

**UCORE RARE METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE PERIOD ENDED MARCH 31, 2013**

*This Management's Discussion and Analysis of Ucore Rare Metals Inc. ("Ucore" or the "Company"), prepared as of May 29, 2013, provides analysis of the Company's financial results for the period ended March 31, 2013. The following information should be read in conjunction with the unaudited financial statements and notes thereto for the period ended March 31, 2013 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. 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 exploring various options for advancement of its other properties.

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.

Subsequent to March 31, 2013, the Company completed an equity offering for gross proceeds of \$5 million. The details of this offering are discussed in the subsequent events section.

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 2013 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 detailed

schedule of the Company's deferred exploration costs for the three month period ended March 31, 2013 is included in Schedule "A".

### ***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 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, 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.

	Pricing Scenario 1 3-Year trailing average	Pricing Scenario 2 6-Month trailing average	Pricing Scenario 3 3-Month trailing average
REO	\$US/kg	\$US/kg	\$US/kg
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 to initiate a National Environmental Policy Act 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 quarter of 2013 the Company has been focussed on environmental and permitting work for the Bokan project. Expenditures on environmental and permitting during the first quarter totalled approximately \$114,000. The Company also incurred expenditure totalling \$34,000 with respect to the finalization of the PEA including the update of the PEA to include a discussion of the 2011 drill program. An additional \$10,000 was spent on metallurgical work during the quarter. The remaining expenditures are geology based.

In total, the Company incurred expenditures totalling approximately \$284,000 on the project during the three months ended March 31, 2013.

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

The Company holds a 100% interest in the Lost Pond uranium and REE 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, the Company assessed the property for indicators of impairment at December 31, 2012. This assessment identified an indicator of impairment, and as such, the Company was required to write down the property by the excess of the carrying value over the recoverable amount. 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, 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.

The Company is considering various options for the advancement of this property.

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

The Company acquired, through physical staking and claim recording, approximately 11,400 acres located in the Ray Mountains, Alaska during 2011. Limited work was completed on the project since obtaining these claims, primarily consisting of initial geochemical analyses of mineral samples obtained in the region. In total, \$314,000 of expenditures have been incurred on the property to date, consisting of initial staking costs and the aforementioned sample collection and geochemical analyses. Approximately \$8,000 of this spending was conducted in the quarter ended March 31, 2013.



### ***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. Amounts are reported in thousands of Canadian dollars, except for per share amounts.

	<b>For the year ended December 31, 2012 \$</b>	<b>For the year ended December 31, 2011 \$</b>	<b>For the year ended December 31, 2010 \$</b>
Net loss	5,601	3,535	2,857
Loss per share – basic and diluted	0.04	0.02	0.03
Total assets	26,872	31,699	29,634

## **Results of Operations**

During the three months ended March 31, 2013, the Company incurred a net loss of approximately \$0.4 million compared to a net loss of \$1.1 million for the three months ended March 31, 2012. The largest single factor leading to this decrease is a deferred income tax recovery of \$0.4 million during the current period as a result of the expiry of warrants during the quarter; there is no similar offsetting charge in the prior period. Aside from this, there is an approximately \$0.3 million decrease in the net loss from period to period. This decrease is mainly driven by lower share-based payments during the period, reduced use of external consultants, and a decrease in investor relations and travel activity.

Operating expenses for the current quarter totalled \$0.8 million, compared with \$1.1 million for the same period in 2012. Approximately \$160k of this decrease is the result of lower share-based payments during the period. This is the result of having fewer option grants in recent periods along with the older options vesting and thus being completely expensed in prior periods. Expenditures on investor relations/marketing and travel

decreased by approximately \$25k and \$30k respectively compared to the same quarter in the prior year as the Company placed a significant focus on internal operations during the period. The Company spent approximately \$63k less on professional services compared to the same quarter in 2012. This was driven by the discontinuation of consulting agreements in 2012 relating to general business consulting and market analysis.

During the current quarter, the Company earned approximately \$7k less in interest income than during the same period in fiscal 2012 as a result of lower cash and short term deposit balances. Amortization expense increased by approximately \$7k as a result of the leasehold improvements made in 2012 on the Company's head office.

The Company realised a currency exchange loss of approximately \$6k during the period relating to its foreign currency translation, as compared to a gain of approximately \$10k 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.

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.

## Summary of Quarterly Results

Expressed in thousands of dollars, except per share amounts	3/31/13 \$	12/31/12 \$	9/30/12 \$	6/30/12 \$	03/31/12 \$	12/31/11 \$	09/30/11 \$	06/30/11 \$
Net loss before provision for taxes	842	2,942	882	804	1,055	1,307	641	703
Loss per share – basic and diluted	0.00	0.02	0.01	0.01	0.01	0.01	0.00	0.01
Total Assets	26,455	26,872	28,972	29,368	30,409	31,698	33,251	31,512

During the fourth quarter of 2012, the Company undertook an impairment review of its Lost Pond property as discussed above. This review resulted in a write-down of resource properties in the amount of \$2 million. This contributed significantly to the loss for the quarter ended December 31, 2012. During the fourth quarter of 2011, the Company incurred an impairment loss on its Makkovik River project in the amount of \$431,193. This was the main reason for the spike in net loss during that period.

The Lost Pond impairment discussed above is the main reason for the decrease in net loss compared to the fourth quarter of 2012. The current quarter net loss is at the low end of recent quarters, however is up from 2011 as a result of increased activity and staffing levels since that time.

## Liquidity and Capital Resources

At March 31, 2013, the Company had working capital of \$1.1 million, with a cash and short-term deposit balance of \$803k. 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 \$952k of working capital to fund operating expenses for the first three months of the year. Net cash expenditures on resource properties and related deferred costs totalled \$368k during the three month period. This was primarily funded from working capital.

Subsequent to year end, the Company closed a short-form prospectus based financing for gross proceeds of \$5,000,000, the details of which are discussed below in subsequent events. In management's view, this will enable the Company to meet its resource property obligations, fund its administration costs, and fund its planned exploration programs beyond the next twelve months. Management believes this will mitigate the adverse conditions and events which raised doubt about the validity of the going concern assumption used in preparing the previous annual financial statements. There is no certainty that these and other strategies will be sufficient to permit the Company to continue beyond March 31, 2014.

## **Off-Balance Sheet Arrangements**

At March 31, 2013, 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 International Financial Reporting Standards 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.

## 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.

## 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	172,633,403	n/a	n/a
Stock options under plans approved by shareholders	6,740,000	0.47	2.83
Warrants	21,077,594	0.34	2.96

At December 31, 2012 there were 11,674,999 warrants outstanding with an exercise price of \$0.55. These warrants were originally set to expire on December 9, 2012, however, 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.

All 11,674,999 of these warrants subsequently expired unexercised on March 31, 2013. The warrants listed in the table above are the result of an equity offering subsequent to quarter end as discussed in the subsequent events section below.

## Subsequent Events

On May 13, 2013 the Company completed the 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.

## **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 market sentiment to a lesser extent.

Exploration for minerals and development of mining operations involve many 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 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 or other types of 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 March 31, 2013

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

	Bokan Mountain/ Dotson Ridge	Ray Mountains, Alaska	Lost Pond	Total March 31, 2013
<b>Mineral Properties</b>				
Balance, beginning of period	\$ 3,846,398	\$ 52,413	\$ 346,788	\$ 4,245,599
Expenditures during period	8,448	-	-	8,448
Change in foreign exchange rates	42,823	-	-	42,823
Balance, end of period	<u>3,897,669</u>	<u>52,413</u>	<u>346,788</u>	<u>4,296,870</u>
<b>Deferred Exploration expenditures:</b>				
Geology	124,758	-	-	124,758
Drilling	-	-	-	-
Environmental & permitting	114,247	8,109	-	122,356
Preliminary economic assessment	34,460	-	-	34,460
Metallurgy	10,566	-	-	10,566
	<u>284,031</u>	<u>8,109</u>	<u>-</u>	<u>292,140</u>
Balance, beginning of period	<u>19,095,093</u>	<u>253,778</u>	<u>453,212</u>	<u>19,802,083</u>
	19,379,124	261,887	453,212	20,094,223
Change in foreign exchange rates	<u>288,030</u>	<u>-</u>	<u>-</u>	<u>288,030</u>
Balance, end of period	<u>19,667,154</u>	<u>261,887</u>	<u>453,212</u>	<u>20,382,253</u>
<b>Mineral properties and deferred exploration expenditures, end of period</b>	<u>\$ 23,564,823</u>	<u>\$ 314,300</u>	<u>\$ 800,000</u>	<u>\$ 24,679,123</u>