UCORE RARE METALS INC.

(A Development Stage Enterprise)

Unaudited Condensed Interim Consolidated Financial Statements

Second Quarter
For the six month period ended June 30, 2016

In accordance with National instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended June 30, 2016.

UCORE RARE METALS INC.

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

	June 30, 2016	December 31, 2015
	$	$
ASSETS		
Current assets		
Cash	6,687,280	2,733,673
Restricted Cash	231,950	246,767
Marketable securities	1,250	750
Other receivables	63,118	95,871
Prepaid expenses and other (note 5)	380,379	295,054
	7,363,977	3,372,115
Equipment	126,848	145,352
Non-refundable advance on technology and other (note 6)	3,222,779	2,569,041
Resource properties and related exploration costs (note 7)	39,311,616	40,002,572
	50,025,220	46,089,080
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	233,387	316,878
Long-term liabilities		
Convertible royalty liability (note 8)	-	10,735,199
	233,387	11,052,077
Shareholders' equity		
Share capital (note 9)	62,316,411	45,865,391
Contributed surplus	10,491,524	10,219,858
Warrants (note 11)	9,160,015	5,637,377
Accumulated other comprehensive loss	4,303,451	5,747,855
Deficit	(36,479,568)	(32,433,478)
	49,791,833	35,037,003
	50,025,220	46,089,080

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	
	2016	2015	2016	2015
	$	$	$	$
EXPENSES				
Amortisation	9,729	9,827	19,242	19,618
Investor relations and marketing	90,919	64,801	176,087	111,009
Office and premises	78,717	59,308	157,755	122,044
Professional services	361,974	124,069	441,898	150,449
Salaries and consultants	761,212	416,647	1,146,722	764,744
Securities and regulatory	42,977	20,622	76,290	69,109
Share-based payments	89,102	68,453	216,051	137,279
Travel	125,859	50,186	197,004	100,338
Accretion	-	50,810	-	50,810
	1,560,489	864,723	2,431,049	1,525,400
OTHER INCOME (LOSS)				
Interest income	316	796	1,320	4,340
Foreign exchange	4,957	(6,391)	(244,896)	(2,758)
	5,273	(5,595)	(243,576)	1,582
LOSS BEFORE INCOME TAXES	(1,555,216)	(870,318)	(2,674,625)	(1,523,818)
INCOME TAXES RECOVERABLE	(11,233)	-	(11,233)	-
NET LOSS	(1,543,983)	(870,318)	(2,663,392)	(1,523,818)
Net Loss per share - basic and diluted	(0.01)	(0.00)	(0.01)	(0.01)
Weighted average number of basic and diluted common shares outstanding	251,159,244	197,564,049	231,388,294	197,563,758
COMPREHENSIVE LOSS:				
Net loss for the periods	(1,543,983)	(870,318)	(2,663,392)	(1,523,818)
Items which may be subsequently recycled through profit or loss				
Foreign currency translation difference arising on translation of foreign subsidiaries	66,075	(344,536)	(1,444,904)	1,420,844
Unrealized gain (loss) on available-for-sale securities	250	-	500	(500)
	(1,477,658)	(1,214,854)	(4,107,796)	(103,474)

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

UCORE RARE METALS INC.
Interim Consolidated Statement of Changes in Equity
Expressed in Canadian dollars
(unaudited - Prepared by Management)

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at January 1, 2015	197,563,471	$ 45,859,586	$ 9,771,525	$ 5,578,632	$ 1,987,075	$ (27,908,475)	$ 35,288,343
Net Loss						(1,523,818)	(1,523,818)
Impairment of marketable securities					(750)		(750)
Foreign currency translation adjustment					1,420,844		1,420,844
Share-based payments			148,718				148,718
Shares issued on exercise of warrants	13,000	4,550					4,550
Fair value of warrants exercised		1,255		(1,255)			-
Balance at June 30, 2015	197,576,471	$ 45,865,391	$ 9,920,243	$ 5,577,377	$ 3,407,169	$ (29,432,293)	$ 35,337,887
Balance at January 1, 2016	197,576,471	$ 45,865,391	$ 10,219,858	$ 5,637,377	$ 5,747,855	$ (32,433,478)	$ 35,037,003
Net Loss						(2,663,392)	(2,663,392)
Impairment of marketable securities					500		500
Foreign currency translation adjustment					(1,444,904)		(1,444,904)
Share-based payments			230,098				230,098
Shares issued on exercise of warrants	1,690,300	527,741					527,741
Fair value of warrants exercised		176,279		(176,279)			-
Shares issued on exercise of options	166,667	38,333					38,333
Fair value of options exercised		19,667	(19,667)				-
Financing (net of costs) (note 9)	25,344,821	4,561,311		2,388,687			6,949,998
Shares issued to settle liabilities (note 9)	600,000	195,000					195,000
Shares issued on conversion of liabilities (note 8)	43,146,811	10,932,689					10,932,689
Extension of warrants (note 11)				1,382,698		(1,382,698)	-
Expiry of warrants (net of tax) (note 11)			61,235	(72,468)			(11,233)
Balance at June 30, 2016	268,525,070	$ 62,316,411	$ 10,491,524	$ 9,160,015	$ 4,303,451	$ (36,479,568)	$ 49,791,833

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, 2016	2015
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(2,663,392)	(1,523,818)
Adjustments for items not involving cash:		
Amortisation	19,242	19,618
Interest on short-term debt	-	5,868
Accretion expense	-	50,810
Share-based payments	216,051	137,279
Foreign exchange loss on convertible royalty	197,490	-
Liabilities settled through issuance of shares	195,000	-
Deferred income tax recovery	(11,233)	-
	(2,046,842)	(1,310,243)
Change in non-cash operating working capital:		
Decrease (increase) in trade and other receivables	32,753	(23,196)
Decrease (increase) in royalty financing receivable	-	(2,625,600)
Decrease (increase) in prepaid expenses	(85,325)	42,987
Increase (decrease) in accounts payable and accruals	(86,412)	(41,705)
	(2,185,826)	(3,957,757)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of short-term debt	-	383,310
Issuance of convertible royalty for cash	-	5,106,800
Increase in restricted cash	14,817	(15,226)
Issuance of common shares and warrants for cash	6,949,998	-
Issuance of common shares on exercise of options and warrants	566,074	4,550
Issue costs of common shares and warrants	-	-
	7,530,889	5,479,434
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,666)	(106,603)
Resource property interests and options	(735,774)	(1,130,391)
Purchase of non-refundable advance on technology and other	(653,738)	(1,301,450)
	(1,392,178)	(2,538,444)
INCREASE (DECREASE) IN CASH	3,952,885	(1,016,767)
Foreign exchange impact on cash	722	-
CASH, beginning of period	2,733,673	2,328,659
CASH, end of period	6,687,280	1,311,892
Non-cash financing and investment activities:		
Accounts payable and accrued liabilties related to resource properties and related deferred costs	2,921	(358,869)

1. NATURE OF OPERATIONS

Ucore Rare Metals Inc. ("Ucore" or the "Company") is a Corporation domiciled in Canada. The address of the Company's head office is 210 Waterfront Drive, Suite 106, Halifax N.S., B4A 0H3. The Company is engaged in the exploration for and separation of rare earth elements within Canada and the United States. The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues and is considered to be a development stage enterprise.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to liquidate its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The ability of the Company to continue as a going concern and the recoverability of amounts shown for resource properties and non-refundable advance on technology are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development, the future profitable production or proceeds from disposition of such properties, the success of the Molecular Recognition Technology ("MRT") pilot plant, and future profitable commercialization of MRT. These condensed interim consolidated financial statements do not give effect to adjustments necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting.

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in the consolidated financial statements for the year ended December 31, 2015 with the exception of those new standards, amendments, and interpretations mandatorily effective as of January 1, 2016 discussed in note 3. The date the Board of Directors approved the financial statements is August 26, 2016.

Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for available for sale financial assets, share based payments, and warrants measured at fair value.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

Use of estimates and judgments

The preparation of financial statements requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgments based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

For the six month period ended June 30, 2016 (Expressed in Canadian dollars)

3. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

(a) Adoption of new accounting standards

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

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

(b) Standards issued but not yet adopted:

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

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

In January 2016, the IAS issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. These amendments apply prospectively for annual periods beginning on or after January 1, 2017. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

In January 2016, the IASB issued amendments to IAS 12, Income Taxes. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

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

January 1, 2018, and permits early adoption. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

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

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

4. CAPITAL MANAGEMENT

The Company's capital at June 30, 2016 consists of shareholders' equity of $49,791,833 (December 31, 2015: $35,037,003). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition and exploration of resource properties, the advancement of the Company's separation technology, and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity and royalty based financings. Future financings are dependent on market conditions, and there can be no assurance the Company will be able to raise funds in the future.

The Company invests all capital that is surplus to its immediate operational needs in a high interest savings account. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

5. RELATED PARTY TRANSACTIONS

As at June 30, 2016 the Company has recorded an advance, for corporate expenses, to officers of the Company in the amount of $184,595 (December 31, 2015 - $204,472), which is non-interest bearing and is to be repaid over three years. During the period ending June 30, 2016, the Company paid $83,256 (2015 - $3,054) in fees to a law firm of which a director of the Company is a partner. Additionally, travel expenditures in the amount of $983 (2015 - $nil) were reimbursed to directors of the Company.

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

6. NON-REFUNDABLE ADVANCE ON TECHNOLOGY

The Company has an option to make payments of $2.9 million USD to secure the exclusive, perpetual, full and royalty free license and authorization to use, enjoy and benefit from the proprietary Superlig® Molecular Recognition Technology ("MRT") intellectual property for rare earth purification, tailings remediation, and related recycling applications. To date, the Company has made non-refundable payments totaling $2,381,729 ($1,740,000 USD) to IBC Advanced Technologies Inc. ("IBC") with respect to this option. These payments, when complete will result in the creation of a joint venture entity controlled by the Company which will hold the rights to this technology. The non-refundable payments as well as a commitment to provide a minimum of $1,000,000 USD in start-up capital will form the basis for its contribution to the joint venture. The expected life of this intangible asset is indefinite; however the amortization method, useful life, and residual value will be assessed annually. The Company has capitalized the option payments as the expenditures meet the criteria for capitalization as intangible assets.

For the six month period ended June 30, 2016 (Expressed in Canadian dollars)

In addition, the Company paid $841,050 ($650,000 USD) to secure additional rights with respect to MRT.

7. RESOURCE PROPERTIES AND RELATED EXPLORATION COSTS

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

	December 31, 2015	Acquisition Costs	Deferred Exploration Costs	Reclass from Equipment	Impairment	Movement in exchange rates	June 30, 2016
Bokan Mountain, Alaska	$ 39,750,578	$ -	753,948	-	-	$ (1,444,904)	$ 39,059,622
Seagull Tin, Yukon	$ 251,994	-	-	-	-	-	$ 251,994
	$ 40,002,572	$ -	$ 753,948	$ -	$ -	$ (1,444,904)	$ 39,311,616

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

8. CONVERTIBLE ROYALTY LIABILITY

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

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

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

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

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

For the six month period ended June 30, 2016 (Expressed in Canadian dollars)

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

		December 31. 2015	Foreign exchange loss (gain)	Conversion to common shares		June 30, 2016
Convertible royality liability - May 20, 2015	$	5,536,000	213,200	(5,749,200)	$	-
Convertible royality liability - August 17, 2015	$	1,384,000	53,300	(1,437,300)	$	-
Convertible royality liability - October 10, 2015	$	415,200	15,990	(431,190)	$	-
Convertible royality liability - December 17, 2015	$	3,399,999	(85,000)	(3,314,999)	$	-
	$	10,735,199	197,490	(10,932,689)	$	-

9. SHARE CAPITAL

a) Financing

On May 27, 2016, the Company amended the terms to the payment outstanding on the December 8, 2015 royalty agreement. Under the revised terms of the amended agreement, the Investor elected to increase its remaining investment to USD $6M. Additional amendments include; the Gross Royalty and the NSR was reduced from 5% to 2%, and the conversion Rate was increased to the greater of: (i) the market price of the Company's common shares on the day immediately prior to the conversion date, less a 20% discount; or (ii) $0.29 per common share. The amended agreement additionally allowed the Royalty to be converted to Units at the aforementioned Conversion Rate. Units consist of one common share of the Company plus a common share purchase warrant. Each common share purchase warrant shall entitle the Investor to acquire 1 new common share from the Company at a price of CAD$0.38 per common share for a period of 3 years from the issuance date of the warrant.

Additionally, under the terms of the original Agreement, the Investor had the option to increase the amount of the Investment by up to USD$1 Million, in exchange for a larger Royalty, provided that written notice of such exercise was provided prior to August 31, 2016. The Investor has exercised that option, the Investment was accordingly increased by USD$1 Million, which is included in the USD$6 Million total.

In accordance with the conversion terms of the Amended Agreement, a total of CAD$7.35 million (the entirety of the $5.7 million USD paid to date) of its Royalty was converted to Units. As a result, a total of 25,344,821 Units have been issued.

Upon conversion, the total proceeds of $7,349,998 were allocated as follows:

	Shares	Warrants	Total
Proceeds	$4,823,833	$2,526,165	$7,349,998
Issue costs	(262,522)	(137,478)	(400,000)
	$4,561,311	$2,388,687	$6,949,998

The value allocated to warrants was based on the Black-Scholes model. As the closing of this transaction coincides with the conversion date, the transaction has been recorded directly to equity instead of flowing through the convertible royalty liability (note 8).

b) Shares for debt

The Company has agreed to settle certain payables in the amount of $195,000 through the issuance of 600,000 shares at a deemed value of $0.325 per share, the discounted market price on the date of issuance.

For the six month period ended June 30, 2016 (Expressed in Canadian dollars)

10. SHARE BASED PAYMENTS

Changes in stock options during the six month period ended June 30, 2016 and year ended December 31, 2015 are summarized as follows:

	Six month period ended June 30, 2016		Year ended December 31, 2015	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Opening balance	15,605,000	0.35	13,825,000	0.37
Granted	-	-	3,750,000	0.28
Exercised	166,667	0.23	-	-
Forfeited	-	-	(1,970,000)	0.56
Closing balance	15,438,333	0.35	15,605,000	0.35

The weighted average share price on the date on which options were exercised during the period ended June 30, 2016 was $0.41. No options were exercised during the quarter ended June 30, 2015.

The following table summarizes information about the stock options outstanding and exercisable at June 30, 2016:

Exercise price per share $	Number of outstanding options	Expiry Date	Number of exercisable options
0.23	333,333	November 3, 2020	-
0.25	500,000	May 13, 2018	500,000
0.26	3,685,000	June 11, 2018	3,685,000
0.26	250,000	October 30, 2018	250,000
0.27	150,000	February 17, 2019	150,000
0.27	2,900,000	June 30, 2019	2,900,000
0.28	250,000	May 14, 2017	250,000
0.28	2,850,000	September 11, 2020	950,000
0.32	500,000	June 30, 2019	500,000
0.33	100,000	August 6,2020	33,333
0.38	300,000	June 12, 2020	200,000
0.38	650,000	April 25, 2019	650,000
0.40	150,000	September 14, 2017	150,000
0.41	300,000	March 30, 2017	300,000
0.46	300,000	January 29, 2018	300,000
0.55	1,770,000	November 7, 2016	1,770,000
0.56	150,000	November 17, 2016	150,000
0.75	300,000	July 29, 2016	300,000
	15,438,333		**13,038,333**

In addition, The Company has 392,800 outstanding deferred share units, which were all issued in the year ended December 31, 2015. In the current period, these deferred share units represented a total expense of $16,248 (2015 - nil). This has been recorded in share based compensation expense.

For the six month period ended June 30, 2016 (Expressed in Canadian dollars)

11. WARRANTS

Changes in share purchase warrants during the six month period ended June 30, 2016 and year ended December 31, 2015 are summarized as follows:

	Six month period ended June 30, 2016		Year ended December 30, 2015	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Opening balance	39,989,249	0.42	39,502,249	0.43
Issued	25,344,821	0.38	500,000	0.23
Exercised	(1,690,300)	0.31	(13,000)	0.35
Expired	(496,697)	0.29	-	-
Closing balance	63,147,073	0.41	39,989,249	0.42

The following table summarizes information about the share purchase warrants outstanding and exercisable at June 30, 2016:

Exercise price per share $	Number of outstanding warrants	Expiry Date	Number of exercisable options
0.35	17,070,340	December 31, 2016	17,070,340
0.38	25,344,821	May 27, 2019	25,344,821
0.50	20,731,912	April 11-17, 2017	20,731,912
	63,147,073		**63,147,073**

During the period, 496,697 broker warrants from financings completed in 2013 and 2014 expired unexercised. This resulted in an increase to contributed surplus of $61,235, which is net of the related $11,233 income tax impact. Although no warrants were granted during the period, the remaining 17,070,340 warrants of the 20,000,000 issued on May 13, 2013, originally expiring May 13, 2016, were extended until December 31, 2016. The value of this modification totalled $1,382,698 and was charged to equity.

12. SUBSEQUENT EVENTS

On July 29, 2016, the Company completed the conversion of the royalty based financing discussed in note 9. This resulted in total proceeds of $355,002 ($272,857 USD) and the issuance of 1,500,007 units. Each unit consists of one common share and one warrant to purchase a common share of the Company at $0.38 for a period of 3 years.