire one Common Share at an exercise price of \$0.25 for a period of 36 months following the completion of the Offering.

The Company plans to use the net proceeds of the Offering to progress the development of the Bokan Mountain / Dotson Ridge property and for general working capital purposes.