UCORE RARE METALS INC.

(A Development Stage Enterprise)

Unaudited Condensed Interim Consolidated Financial Statements

First Quarter

For the three month period ended March 31, 2016

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, 2016.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Financial Position
Expressed in Canadian dollars
(unaudited - Prepared by Management)

	March 31, 2016	December 31, 2015
	$	$
ASSETS		
Current assets		
Cash	1,116,386	2,733,673
Restricted Cash	231,255	246,767
Marketable securities	1,000	750
Other receivables	113,510	95,871
Prepaid expenses and other (note 5)	477,034	295,054
	1,939,185	3,372,115
Equipment	136,156	145,352
Non-refundable advance on technology (note 6)	2,666,256	2,569,041
Resource properties and related exploration costs (note 7)	38,942,469	40,002,572
	43,684,066	46,089,080
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	74,002	316,878
Long-term liabilities		
Convertible royalty liability (note 8)	-	10,735,199
	74,002	11,052,077
Shareholders' equity		
Share capital	56,970,175	45,865,391
Contributed surplus	10,356,368	10,219,858
Warrants (note 10)	5,599,282	5,637,377
Accumulated other comprehensive loss	4,237,126	5,747,855
Deficit	(33,552,887)	(32,433,478)
	43,610,064	35,037,003
	43,684,066	46,089,080

Nature of operations (note 1)
Subsequent events (note 11)

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

Approved on behalf of the Board of Directors

(s) Jim McKenzie | *(s) Jos De Smedt, Director*

Jim McKenzie, 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	
	2016	2015
	$	$
EXPENSES		
Amortisation	9,513	9,791
Investor relations and marketing	85,168	46,208
Office and premises	79,038	62,736
Professional services	79,924	26,380
Salaries and consultants	385,510	348,097
Securities and regulatory	33,313	48,487
Share-based payments	126,949	68,826
Travel	71,145	50,152
	870,560	660,677
OTHER INCOME (LOSS)		
Interest income	1,004	3,544
Foreign exchange	(249,853)	3,633
	(248,849)	7,177
NET LOSS	(1,119,409)	(653,500)
Net Loss per share - basic and diluted	(0.01)	(0.00)
Weighted average number of basic and diluted common shares outstanding	211,464,725	197,563,471
COMPREHENSIVE LOSS:		
Net loss for the periods	(1,119,409)	(653,500)
Items which may subsequently be recycled through profit or loss		
Foreign currency translation difference arising on translation of foreign subsidiaries	(1,510,979)	1,765,380
Unrealized gain (loss) on available-for-sale securities	250	(500)
	(2,630,138)	1,111,380

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, 2015	197,563,471	$ 45,859,586	$ 9,771,525	$ 5,578,632	$ 1,987,075	$ (27,908,475)	$ 35,288,343
Net Loss						(653,500)	(653,500)
Impairment of marketable securities					(500)		(500)
Foreign currency translation adjustment					1,765,380		1,765,380
Share-based payments			74,290				74,290
Balance at March 31, 2015	197,563,471	$ 45,859,586	$ 9,845,815	$ 5,578,632	$ 3,751,955	$ (28,561,975)	$ 36,474,013
Balance at January 1, 2016	197,576,471	$ 45,865,391	$ 10,219,858	$ 5,637,377	$ 5,747,855	$ (32,433,478)	$ 35,037,003
Net Loss						(1,119,409)	(1,119,409)
Increase in marketable securities					250		250
Foreign currency translation adjustment					(1,510,979)		(1,510,979)
Share-based payments			136,510				136,510
Shares issued on exercise of warrants	388,000	134,000					134,000
Fair value of warrants exercised		38,095		(38,095)			-
Shares issued on conversion of liabilities (note 8)	43,146,811	10,932,689					10,932,689
Balance at March 31, 2016	241,111,282	$ 56,970,175	$ 10,356,368	$ 5,599,282	$ 4,237,126	$ (33,552,887)	$ 43,610,064

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, 2016	2015
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(1,119,409)	(653,500)
Adjustments for items not involving cash:		
Amortization	9,513	9,791
Share based payments	126,949	68,826
Unrealized foreign exchange loss on convertible royalty	197,490	
	(785,457)	(574,883)
Change in non-cash operating working capital:		
Decrease (Increase) in accounts receivable	(17,639)	(8,716)
Decrease (Increase) in prepaid expenses	(181,980)	8,414
Increase (decrease) in accounts payable and accruals	(154,209)	145,191
	(1,139,285)	(429,994)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of short-term debt	-	383,310
Increase (decrease) in restricted cash	15,512	(18,953)
Issuance of common shares on exercise of options and warrants	134,000	-
	149,512	364,357
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,772)	(78,343)
Resource property interests and options	(528,527)	(830,593)
Purchase of non-refundable advance on technology	(97,215)	-
	(627,514)	(908,936)
INCREASE (DECREASE) IN CASH	(1,617,287)	(974,573)
CASH, beginning of period	2,733,673	2,328,659
CASH, end of period	1,116,386	1,354,086
Non-cash financing and investment activities:		
Accounts payable and accrued liabilties related to resource properties and related deferred costs	(88,667)	(109,272)

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

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 and separation of rare earth elements within Canada and the United States. 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, 2015 with the exception of those new standards, amendments, and interpretations mandatorily effective as of January 1, 2016 discussed in note 3. The date the Board of Directors approved the financial statements is May 30, 2016.

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.

For the three month period ended March 31, 2016 (Expressed in Canadian dollars)

3. Accounting changes and recent pronouncements

(a) Adoption of new accounting standards

The Company adopted the following accounting standards and amendments to accounting standards effective January 1, 2016:

Amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangibles*: These amendments prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments had no impact on the Company's condensed interim consolidated financial statements as revenue-based depreciation or amortization methods are not used.

(b) Standards issued but not yet adopted:

For the purposes of preparing and presenting the Company's condensed interim consolidated financial statements, the Company has adopted all applicable standards and interpretations issued other than those discussed below. These standards have not been adopted because they are not effective for the Company until subsequent to December 31, 2016. Standards and interpretations issued, but not yet adopted include:

	Effective for the Company
Amendments to IAS 7, Statement of Cash Flows	January 1, 2017
Amendments to IAS 12, Income Taxes	January 1, 2017
IFRS 15, Revenue from Contracts with Customers	January 1, 2018
IFRS 9, Financial Instruments	January 1, 2018
IFRS 16, Leases	January 1, 2019

In January 2017, the IAS issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. These amendments apply prospectively for annual periods beginning on or after January 1, 2017. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

In January 2017, the IASB issued amendments to IAS 12, Income Taxes. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The standard replaces IAS 11, Construction Contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers; and SIC 31, Revenue – Barter Transactions Involving Advertising Services. This standard establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

In July 2014, the IASB issued IFRS 9, Financial Instruments, which will replace IAS 39, Financial Instruments, Recognition and Measurement. The replacement standard provides a new model for the classification and measurement of financial instruments. The IASB has determined the revised effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018. The Company will evaluate the impact of the change to the consolidated financial statements based on the characteristics of financial instruments outstanding at the time of adoption.

In January 2016, the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

4. CAPITAL MANAGEMENT

The Company's capital at March 31, 2016 consists of shareholders' equity of $43,610,064 (December 31, 2015: $35,037,003). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties, the advancement of the Company's separation technology, and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity and royalty based 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 a high interest savings account. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

5. RELATED PARTY TRANSACTIONS

As at March 31, 2016 the Company has recorded an advance, for corporate expenses, to officers of the Company in the amount of $183,546 (December 31, 2015 - $204,472), which is non-interest bearing and is to be repaid over three years. During the period ending March 31, 2016, the Company paid $27,516 (2015 - $3,054) in fees to a law firm of which a director of the Company is a partner. Additionally, travel expenditures in the amount of $664 (2015 - $nil) 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. NON-REFUNDABLE ADVANCE ON TECHNOLOGY

The Company has an option to make payments of $2.9 million USD to secure the exclusive, perpetual, full and royalty free license and authorization to use, enjoy and benefit from the proprietary Superlig® Molecular Recognition Technology ("MRT") intellectual property for rare earth purification, tailings remediation, and related recycling applications. To date, the Company has made non-refundable payments totaling $2,666,256 ($2,090,000 USD) to IBC Advanced Technologies Inc. ("IBC") with respect to this option.

For the three month period ended March 31, 2016 (Expressed in Canadian dollars)

7. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

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

	December 31, 2015	Acquisition Costs	Deferred Exploration Costs	Reclass from Equipment	Impairment	Movement in exchange rates	March 31, 2016
Bokan Mountain, Alaska	$ 39,750,578	$ -	450,876	-	-	$ (1,510,979)	$ 38,690,475
Ray Mountains, Alaska	$ -	-	-	-	-	-	$ -
Seagull Tin, Yukon	$ 251,994	-	-	-	-	-	$ 251,994
	$ 40,002,572	$ -	$ 450,876	$ -	$ -	-$ 1,510,979	$ 38,942,469

	December 31, 2014	Acquisition Costs	Deferred Exploration Costs	Reclass from Equipment	Impairment	Movement in exchange rates	December 31, 2015
Bokan Mountain, Alaska	$ 32,082,396	$ -	$ 3,706,287	$ 200,865	$ -	$ 3,761,030	$ 39,750,578
Ray Mountains, Alaska	329,857	-	-	-	(329,857)	-	$ -
Seagull Tin, Yukon	251,994	-	-	-	-	-	$ 251,994
	$ 32,664,247	$ -	$ 3,706,287	$ 200,865	-$ 329,857	$ 3,761,030	$ 40,002,572

8. CONVERTIBLE ROYALTY LIABILITY

During the year ended December 31, 2015, the Company entered into a series of royalty sale financing transactions under royalty sale agreements with existing shareholders.

The purchasers under these royalty financings had the right to convert the total amount of the investment, minus any royalty amounts already then paid, into common shares of the Company at a price formula as outlined below. During the three month period ended March 31, 2016 each of the holders of the instruments exercised their conversion rights, resulting in the issuance of 43,146,811 common shares, as discussed below.

The proceeds of these transactions were initially recorded as financial liabilities, measured at amortized cost. As the liability could be settled, at any time, at the option of the holder, amortized cost is equal to the proceeds received with adjustments for fluctuations in foreign exchange. Upon conversion, as there are no future obligations related to the instruments, the value of the instruments was moved from liabilities to share capital

On January 15, 2016 two investors, holding three royalties, exercised their right to convert their royalty investment into common shares of the Company. The investors initially paid $5.3 million USD for the royalties which were converted at a rate of $0.25 per share. At the conversion date, the liabilities were converted into 30,470,761 common shares of the Company.

On March 4, 2016 an investor exercised their right to convert their royalty investment into common shares of the Company. The investor initially paid $2.5 million USD for the royalty which was converted at a rate of $0.26625 per share. At the conversion date, the liabilities were converted into 12,676,050 common shares of the Company.

For the three month period ended March 31, 2016 (Expressed in Canadian dollars)

The change in the Company's convertible royalty liability balance is summarized as follows:

	December 31. 2015	Foreign exchange (gain)	Conversion to common shares	March 31, 2016
Convertible royality liability - May 20, 2015	$ 5,536,000	213,200	(5,749,200)	$ -
Convertible royality liability - August 17, 2015	$ 1,384,000	53,300	(1,437,300)	$ -
Convertible royality liability - October 10, 2015	$ 415,200	15,990	(431,190)	$ -
Convertible royality liability - December 17, 2015	$ 3,399,999	(85,000)	(3,314,999)	$ -
	$ 10,735,199	197,490	(10,932,689)	$ -

9. SHARE BASED PAYMENTS

Changes in stock options during the three month period ended March 31, 2016 and year ended December 31, 2015 are summarized as follows:

	Three month period ended March 31, 2016		**Year ended December 31, 2015**	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Opening balance	15,605,000	0.35	13,825,000	0.37
Granted	-	-	3,750,000	0.28
Exercised	-	-	-	-
Forfeited	-	-	(1,970,000)	0.56
Closing balance	15,605,000	0.35	15,605,000	0.35

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2016:

Exercise price per share $	**Number of outstanding options**	**Expiry Date**	**Number of exercisable options**
0.23	500,000	November 3, 2020	-
0.25	500,000	May 13, 2018	500,000
0.26	3,685,000	June 11, 2018	3,685,000
0.26	250,000	October 30, 2018	250,000
0.27	150,000	February 17, 2019	150,000
0.27	2,900,000	June 30, 2019	2,900,000
0.28	250,000	May 14, 2017	250,000
0.28	2,850,000	September 11, 2020	950,000
0.32	500,000	June 30, 2019	500,000
0.33	100,000	August 6,2020	33,333
0.38	300,000	June 12, 2020	100,000
0.38	650,000	April 25, 2019	650,000
0.40	150,000	September 14, 2017	150,000
0.41	300,000	March 30, 2017	300,000
0.46	300,000	January 29, 2018	300,000
0.55	1,770,000	November 7, 2016	1,770,000

For the three month period ended March 31, 2016 (Expressed in Canadian dollars)

0.56	150,000	November 17, 2016	150,000
0.75	300,000	July 29, 2016	300,000
	15,605,000		**12,938,333**

In addition, The Company has 392,800 outstanding deferred share units, which were all issued in the year ended December 31, 2015. In the current period, these deferred share units represented a total expense of $8,124 (2015 - nil). This has been recorded in share based compensation expense.

10. WARRANTS

Changes in share purchase warrants during the three month period ended March 31, 2016 and year ended December 31, 2015 are summarized as follows:

	Three month period ended March 31, 2016		**Year ended December 31, 2015**	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Opening balance	39,989,249	0.42	39,502,249	0.43
Granted	-	-	500,000	0.23
Exercised	(388,000)	0.35	(13,000)	0.35
Expired	-	-	-	-
Closing balance	39,601,249	0.42	39,989,249	0.42

The Company has extended the term of the 20,000,000 share purchase warrants originally issued on May 13, 2013 and initially set to expire on May 13, 2016. These warrants, of which 17,852,000 remain outstanding at March 31, 2016, will now expire December 31, 2016. The warrants will be revalued at the initial expiration date of May 13, 2016.

11. SUBSEQUENT EVENTS

On May 27, 2016, the Company amended the terms to the payment outstanding on the December 8, 2015 royalty agreement. Under the original terms of the Agreement, a foreign investment fund (the “Investor”) was to pay USD $5 million, USD $2.5 million of which was received in 2015, in exchange for a royalty or profit share from the production of the Company’s early stage MRT installations (the “Royalty”). Under the revised terms of the amended agreement, the Investor has now elected to increase its remaining investment to USD $6M and to convert the royalty into shares in the Company. The specific amendments to the Royalty are as follows:

Under the terms of the original agreement, the Royalty was to be comprised of two components: (i) a Gross Royalty equal to 5% of gross sales from the Company’s first MRT installation or installations, payable until the recapture of the Investment; and (ii) a Net Profits Royalty (“NSR”) equal to 5% of the Company’s net profits from the installation. The terms of the original agreement additionally allowed the Investor to convert the total amount of the Investment (minus any Royalty amounts already then paid by the Company) into common shares of the Company, subject to any applicable regulatory, stock exchange or shareholder approvals. If the Investor elected to convert such amount, the Company’s Royalty obligations would then cease and the conversion amount would be converted into common shares at the greater of: (i) the 30 day volume weighted average share price of the Company’s common shares, less a 20% discount; or (ii) the market price of the Company’s common shares on the day immediately prior to the conversion date, less a 20% discount; or (iii) $0.20 per common share. The conversion right was exercisable until June 15, 2021.

Under the amended agreement, the Gross Royalty and the NSR are reduced from 5% to 2%, and the conversion Rate has been increased to the greater of: (i) the market price of the Company's common shares on the day immediately prior to the conversion date, less a 20% discount; or (ii) $0.29 per common share. The amended agreement additionally allows the Royalty to be converted to Units at the aforementioned Conversion Rate. Units consist of one common share of the Company plus a common share purchase warrant. Each common share purchase warrant shall entitle the Investor to acquire 1 new common share from the Company at a price of CAD$0.38 per common share for a period of 3 years from the issuance date of the warrant.

In accordance with the conversion terms of the Amended Agreement, the Investor has elected to convert a total of CAD$7.35 million of its Royalty to Units. As a result, a total of 25,344,821 Units have been issued. Additionally, under the terms of the original Agreement, the Investor had the option to increase the amount of the Investment by up to USD$1 Million, in exchange for a larger Royalty, provided that written notice of such exercise is provided prior to August 31, 2016. The Investor has now exercised that option, the Investment was accordingly increased by USD$1 Million, and was converted with the rest of the instrument.

In addition, the Company has agreed to settle payables associated with the foregoing transactions in the amount of USD $195,000 through the issuance of 600,000 shares at a deemed value of $0.325 per share. The proposed debt settlement involves amounts owed to arm's length parties and is subject to approval by the TSX Venture Exchange. The share issued will be subject to a four month hold period.