

**UCORE RARE METALS INC.**  
**(A Development Stage Enterprise)**

Unaudited Condensed Interim Consolidated Financial Statements

**Third Quarter**  
**For the nine month period ended September 30, 2014**

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 September 30, 2014.

**UCORE RARE METALS INC.**

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

(unaudited - Prepared by Management)

|  | September 30,<br>2014 | December 31,<br>2013 |
|--|-----------------------|----------------------|
|  | \$                    | \$                   |
| <b>ASSETS</b>  |                       |                      |
| <b>Current assets</b>  |                       |                      |
| Cash   | 357,339               | 1,311,770            |
| Short-term deposits  | 4,429,900             | 1,354,485            |
| Marketable securities  | 1,500                 | 750                  |
| Trade and other receivables (note 5)                           | 200,538               | 245,431              |
| Prepaid expenses   | 164,837               | 66,641               |
|  | <u>5,154,114</u>      | <u>2,979,077</u>     |
| <br>   |                       |                      |
| <b>Equipment</b>   | 294,471               | 185,524              |
| <b>Resource properties and related deferred costs (note 6)</b> | 30,602,673            | 25,597,196           |
|  | <u>36,051,258</u>     | <u>28,761,797</u>    |
| <br>   |                       |                      |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                    |                       |                      |
| <b>Current liabilities</b>                                     |                       |                      |
| Accounts payable and accrued liabilities                       | 762,104               | 288,662              |
| Other Liability  | 25,200                | 25,200               |
|  | <u>787,304</u>        | <u>313,862</u>       |
| <br>   |                       |                      |
| <b>Shareholders' equity</b>                                    |                       |                      |
| Share capital  | 45,859,586            | 40,699,968           |
| Contributed surplus  | 9,589,337             | 9,144,336            |
| Warrants (note 9)  | 5,578,632             | 2,072,993            |
| Accumulated other comprehensive loss                           | 1,231,065             | 536,370              |
| Deficit  | (26,994,666)          | (24,005,732)         |
|  | <u>35,263,954</u>     | <u>28,447,935</u>    |
|  | <u>36,051,258</u>     | <u>28,761,797</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**(s) 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 Nine Months |                    |
|--|----------------------|--------------------|---------------------|--------------------|
|  | Ended September 30   |                    | Ended September 30  |                    |
|  | 2014                 | 2013               | 2014                | 2013               |
|  | \$                   | \$                 | \$                  | \$                 |
| <b>EXPENSES</b>  |                      |                    |                     |                    |
| Amortization   | 10,844               | 11,747             | 33,721              | 35,247             |
| Investor relations and marketing   | 61,947               | 33,677             | 140,177             | 113,425            |
| Office and premises  | 74,502               | 59,789             | 215,271             | 195,792            |
| Professional services  | 41,418               | 61,966             | 497,068             | 319,009            |
| Salaries and consultants   | 452,531              | 322,833            | 1,455,843           | 1,095,320          |
| Securities and regulatory  | 24,219               | 12,775             | 87,158              | 112,042            |
| Share-based payments   | 196,156              | 157,729            | 480,043             | 460,367            |
| Travel   | 51,262               | 28,917             | 117,004             | 124,768            |
|  | <u>912,879</u>       | <u>689,433</u>     | <u>3,026,285</u>    | <u>2,455,970</u>   |
| <b>OTHER INCOME (LOSS)</b>   |                      |                    |                     |                    |
| Interest income  | 20,924               | 4,284              | 47,793              | 8,691              |
| Foreign exchange   | 3,093                | (8,542)            | (10,442)            | (14,254)           |
|  | <u>24,017</u>        | <u>(4,258)</u>     | <u>37,351</u>       | <u>(5,563)</u>     |
| <b>LOSS BEFORE INCOME TAXES</b>  | <u>(888,862)</u>     | <u>(693,691)</u>   | <u>(2,988,934)</u>  | <u>(2,461,533)</u> |
| <b>INCOME TAXES RECOVERABLE</b>  | <u>-</u>             | <u>-</u>           | <u>-</u>            | <u>(444,088)</u>   |
| <b>NET LOSS</b>  | <u>(888,862)</u>     | <u>(693,691)</u>   | <u>(2,988,934)</u>  | <u>(2,017,445)</u> |
| <b>Net Loss per share - basic and diluted</b>  | <u>(0.00)</u>        | <u>(0.00)</u>      | <u>(0.02)</u>       | <u>(0.01)</u>      |
| <b>Weighted average number of basic and diluted common shares outstanding</b>          | <u>197,563,471</u>   | <u>151,665,277</u> | <u>189,552,658</u>  | <u>162,889,812</u> |
| <b>COMPREHENSIVE LOSS:</b>   |                      |                    |                     |                    |
| Net loss for the periods   | (888,862)            | (693,691)          | (2,988,934)         | (2,017,445)        |
| <i>Items which may be subsequently recycled through profit or loss</i>                 |                      |                    |                     |                    |
| Foreign currency translation difference arising on translation of foreign subsidiaries | 747,035              | (316,841)          | 693,945             | 484,736            |
| Unrealized gain (loss) on available-for-sale securities                                | 500                  | (500)              | 750                 | (2,750)            |
|  | <u>(141,327)</u>     | <u>(1,011,032)</u> | <u>(2,294,239)</u>  | <u>(1,535,459)</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<br>Shares | Share<br>Capital     | Contributed<br>Surplus | Warrants            | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Deficit                | Total<br>Equity      |
|--|---------------------|----------------------|------------------------|---------------------|--|------------------------|----------------------|
| <b>Balance at January 1, 2013</b>                | 152,633,402         | \$ 38,311,650        | \$ 5,875,314           | \$ 3,062,679        | \$ (527,820)   | \$ (20,438,546)        | \$ 26,283,277        |
| Net Loss   |                     |                      |                        |                     |  | (2,017,445)            | (2,017,445)          |
| Impairment of marketable securities              |                     |                      |                        |                     | (2,750)  |                        | (2,750)              |
| Foreign currency translation adjustment          |                     |                      |                        |                     | 484,736  |                        | 484,736              |
| Financing (net of costs)                         | 20,000,000          | 2,166,577            |                        | 2,072,993           |  |                        | 4,239,570            |
| Share-based payments                             |                     |                      | 503,758                |                     |  |                        | 503,758              |
| Expiry of warrants                               |                     |                      | 3,062,679              | (3,062,679)         |  |                        | -                    |
| Tax effect of expired warrants                   |                     |                      | (444,088)              |                     |  |                        | (444,088)            |
| <b>Balance at September 30, 2013</b>             | <b>172,633,402</b>  | <b>\$ 40,478,227</b> | <b>\$ 8,997,663</b>    | <b>\$ 2,072,993</b> | <b>\$ (45,834)</b>                                     | <b>\$ (22,455,991)</b> | <b>\$ 29,047,058</b> |
| <b>Balance at January 1, 2014</b>                | 173,833,402         | \$ 40,699,968        | \$ 9,144,336           | \$ 2,072,993        | \$ 536,370   | \$ (24,005,732)        | \$ 28,447,935        |
| Net Loss   |                     |                      |                        |                     |  | (2,988,934)            | (2,988,934)          |
| Unrealized gain on available-for-sale securities |                     |                      |                        |                     | 750  |                        | 750                  |
| Foreign currency translation adjustment          |                     |                      |                        |                     | 693,945  |                        | 693,945              |
| Financing (net of costs)                         | 20,731,912          | 3,966,075            |                        | 3,766,205           |  |                        | 7,732,280            |
| Share-based payments                             |                     |                      | 517,939                |                     |  |                        | 517,939              |
| Shares issued on exercise of warrants            | 2,448,157           | 788,539              |                        |                     |  |                        | 788,539              |
| Fair value of warrants exercised                 |                     | 260,566              |                        | (260,566)           |  |                        | -                    |
| Shares issued on exercise of options             | 550,000             | 71,500               |                        |                     |  |                        | 71,500               |
| Fair value of options exercised                  |                     | 72,938               | (72,938)               |                     |  |                        | -                    |
| <b>Balance at September 30, 2014</b>             | <b>197,563,471</b>  | <b>\$ 45,859,586</b> | <b>\$ 9,589,337</b>    | <b>\$ 5,578,632</b> | <b>\$ 1,231,065</b>                                    | <b>\$ (26,994,666)</b> | <b>\$ 35,263,954</b> |

**UCORE RARE METALS INC.**

## Condensed Consolidated Statements of Cash Flows

Expressed in Canadian dollars

(unaudited - Prepared by Management)

|   | For the Nine Months<br>Ended September 30, |                    |
|---|--|--------------------|
|   | 2014                                       | 2013               |
|   | \$   | \$                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                    |
| Net loss for the period   | (2,988,934)                                | (2,017,445)        |
| Adjustments for items not involving cash:   |  |                    |
| Amortization  | 33,721                                     | 35,247             |
| Share-based payments  | 480,043                                    | 460,367            |
| Deferred income tax recovery  | -  | (444,088)          |
|   | <u>(2,475,170)</u>                         | <u>(1,965,919)</u> |
| Change in non-cash operating working capital:   |  |                    |
| Decrease (increase) in trade and other receivables  | 44,893                                     | 73,304             |
| Decrease (increase) in prepaid expenses   | (98,196)                                   | 66,036             |
| Increase (decrease) in accounts payable and accruals  | (113,586)                                  | (149,051)          |
|   | <u>(2,642,059)</u>                         | <u>(1,975,630)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |  |                    |
| Issuance of common shares and warrants for cash   | 7,878,127                                  | 5,000,000          |
| Issuance of common shares on exercise of options and warrants   | 860,039                                    | -                  |
| Issue costs of common shares and warrants   | (145,847)                                  | (760,430)          |
|   | <u>8,592,319</u>                           | <u>4,239,570</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                    |
| Purchase of equipment   | (157,980)                                  | (83,433)           |
| Resource property interests and options   | (3,671,296)                                | (1,200,775)        |
| Purchases of short-term deposits  | (7,456,571)                                | 1,349,332          |
| Proceeds from redemption of short-term deposits   | 4,381,156                                  | (2,398,508)        |
|   | <u>(6,904,691)</u>                         | <u>(2,333,384)</u> |
| <b>INCREASE (DECREASE) IN CASH</b>  | (954,431)                                  | (69,444)           |
| <b>CASH, beginning of period</b>  | <u>1,311,770</u>                           | <u>302,120</u>     |
| <b>CASH, end of period</b>  | <u>357,339</u>                             | <u>232,676</u>     |
| Non-cash financing and investment activities:   |  |                    |
| Accounts payable and accrued liabilities related to resource<br>properties and related deferred costs | 587,028                                    | (172,532)          |

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 nine month period ended September 30, 2014

(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, 2014 discussed in note 3. The date the Board of Directors approved the financial statements is November 28, 2014.

### 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.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine month period ended September 30, 2014

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

### 3. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME JANUARY 1, 2014

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, 2014. The following new standards, amendments, and interpretations that have been adopted by the Corporation have had no material impact on these condensed interim consolidated financial statements:

- IFRS 9 – Financial Instruments
- Investment Entities – IFRS 10, IFRS 12 and IAS 27
- Amendments to IAS 32 – Offsetting Financial Assets and Liabilities
- IFRIC 21 - Levies

### 4. CAPITAL MANAGEMENT

The Company's capital at September 30, 2014 consists of shareholders' equity of \$35,263,954 (2013: 29,047,058). 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.

### 5. RELATED PARTY TRANSACTIONS

As at September 30, 2014 the Company has recorded an advance to officers of the Company in the amount of \$89,946 (December 31, 2013 - \$38,269), which is non-interest bearing with no fixed terms of repayment. During the period ending September 30, 2014, the Company paid \$122,619 (2013 - \$25,875) in consulting fees to a Company of which a director is a partner. Additionally, no travel expenditures (2013 - \$338) 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 consists of the following:

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine month period ended September 30, 2014

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

|                        | December 31,<br>2013 | Acquisition<br>Costs | Deferred<br>Exploration<br>Costs | Deferred<br>Exploration<br>Costs | Impairment | Movement<br>in exchange<br>rates | September 30,<br>2014 |
|------------------------|----------------------|----------------------|----------------------------------|----------------------------------|------------|----------------------------------|-----------------------|
| Bokan Mountain, Alaska | \$ 25,291,005        | \$ 98,890            | \$ 4,185,401                     | \$ -                             | \$ 693,945 | \$ 30,269,241                    |                       |
| Ray Mountains, Alaska  | \$ 306,191           | -                    | 27,241                           | -                                | -          | \$ 333,432                       |                       |
|                        | \$ 25,597,196        | \$ 98,890            | \$ 4,212,642                     | \$ -                             | \$ 693,945 | \$ 30,602,673                    |                       |

|                         | December 31,<br>2012 | Acquisition<br>Costs | Deferred<br>Exploration<br>Costs | Deferred<br>Exploration<br>Costs | Impairment   | Movement<br>in exchange<br>rates | December 31,<br>2013 |
|-------------------------|----------------------|----------------------|----------------------------------|----------------------------------|--------------|----------------------------------|----------------------|
| Bokan Mountain, Alaska  | \$ 22,941,491        | \$ 95,728            | \$ 1,186,596                     | \$ -                             | \$ 1,067,190 | \$ 25,291,005                    |                      |
| Lost Pond, Newfoundland | 800,000              | -                    | -                                | (800,000)                        | -            | \$ -                             |                      |
| Ray Mountains, Alaska   | 306,191              | -                    | -                                | -                                | -            | \$ 306,191                       |                      |
|                         | \$ 24,047,682        | \$ 95,728            | \$ 1,186,596                     | (800,000)                        | \$ 1,067,190 | \$ 25,597,196                    |                      |

## Impairment

The Company holds a 100% interest in certain claims on 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.

In the prior year, due to uncertain plans for future development of these claims, the Company identified an impairment indicator on this property. As a result, the Company has written down the carrying value of the Lost Pond property to \$nil.

## **7. SHARE CAPITAL**

On April 17, 2014 the Company completed the third and final tranche of a non-brokered private placement for cumulative gross proceeds of \$7,878,126 which were received in three tranches on April 11, 2014, April 16, 2014, and April 17, 2014. The offering consisted of 20,731,912 units priced at \$0.38 per unit. Each unit sold was comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one Common Share at a price of \$0.50 per common share for a period of 36 months. All common shares and warrants issued in connection with the private placement are subject to a statutory hold period that expires four months after the issuance of each tranche.

The Company paid finder's fees totaling \$26,942 and issued a total of 140,900 finder's warrants pursuant to certain subscriptions. Each finder's warrant issued entitles the holder to acquire one Common Share at a price of \$0.38 per unit for a period of 24 months from the date of issuance.

Other costs associated with the private placement totaled \$118,904 for total costs of \$145,846. The value allocated to the warrants was based on the Black-Scholes model, using an assumed volatility of 83% 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        | 4,066,867 | 3,811,259 | 7,878,126 |
| Cash Costs      | (75,289)  | (70,557)  | (145,846) |
| Broker Warrants | (25,503)  | 25,503    | -         |



# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine month period ended September 30, 2014

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

|                        |                  |                  |                  |
|------------------------|------------------|------------------|------------------|
| <b>Closing balance</b> | <b>3,966,075</b> | <b>3,766,205</b> | <b>7,732,280</b> |
|------------------------|------------------|------------------|------------------|

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.

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

## 8. SHARE BASED PAYMENTS

Changes in stock options during the nine month period ended September 30, 2014 and year ended December 31, 2013 are summarized as follows:

|                        | <b>Nine month period ended<br/>September 30, 2014</b> |  | <b>Year ended<br/>December 30, 2013</b> |  |
|------------------------|---|--|---|--|
|                        | Number of<br>options                                  | Weighted<br>average<br>exercise<br>price<br>\$ | Number of<br>options                    | Weighted<br>average<br>exercise<br>price<br>\$ |
| Opening balance        | 10,525,000  | 0.40   | 6,790,000                               | 0.51   |
| Granted                | 4,350,000   | 0.28   | 4,735,000                               | 0.27   |
| Exercised              | (550,000)   | 0.13   | -                                       | -  |
| Forfeited              | (500,000)   | 0.60   | (1,000,000)                             | 0.47   |
| <b>Closing balance</b> | <b>13,825,000</b>                                     | <b>0.37</b>                                    | <b>10,525,000</b>                       | <b>0.40</b>                                    |

The weighted average share price on the date on which options were exercised during the quarter ended September 30, 2014 was \$0.38, there were no options exercised during the same period in the prior year. The following table summarizes information about the stock options outstanding and exercisable at September 30, 2014:

| <b>Exercise price per share</b> | <b>Number of outstanding options</b> | <b>Expiry Date</b> | <b>Number of exercisable options</b> |
|---------------------------------|--------------------------------------|--------------------|--------------------------------------|
| <b>\$</b>                       |                                      |                    |                                      |
| 0.25                            | 500,000                              | May 13, 2018       | 500,000                              |
| 0.26                            | 3,685,000                            | June 18, 2018      | 2,456,667                            |
| 0.26                            | 250,000                              | October 30, 2018   | 83,333                               |

# UCORE RARE METALS INC.

Notes to Condensed Interim Consolidated Financial Statements  
For the nine month period ended September 30, 2014

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

|      |                   |                    |                  |
|------|-------------------|--------------------|------------------|
| 0.27 | 150,000           | February 17, 2019  | 50,000           |
| 0.27 | 650,000           | April 25, 2019     | 650,000          |
| 0.27 | 3,050,000         | June 2, 2019       | -                |
| 0.28 | 250,000           | May 14, 2017       | 250,000          |
| 0.32 | 500,000           | June 30, 2019      | -                |
| 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 | 150,000          |
| 0.41 | 300,000           | March 30, 2017     | 300,000          |
| 0.46 | 300,000           | January 29, 2018   | 200,000          |
| 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  | 100,000          |
| 0.67 | 1,150,000         | September 29, 2015 | 1,150,000        |
| 0.75 | 300,000           | July 29, 2016      | 300,000          |
|      | <b>13,825,000</b> |                    | <b>8,630,000</b> |

## 9. WARRANTS

Changes in share purchase warrants during the nine month period ended September 30, 2014 and year ended December 31, 2013 are summarized as follows:

|                 | Nine month period ended<br>September 30, 2014 |  | Year ended<br>December 30, 2013 |  |
|-----------------|---|--|---------------------------------|--|
|                 | Number of<br>warrants                         | Weighted<br>average<br>exercise<br>price<br>\$ | Number of<br>warrants           | Weighted<br>average<br>exercise<br>price<br>\$ |
| Opening balance | 21,077,594                                    | 0.34   | 11,674,999                      | 0.55   |
| Issued          | 20,872,812                                    | 0.50   | 21,077,594                      | 0.34   |
| Exercised       | (2,448,157)                                   | 0.32   | -                               | -  |
| Expired         | -   | -  | (11,674,999)                    | 0.55   |
| Closing balance | 39,502,249                                    | 0.43   | 21,077,594                      | 0.34   |

The following table summarizes information about the warrants outstanding and exercisable at September 30, 2014:

| Exercise price per share<br>\$ | Number of outstanding<br>warrants | Expiry Date               | Number of exercisable warrants |
|--------------------------------|-----------------------------------|---------------------------|--------------------------------|
| 0.35                           | 18,235,000                        | May 13, 2016              | 18,235,000                     |
| 0.25                           | 394,437                           | May 13, 2016              | 394,437                        |
| 0.50                           | 20,731,912                        | April 11 - April 17, 2017 | 20,731,912                     |
| 0.38                           | 140,900                           | April 11 - April 17, 2017 | 140,900                        |