

UCORE RARE METALS INC.
(A Development Stage Enterprise)

Unaudited Condensed Interim Consolidated Financial Statements

Second Quarter
For the six month period ended June 30, 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 consolidated financial statements for the period ended June 30, 2013.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	June 30, 2013	December 31, 2012
	\$	\$
ASSETS		
Current assets		
Cash	3,712,886	302,120
Short-term deposits	441,995	1,838,850
Marketable securities	1,500	3,750
Trade and other receivables (note 6)	205,437	376,878
Prepaid expenses	129,460	139,009
	<u>4,491,278</u>	<u>2,660,607</u>
Equipment	205,966	163,773
Resource properties and related deferred costs (note 6)	25,469,370	24,047,682
	<u>30,166,614</u>	<u>26,872,062</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	278,566	588,785
Shareholders' equity		
Share capital	40,478,227	38,311,650
Contributed surplus	8,827,621	5,875,314
Warrants (note 10)	2,072,993	3,062,679
Accumulated other comprehensive loss	271,507	(527,820)
Deficit	(21,762,300)	(20,438,546)
	<u>29,888,048</u>	<u>26,283,277</u>
	<u>30,166,614</u>	<u>26,872,062</u>

Nature of operations (note 1)

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		For the Six Months	
	Ended June 30		Ended June 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
EXPENSES				
Amortization	11,415	4,708	23,500	9,373
Investor relations and marketing	20,358	49,231	79,748	133,438
Office and premises	69,244	55,888	136,003	115,068
Professional services	166,687	158,576	257,043	312,428
Salaries and consultants	434,239	258,386	772,487	596,520
Securities and regulatory	32,104	15,863	99,267	53,256
Share-based payments	162,531	190,346	302,638	490,933
Travel	30,687	82,219	95,851	177,034
Impairment of marketable securities	-	250	-	2,500
	<u>927,265</u>	<u>815,467</u>	<u>1,766,537</u>	<u>1,890,550</u>
OTHER INCOME (LOSS)				
Interest income	1,784	7,028	4,407	17,145
Foreign exchange	87	4,170	(5,712)	13,939
	<u>1,871</u>	<u>11,198</u>	<u>(1,305)</u>	<u>31,084</u>
LOSS BEFORE INCOME TAXES	<u>(925,394)</u>	<u>(804,269)</u>	<u>(1,767,842)</u>	<u>(1,859,466)</u>
INCOME TAXES RECOVERABLE	<u>-</u>	<u>-</u>	<u>(444,088)</u>	<u>-</u>
NET LOSS	<u>(925,394)</u>	<u>(804,269)</u>	<u>(1,323,754)</u>	<u>(1,859,466)</u>
Net Loss per share - basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.01)</u>
Weighted average number of basic and diluted common shares outstanding	<u>163,182,853</u>	<u>151,584,058</u>	<u>157,937,269</u>	<u>151,502,710</u>
COMPREHENSIVE LOSS:				
Net loss for the periods	(925,394)	(804,269)	(1,323,754)	(1,859,466)
<i>Items which may be subsequently recycled through profit or loss</i>				
Foreign currency translation difference arising on translation of foreign subsidiaries	470,724	(343,618)	801,577	(629,969)
Unrealized gain (loss) on available-for-sale securities	(1,000)	-	(2,250)	-
	<u>(455,670)</u>	<u>(1,147,887)</u>	<u>(524,427)</u>	<u>(2,489,435)</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						(1,859,466)	(1,859,466)
Foreign currency translation adjustment					(629,969)		(629,969)
Share-based payments			574,529				574,529
Shares issued on exercise of warrants	275,525	78,657					78,657
Fair value of warrants exercised		29,896		(29,896)			-
Shares issued on exercise of options	25,000	2,500					2,500
Fair value of options exercised		2,250	(2,250)				-
Balance at June 30, 2012	151,665,277	\$ 37,624,280	\$ 5,067,417	\$ 2,710,115	\$ (806,635)	\$ (15,506,341)	\$ 29,088,836
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						(1,323,754)	(1,323,754)
Impairment of marketable securities					(2,250)		(2,250)
Foreign currency translation adjustment					801,577		801,577
Financing (net of costs)	20,000,000	2,166,577		2,072,993			4,239,570
Share-based payments			333,716				333,716
Expiry of warrants			3,062,679	(3,062,679)			-
Tax effect of expired warrants			(444,088)				(444,088)
Balance at June 30, 2013	172,633,402	\$ 40,478,227	\$ 8,827,621	\$ 2,072,993	\$ 271,507	\$ (21,762,300)	\$ 29,888,048

UCORE RARE METALS INC.

Condensed Consolidated Statements of Cash Flows

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	For the Six Months ended June 30,	
	2013	2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(1,323,754)	(1,859,466)
Adjustments for items not involving cash:		
Amortization	23,500	9,373
Share-based payments	302,638	490,933
Deferred income tax recovery	(444,088)	
Impairment of marketable securities	-	2,500
	<u>(1,441,704)</u>	<u>(1,356,660)</u>
Change in non-cash operating working capital:		
Decrease (increase) in trade and other receivables	171,441	(27,507)
Decrease (increase) in prepaid expenses	9,549	239,136
Increase (decrease) in accounts payable and accruals	(123,121)	(177,942)
	<u>(1,383,835)</u>	<u>(1,322,973)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares and warrants for cash	5,000,000	-
Issuance of common shares on exercise of options and warrants	-	81,157
Issue costs of common shares and warrants	(760,430)	
	<u>4,239,570</u>	<u>81,157</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(73,784)	(68,118)
Resource property interests and options	(768,040)	(1,682,741)
Purchases of short-term deposits	(299,332)	-
Proceeds from redemption of short-term deposits	1,696,187	2,972,855
	<u>555,031</u>	<u>1,221,996</u>
INCREASE (DECREASE) IN CASH	3,410,766	(19,820)
CASH, beginning of year	302,120	268,265
CASH, end of year	<u>3,712,886</u>	<u>248,445</u>
Non-cash financing and investment activities:		
Accounts payable and accrued liabilities related to resource properties and related deferred costs	(187,099)	318,990

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 six month period ended June 30, 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, 2012 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 August 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. FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 29 for debt instruments with a mixed measurement model having only two categories: amortised cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognised at fair value through profit and loss or at fair value through other comprehensive income. IFRS 9 is effective for annual periods 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.

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5. CAPITAL MANAGEMENT

The Company's capital at June 30, 2013 consists of shareholders' equity of \$29,888,048 (2012: 29,088,836). 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.

6. RELATED PARTY TRANSACTIONS

As at June 30, 2013 the Company has recorded an advance to an Officer of the Company in the amount of \$37,331 (December 31, 2012 - \$20,833), which is non-interest bearing with no fixed terms of repayment. During the period ending June 30, 2013, the Company paid \$19,500 (2012 - \$26,250) in consulting fees to Directors of the Company. Additionally, travel expenditures in the amount of \$338 (2012 - \$1,434) 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.

7. RESOURCE PROPERTIES AND RELATED DEFERRED COSTS

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

	December 31, 2012	Acquisition Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	June 30, 2013
Bokan Mountain, Alaska	\$ 22,941,491	\$ 8,448	\$ 611,663	\$ -	\$ 801,577	\$ 24,363,179
Lost Pond, Newfoundland	\$ 800,000	-	-	-	-	\$ 800,000
Ray Mountains, Alaska	\$ 306,191	-	-	-	-	\$ 306,191
	\$ 24,047,682	\$ 8,448	\$ 611,663	\$ -	\$ 801,577	\$ 25,469,370

	December 31, 2011	Acquisition 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

UCORE RARE METALS INC.

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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.

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.

8. SHARE CAPITAL

On May 13, 2013 the Company completed an equity offering of 20,000,000 units at a price of \$0.25 per unit, for gross proceeds of \$5,000,000. Each unit sold was comprised of one common share in the capital of the Company and one common share purchase warrant entitling the holder to purchase one common share at a price of \$0.35 per common share for a period of 36 months. The net value allocated to the common shares was \$2,166,577 and the net value allocated to the warrants was \$2,072,993. The Company paid broker fees of between 3-6% of the gross proceeds in cash and broker warrants equal to 3-6% of the units issued. Each broker warrant gives the right to purchase one common share at a price of \$0.25 for a period of 36 months. A total of \$269,398.50 and 1,077,594 broker warrants were paid and issued. Other costs associated with the private placement totaled \$491,031 for total costs of \$760,430. The value allocated to the warrants was based on the Black-Scholes model, using an assumed volatility of 88% and an expected life of 3 years, resulting in the following allocation of proceeds and costs between common shares and warrants.

	Shares	Warrants	Total
Proceeds	2,720,000	2,280,000	5,000,000
Cash Costs	(411,181)	(349,249)	(760,430)
Broker Warrants	(142,242)	142,242	-
Closing balance	2,166,577	2,072,993	4,239,570

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the six month period ended June 30, 2013

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9. SHARE BASED PAYMENTS

Changes in stock options during the six month period ended June 30, 2013 and year ended December 31, 2012 are summarized as follows:

	Six month period ended June 30, 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	4,535,000	0.27	700,000	0.36
Exercised	-	-	(25,000)	0.10
Forfeited or expired	(850,000)	0.47	(250,320)	1.14
Closing balance	10,475,000	0.41	6,790,000	0.51

There were no options exercised during the first half 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 June 30, 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
0.25	500,000	May 13, 2018	500,000
0.26	3,735,000	June 11, 2018	-
0.28	250,000	May 14, 2017	166,667
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	1,920,000
0.56	150,000	November 17, 2016	150,000
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
	10,475,000		6,156,667

UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements
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(unaudited – Prepared by Management)
(Expressed in Canadian dollars)

10. WARRANTS

Changes in share purchase warrants during the six month period ended June 30, 2013 and year ended December 31, 2012 are summarized as follows:

	Six month period ended June 30, 2013		Year ended December 30, 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
Issued	21,077,594	0.34	-	-
Exercised	-	-	(1,243,651)	0.37
Expired	(11,674,999)	0.55	(4,959,747)	0.30
Closing balance	21,077,594	0.34	11,674,999	0.55

The following table summarizes information about the warrants outstanding and exercisable at June 30, 2013:

Exercise price per share \$	Number of outstanding warrants	Expiry Date	Number of exercisable warrants
0.35	20,000,000	May 13, 2016	20,000,000
0.25	1,077,594	May 13, 2016	1,077,594