

UCORE RARE METALS INC.
(A Development Stage Enterprise)

Unaudited Condensed Interim Consolidated Financial Statements

Third Quarter
For the nine month period ended September 30, 2015

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, 2015.

UCORE RARE METALS INC.

Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

(unaudited - Prepared by Management)

	September 30, 2015 \$	December 31, 2014 \$
ASSETS		
Current assets		
Cash	2,911,889	2,328,659
Restricted Cash	238,744	207,185
Marketable securities	750	1,000
Trade and other receivables	118,896	139,013
Prepaid expenses (note 5)	264,697	308,467
	<u>3,534,976</u>	<u>2,984,324</u>
 Equipment	 150,648	 332,599
Intangible assets (note 8)	2,185,791	
Resource properties and related deferred costs (note 7)	37,170,037	32,664,247
	<u>43,041,452</u>	<u>35,981,170</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	268,909	692,827
Short-term debt (note 6)	393,715	-
	<u>662,624</u>	<u>692,827</u>
Long-term liabilities		
Convertible royalty liability (note 9)	6,597,062	-
	<u>7,259,686</u>	<u>1,385,654</u>
 Shareholders' equity		
Share capital	45,865,391	45,859,586
Contributed surplus	10,022,155	9,771,525
Warrants (note 11)	5,577,377	5,578,632
Accumulated other comprehensive loss	4,969,499	1,987,075
Deficit	(30,652,656)	(27,908,475)
	<u>35,781,766</u>	<u>35,288,343</u>
	<u>43,041,452</u>	<u>35,981,170</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 Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
EXPENSES				
Amortization	9,788	10,844	29,406	33,721
Investor relations and marketing	24,755	61,947	135,764	140,177
Office and premises	68,275	74,502	190,319	215,271
Professional services	62,424	41,418	212,873	497,068
Salaries and consultants	813,476	452,531	1,578,220	1,455,843
Securities and regulatory	61,535	24,219	130,644	87,158
Share-based payments	97,622	196,156	234,901	480,043
Travel	45,260	51,262	145,598	117,004
Accretion (note 9)	130,452	-	181,262	-
	<u>1,313,587</u>	<u>912,879</u>	<u>2,838,987</u>	<u>3,026,285</u>
OTHER INCOME (LOSS)				
Interest income	273	20,924	4,613	47,793
Foreign exchange	92,951	3,093	90,193	(10,442)
	<u>93,224</u>	<u>24,017</u>	<u>94,806</u>	<u>37,351</u>
LOSS BEFORE INCOME TAXES	<u>(1,220,363)</u>	<u>(888,862)</u>	<u>(2,744,181)</u>	<u>(2,988,934)</u>
INCOME TAXES RECOVERABLE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	<u>(1,220,363)</u>	<u>(888,862)</u>	<u>(2,744,181)</u>	<u>(2,988,934)</u>
Net Loss per share - basic	(0.01)	(0.00)	(0.01)	(0.02)
Net Loss per share - diluted	<u>(0.01)</u>	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.02)</u>
Weighted average number of basic common shares outstanding	197,576,471	197,563,471	197,568,059	189,552,658
Weighted average number of diluted common shares outstanding	<u>219,619,907</u>	<u>197,563,471</u>	<u>207,985,718</u>	<u>189,552,658</u>
COMPREHENSIVE LOSS:				
Net loss for the periods	(1,220,363)	(888,862)	(2,744,181)	(2,988,934)
<i>Items which may be subsequently recycled through profit or loss</i>				
Foreign currency translation difference arising on translation of foreign subsidiaries	1,561,830	747,035	2,982,674	693,945
Unrealized gain (loss) on available-for-sale securities	250	500	(250)	750
	<u>341,717</u>	<u>(141,327)</u>	<u>238,243</u>	<u>(2,294,239)</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, 2014	173,833,403	\$ 40,699,968	\$ 9,144,336	\$ 2,072,993	\$ 536,370	\$ (24,005,732)	\$ 28,447,935
Net Loss							
Impairment of marketable securities							
Foreign currency translation adjustment					750	(2,988,934)	(2,988,934)
Financing (net of costs)	20,731,912	3,966,075		3,766,205	693,945		750
Share-based payments			517,939				693,945
Shares issued on exercise of warrants	2,448,157	788,539					7,732,280
Fair value of warrants exercised		260,566		(260,566)			517,939
Shares issued on exercise of options	550,000	71,500					788,539
Fair value of options exercised		72,938	(72,938)				71,500
							-
Balance at September 30, 2014	197,563,472	\$ 45,859,586	\$ 9,589,337	\$ 5,578,632	\$ 1,231,065	\$ (26,994,666)	\$ 35,263,954
Balance at January 1, 2015	197,563,472	\$ 45,859,586	\$ 9,771,525	\$ 5,578,632	\$ 1,987,075	\$ (27,908,475)	\$ 35,288,343
Net Loss							
Impairment of marketable securities							
Foreign currency translation adjustment					(250)	(2,744,181)	(2,744,181)
Share-based payments			250,630		2,982,674		(250)
Shares issued on exercise of warrants	13,000	4,550					2,982,674
Fair value of warrants exercised		1,255		(1,255)			250,630
							4,550
							-
Balance at September 30, 2015	197,576,472	\$ 45,865,391	\$ 10,022,155	\$ 5,577,377	\$ 4,969,499	\$ (30,652,656)	\$ 35,781,766

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 Nine Months ended September 30,	
	2015	2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(2,744,181)	(2,988,934)
Adjustments for items not involving cash:		
Amortization	29,406	33,721
Interest on short-term debt	10,405	-
Accretion expense	181,262	-
Share-based payments	234,901	480,043
	<u>(2,288,207)</u>	<u>(2,475,170)</u>
Change in non-cash operating working capital:		
Decrease (increase) in trade and other receivables	20,117	44,893
Decrease (increase) in prepaid expenses	43,770	(98,196)
Increase (decrease) in accounts payable and accruals	(69,426)	(113,586)
	<u>(2,293,746)</u>	<u>(2,642,059)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of short-term debt	383,310	-
Issuance of convertible royalty for cash	6,415,800	-
Increase in restricted cash	(31,559)	-
Issuance of common shares and warrants for cash	-	7,878,127
Issuance of common shares on exercise of options and warrants	4,550	860,039
Issue costs of common shares and warrants	-	(145,847)
	<u>6,772,101</u>	<u>8,592,319</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(142,402)	(157,980)
Purchase of intangible assets	(2,185,791)	-
Cash spent on resource property interests and options	(1,566,932)	(3,671,296)
Purchases of short-term deposits	-	(7,456,571)
Proceeds from redemption of short-term deposits	-	4,381,156
	<u>(3,895,125)</u>	<u>(6,904,691)</u>
INCREASE (DECREASE) IN CASH	583,230	(954,431)
CASH, beginning of period	<u>2,328,659</u>	<u>1,311,770</u>
CASH, end of period	<u><u>2,911,889</u></u>	<u><u>357,339</u></u>
Non-cash financing and investment activities:		
Accounts payable and accrued liabilities related to resource properties and related deferred costs	(354,492)	84,206

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, 2015

(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, and the processing of, 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, 2014 with the exception of those new standards, amendments, and interpretations mandatorily effective as of January 1, 2015 discussed in note 3. The date the Board of Directors approved the financial statements is November 27, 2015.

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.

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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, 2015:

Amendments to IAS 19, Employee Benefits, clarify requirements in relation to contributions by employees and third parties. In addition, these amendments permit contributions that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. There was no impact on the Company's condensed interim consolidated financial statements upon the adoption of these amendments.

(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, 2015. Standards and interpretations issued, but not yet adopted include:

	Effective for the Company
Amendments to IAS 1, Presentation of Financial Statements	January 1, 2016
Amendments to IAS 16, Property, Plant and Equipment	January 1, 2016
Amendments to IAS 28, Investments in Associates and Joint Ventures	January 1, 2016
Amendments to IAS 38, Intangibles	January 1, 2016
Amendments to IFRS 10, Consolidated Financial Statements	January 1, 2016
Amendments to IFRS 11, Joint Arrangements	January 1, 2016
IFRS 15, Revenue from Contracts with Customers	January 1, 2017
IFRS 9, Financial Instruments	January 1, 2018

In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements. These amendments clarify materiality guidance, aggregation and disaggregation of items in the statement of financial position, aggregation of an entity's share of other comprehensive income of equity accounted associates and joint ventures, and guidance on ordering of financial statement notes. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

In May 2014, the IASB issued 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 are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. These amendments are not anticipated to impact the Company's consolidated financial statements as revenue-based depreciation or amortization methods are not used.

In September 2014, the IASB issued amendment to IAS 28, Investments in Associates and Joint Ventures, and IFRS 10, Consolidated Financial Statements. These amendments and address a conflict between IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not anticipated to impact the Company's consolidated financial statements.

In May 2014, the IASB issued amendments to IFRS 11, Joint Arrangements. The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The amendments are effective for

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annual periods beginning on or after January 1, 2016, with earlier application being permitted. These amendments are not anticipated to impact the Company's consolidated financial statements.

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, 2017, 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.

4. CAPITAL MANAGEMENT

The Company's capital at September 30, 2015 consists of shareholders' equity of \$35,781,766 (2014: 35,288,343). 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 or 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 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, 2015 the Company has recorded an advance to officers of the Company in the amount of \$191,738 (December 31, 2014 - \$192,088), which is non-interest bearing with no fixed terms of repayment. During the period ending September 30, 2015, the Company paid \$126,073 (2014 - \$122,619) in consulting fees to a Company of which a director is a partner.

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

6. SHORT-TERM DEBT

The Company entered into a loan agreement for \$383,310 in short-term debt during the period with interest calculated at 6% per annum. Subsequent to quarter end this loan was converted into a potential future royalty stream. See subsequent events for more information.

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7. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

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

	December 31, 2014	Acquisition Costs	Deferred Exploration Costs	Reclass from Capital Assets	Movement in exchange rates	September 30, 2015
Bokan Mountain, Alaska	\$ 32,082,396	\$ -	1,248,587	274,529	\$ 2,982,674	\$ 36,588,186
Ray Mountains, Alaska	\$ 329,857	-	-	-	-	\$ 329,857
Seagull Tin, Yukon	\$ 251,994	-	-	-	-	\$ 251,994
	\$ 32,664,247	\$ -	\$ 1,248,587	\$ 274,529	\$ 2,982,674	\$ 37,170,037

	December 31, 2013	Acquisition Costs	Deferred Exploration Costs	Reclass from Capital Assets	Movement in exchange rates	December 31, 2014
Bokan Mountain, Alaska	\$ 25,291,005	\$ 105,820	\$ 5,235,116	\$ -	\$ 1,450,455	\$ 32,082,396
Ray Mountains, Alaska	306,191	-	23,666	-	-	\$ 329,857
Seagull Tin, Yukon	-	251,994	-	-	-	\$ 251,994
	\$ 25,597,196	\$ 357,814	\$ 5,258,782	-	\$ 1,450,455	\$ 32,664,247

8. INTANGIBLE ASSETS

The Company has an option to make payments of \$2.9 million USD to secure the rights to the proprietary Superlig® Molecular Recognition Technology ("MRT") for rare earth, tailings, and related recycling applications. To date, the Company has made payments totaling \$2,185,791 (\$1,715,000 USD) to IBC Advanced Technologies Inc. ("IBC") with respect to this option. These payments, when complete, will result in the creation of an entity controlled by the Company which will hold the rights to this technology. The expected life of this intangible asset is indefinite; however the amortization method, useful life, and residual value will be assessed annually.

9. ROYALTY BASED FINANCING

The Company entered into an agreement on May 20, 2015 in which \$5,106,800 was raised through the sale of a royalty on the future sale of products and services related to the processing of rare earth elements and other specialty metals and critical materials utilizing the SuperLig® MRT. Under the terms of the agreement, the purchaser will made payments totaling \$4,000,000 USD, all of which has been received as of September 30, 2015.

The royalty will be on production from future MRT installations and be comprised of a gross royalty of 5% of sales payable until the recapture of the investment; and a net smelter royalty of 2% on the first production client with expected gross revenue, as estimated by the Company, exceeding \$50,000,000 per annum.

The purchaser has the option to increase the amount of the investment by up to \$1,000,000 in exchange for a larger royalty if, prior to August 13, 2015, written notice is provided signaling such intent. This may be done in tranches of \$500,000 USD, where each \$500,000 USD payment would result in an increase in the royalty by a factor of 0.25%. This option expired subsequent to quarter end.

The purchaser has the right to convert the total amount of the investment, minus any royalty amounts already then paid, into common shares of the Company. If the purchaser elects to convert such amount, the Company's royalty obligation shall cease, and the conversion amount shall be converted into common shares at the greater of (i) the 30 day volume weighted

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average share price of the Company's common shares, less a 20% discount, (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) \$0.25 per common share.

On August 17, 2015 the Company entered into a second royalty based financing in which \$1,309,000 (\$1,000,000 USD) was raised and received prior to September 30, 2015. The royalty will be on production from future MRT installations and will be comprised of a gross royalty of 5% of sales payable until the recapture of the investment; and a net smelter royalty of 0.5% on the first production client with expected gross revenue, as estimated by the Company, exceeding \$50,000,000 per annum. This royalty is also convertible into common shares under the same terms as the May 20, 2015 royalty discussed above.

The proceeds of this transaction have been recorded as a long term liability since the instrument can be settled by issuance of a variable number of shares. The liability is being recorded using the effective interest method, resulting in accretion of the liability balance to the expected future royalty payments. The effective interest rate used is 9%, and will be adjusted over time if there are changes expected in the underlying cash flows.

The Company's convertible royalty liability balance is made up of the following:

	December 31, 2014	Additions	Accretion	September 30, 2015
Convertible royalty liability - May 20, 2015	\$ -	5,106,800	164,823	\$ 5,271,623
Convertible royalty liability - August 17, 2015	\$ -	1,309,000	16,439	\$ 1,325,439
	\$ -	\$ 6,415,800	\$ 181,262	\$ 6,597,062

10. SHARE BASED PAYMENTS

Changes in stock options during the nine month period ended September 30, 2015 and year ended December 31, 2014 are summarized as follows:

	Nine month period ended September 30, 2015		Year ended December 31, 2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Opening balance	13,825,000	0.37	10,525,000	0.40
Granted	3,250,000	0.29	4,350,000	0.28
Exercised	-	-	(550,000)	0.13
Forfeited	(1,950,000)	0.56	(500,000)	0.60
Closing balance	15,125,000	0.35	13,825,000	0.37

No options were exercised during the quarter ended September 30, 2015, the weighted average share price on the date on which options were exercised during the prior year was \$0.38. The following table summarizes information about the stock options outstanding and exercisable at September 30, 2015:

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Exercise price per share \$	Number of outstanding options	Expiry Date	Number of exercisable options
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	650,000	April 25, 2019	433,333
0.27	2,900,000	June 30, 2019	1,933,333
0.28	250,000	May 14, 2017	250,000
0.28	2,850,000	September 11, 2020	-
0.32	500,000	June 30, 2019	333,333
0.33	100,000	August 6, 2020	-
0.38	300,000	June 12, 2020	-
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
0.49	20,000	December 1, 2015	20,000
0.55	1,770,000	November 7, 2016	1,770,000
0.56	150,000	November 17, 2016	150,000
0.75	300,000	July 29, 2016	300,000
	15,125,000		10,524,999

The Company also awards Deferred Share Units (“DSUs”) as an alternative form of compensation for directors and executive officers of the Company. Each unit entitles the participant to receive one common share of the Company from treasury upon redemption. DSUs are measured on the grant date using the Company’s closing price on that date and expensed over the vesting period based on the estimated number of awards that are expected to vest. A total of 392,800 DSUs were granted during the quarter ended September 30, 2015 with a grant date fair value of \$106,056. No DSUs were redeemed as of September 30, 2015. As at September 30, 2015, 98,200 DSUs were vested and outstanding.

11. WARRANTS

Changes in share purchase warrants during the nine month period ended September 30, 2015 and year ended December 31, 2014 are summarized as follows:

	Nine month period ended September 30, 2015		Year ended December 30, 2014	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Opening balance	39,502,249	0.43	21,077,594	0.34
Issued	-	-	20,872,812	0.50
Exercised	(13,000)	0.35	(2,448,157)	0.32
Expired	-	-	-	-
Closing balance	39,489,249	0.43	39,502,249	0.43

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12. COMMITMENTS

The Company has entered into an agreement with a third party for the construction of an MRT pilot plant. The payments associated with this agreement, which total \$1,534,000 USD, are contingent on the Company completing a financing with proceeds of at least \$5,000,000.

13. SUBSEQUENT EVENTS

On October 10, 2015 the Company entered into an agreement in which the principal amount of \$300,000 (USD) of the short term debt discussed in note 6 was converted into a royalty on the future sale of products and services related to the processing of rare earth elements and other specialty metals and critical materials utilizing the SuperLig® MRT.

The royalty will be on production from future MRT installations and be comprised of a gross royalty of 0.15% of sales payable until the recapture of the investment; and a net smelter royalty of 0.15% on the first production client with expected gross revenue, as estimated by the Company, exceeding \$50,000,000 per annum.

The purchaser has the right to convert the total amount of the investment, minus any royalty amounts already then paid, into common shares of the Company. If the purchaser elects to convert such amount, the Company's royalty obligation shall cease, and the conversion amount shall 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, (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) \$0.25 per common share.

The company is in the process of evaluating the impact of this transaction on the consolidated financial statements.