UCORE RARE METALS INC.

(A Development Stage Enterprise)

Unaudited Condensed Interim Consolidated Financial Statements

Second Quarter
For the six month period ended June 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 June 30, 2014.

UCORE RARE METALS INC.

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

	June 30, 2014	December 31, 2013
	$	$
ASSETS		
Current assets		
Cash	933,833	1,311,770
Short-term deposits	7,564,706	1,354,485
Marketable securities	1,000	750
Trade and other receivables (note 5)	173,509	245,431
Prepaid expenses	412,640	66,641
	9,085,688	2,979,077
Equipment	154,032	185,524
Resource properties and related deferred costs (note 6)	26,309,636	25,597,196
	35,549,356	28,761,797
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	335,223	288,662
Other liability	25,200	25,200
	360,423	313,862
Shareholders' equity		
Share capital	45,859,586	40,699,968
Contributed surplus	9,372,989	9,144,336
Warrants (note 9)	5,578,632	2,072,993
Accumulated other comprehensive loss	483,530	536,370
Deficit	(26,105,804)	(24,005,732)
	35,188,933	28,447,935
	35,549,356	28,761,797

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 June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
	$	$	$	$
EXPENSES				
Amortization	10,484	11,415	22,877	23,500
Investor relations and marketing	26,247	20,358	78,230	79,748
Office and premises	79,493	69,244	140,769	136,003
Professional services	409,415	166,687	455,650	257,043
Salaries and consultants	652,443	434,239	1,003,312	772,487
Securities and regulatory	58,177	32,104	62,939	99,267
Share-based payments	202,168	162,531	283,887	302,638
Travel	31,308	30,687	65,742	95,851
	1,469,735	927,265	2,113,406	1,766,537
OTHER INCOME (LOSS)				
Interest income	21,036	1,784	26,869	4,407
Foreign exchange	(14,912)	87	(13,535)	(5,712)
	6,124	1,871	13,334	(1,305)
LOSS BEFORE INCOME TAXES	(1,463,611)	(925,394)	(2,100,072)	(1,767,842)
INCOME TAXES RECOVERABLE	-	-	-	(444,088)
NET LOSS	(1,463,611)	(925,394)	(2,100,072)	(1,323,754)
Net Loss per share - basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of basic and diluted common shares outstanding	194,627,861	151,584,058	184,433,611	157,937,269
COMPREHENSIVE LOSS:				
Net loss for the periods	(1,463,611)	(925,394)	(2,100,072)	(1,323,754)
Items which may be subsequently recycled through profit or loss				
Foreign currency translation difference arising on translation of foreign subsidiaries	(572,661)	470,724	(53,090)	801,577
Unrealized gain (loss) on available-for-sale securities	-	(1,000)	250	(2,250)
	(2,036,272)	(455,670)	(2,152,912)	(524,427)

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, 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)
Foreign currency translation adjustment					801,577		801,577
Impairment of marketable securities					(2,250)		(2,250)
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
Balance at January 1, 2014	173,833,402	$ 40,699,968	$ 9,144,336	$ 2,072,993	$ 536,370	$ (24,005,732)	$ 28,447,935
Net Loss						(2,100,072)	(2,100,072)
Impairment of marketable securities					250		250
Foreign currency translation adjustment					(53,090)		(53,090)
Financing (net of costs)	20,731,912	3,966,075		3,766,205			7,732,280
Share-based payments			301,591				301,591
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)				-
Balance at June 30, 2014	197,563,471	$ 45,859,586	$ 9,372,989	$ 5,578,632	$ 483,530	$ (26,105,804)	$ 35,188,933

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 Six Months ended June 30,	
	2014	2013
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(2,100,072)	(1,323,754)
Adjustments for items not involving cash:		
Amortization	22,877	23,500
Share-based payments	283,887	302,638
Deferred income tax recovery	-	(444,088)
	(1,793,308)	(1,441,704)
Change in non-cash operating working capital:		
Decrease (increase) in trade and other receivables	71,922	171,441
Decrease (increase) in prepaid expenses	(345,999)	9,549
Increase (decrease) in accounts payable and accruals	(37,645)	(123,121)
	(2,105,030)	(1,383,835)
CASH FLOWS FROM FINANCING ACTIVITIES		
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)
	8,592,319	4,239,570
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(819)	(73,784)
Resource property interests and options	(654,186)	(768,040)
Purchases of short-term deposits	(8,199,826)	(299,332)
Proceeds from redemption of short-term deposits	1,989,605	1,696,187
	(6,865,226)	555,031
INCREASE (DECREASE) IN CASH	(377,937)	3,410,766
CASH, beginning of period	1,311,770	302,120
CASH, end of period	933,833	3,712,886
Non-cash financing and investment activities:		
Accounts payable and accrued liabilties related to resource properties and related deferred costs	84,206	(187,099)

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 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 August 29, 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.

3. NEW STANDARDS, AMENDMENTS, AND INTEPRETATIONS 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 June 30, 2014 consists of shareholders' equity of $35,188,933 (2013: 29,888,048). 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 June 30, 2014 the Company has recorded an advance to officers of the Company in the amount of $89,904 (December 31, 2013 - $37,331), which is non-interest bearing with no fixed terms of repayment. During the period ending June 30, 2014, the Company paid $108,646 (2013 - $19,500) 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:

	December 31, 2013	Acquisition Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	June 30, 2014
Bokan Mountain, Alaska	$ 25,291,005	$ -	$ 757,045	$ -	$ (53,090)	$ 25,994,960
Ray Mountains, Alaska	$ 306,191	-	8,485	-	-	$ 314,676
	$ 25,597,196	$ -	$ 765,530	$ -	$ (53,090)	$ 26,309,636

	December 31, 2012	Acquisition Costs	Deferred Exploration Costs	Impairment	Movement in exchange rates	December 31, 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	-
Closing balance	**3,966,075**	**3,766,205**	**7,732,280**

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**

8. SHARE BASED PAYMENTS

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

	Six month period ended June 30, 2014		Year ended December 30, 2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
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	-	-	(1,000,000)	0.47
Closing balance	14,325,000	0.38	10,525,000	0.40

The weighted average share price on the date on which options were exercised during the quarter ended June 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 June 30, 2014:

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, 18, 2018	2,456,667
0.26	250,000	October 30, 2018	83,333
0.27	150,000	February 17, 2019	-
0.27	650,000	April 25, 2019	-

0.27	3,050,000	June 2, 2019	-
0.28	250,000	May 14, 2017	250,000
0.32	500,000	June 30, 2019	-
0.35	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	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
0.84	250,000	September 21, 2014	250,000
	14,325,000		**8,513,334**

9. WARRANTS

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

	Six month period ended June 30, 2014		**Year ended December 30, 2013**	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
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 June 30, 2014:

Exercise price per share $	**Number of outstanding warrants**	**Expiry Date**	**Number of exercisable warrants**
0.35	18,235,000	May 13, 2016	20,000,000
0.25	394,437	May 13, 2016	1,077,594
0.50	20,731,912	April 11 - April 17, 2017	-
0.38	140,900	April 11 – April 17, 2017	-