



MANAGEMENT DISCUSSION AND ANALYSIS RESTATED

September 30, 2014

**MATAMEC EXPLORATIONS INC.**  
**Management Discussion and Analysis Restated**  
**For the nine month period ended September 30, 2014**

**INTRODUCTION**

The following analysis should be read in conjunction with the financial statements restated of Matamec Explorations Inc. (“the Company”) for the years ended December 31, 2013 and 2012. The unaudited financial statements restated for the quarter ended September 30, 2014 have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Information*. The Management Discussion and Analysis is intended to complement and supplement financial information included in the interim and annual consolidated financial statements, related notes, other financial information found elsewhere or other documents filed on SEDAR at [www.sedar.com](http://www.sedar.com). As a result, it should be read in conjunction with such financial information. This management’s discussion and analysis is current as at February 17<sup>th</sup>, 2015, and as at this date 136,687,063 shares and 7,176,800 options were issued and outstanding. Reference to “Matamec” or the “Company” includes Matamec Explorations Inc. All amounts are in Canadian dollars unless otherwise indicated.

**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This management discussion and analysis may contain forward-looking statements related to financial information that reflect Management’s current expectations with regard to future events. Such forward-looking statements are subject to certain factors and involve a number of risks and uncertainties. There can be no assurance that such statements will prove to be accurate. Factors that could cause future results, activities and events to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, volatility in the metal and industrial mineral prices such as rare earths, risk inherent to the mining industry, uncertainty regarding the mineral resource estimation and additional funding requirements, as well as the Company’s ability to secure such funding. These risks and uncertainties are described in this management’s discussion and analysis.

**INCORPORATION AND NATURE OF OPERATIONS**

**Incorporation**

The Company was incorporated on July 9, 1997, under section 1A of the Companies Act (Quebec). Since February 14, 2011, the Company is regulated by the Business Corporation Act (Quebec).

**Nature of Operations**

The Company focuses on exploration of mineral properties for possible future commercial exploitation. The Company does not currently have any mines in production. The Company hold 100% of seven mineral properties in its portfolio, one of them is currently under option, two joint ventures of 50% and a royalty on another. Seven properties are located in Quebec and three in Ontario. These properties total 1,459 mining claims covering an area of 81,028 hectares in Quebec and 97 claims for 1,429 hectares in Ontario. It is exploring for precious metals, base metals, rare metals and rare earths. Its main focus is on the exploration and development of the REE-yttrium-zirconium Kipawa property, located in Temiscaming, south-western Quebec. The

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Kipawa deposit on the Kipawa property is enriched in heavy rare earth elements and can be considered one of the best potential sources in the world.

**Going Concern**

Recovery of the cost of mining assets is subject to the discovery of economically recoverable reserves, the Company's ability to obtain the financing required to pursue exploration and development of its properties, and profitable future production or the proceeds from the sale of its properties. The Company will periodically need to obtain new funds to pursue its activities. While it has always succeeded in doing so to date, there can be no assurance that it will continue to do so in the future.

**HIGHLIGHTS FROM THE FIRST QUARTER**

- On July 23<sup>rd</sup>, CSM and Matamec announced the final results of the latest exploration program completed in March and April 2014 on the Sakami gold property. These new results confirm the extension to the West, Northwest and at depth of the Zone 25 envelope of gold mineralization.
- On September 19<sup>th</sup>, Matamec announced the signature of a Termination and Release Agreement between the Company and Toyotsu Rare Earth, Inc. (TRECAn) by which TRECAn will convert its 49% interest in the HREE Kipawa Deposit into a 10% NPI Royalty.
- On October 3<sup>rd</sup>, the Company announced the closing of a first private placement of \$999,999.96 CAD with Ressources Québec Inc.
- On November 7<sup>th</sup>, Matamec announced the resignation of Mrs. Aline Leclerc from the Board of Directors of the Company and VP Exploration.

**FINANCING**

The Company did not enter into any common share placements or any other type of financing agreements in third quarter of 2014.

**PROJECTS AND NEW ACQUISITIONS**

During the period, the Company focused mainly its efforts on the Kipawa. No new projects have been undertaken and no new acquisitions were made during the period ended September 30, 2014.

**EXPLORATION ACTIVITIES (MINING PROPERTIES)**

Exploration expenses for the period ending September 30, 2014, was increase for an amount of \$674,339 as compared to \$4,119,274 for the same period in 2013. The Kipawa deposit, Zeus and

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Matheson JV properties showed the most activity with exploration expenditures totalling: \$604,731 for Kipawa, \$14,375 for Zeus, \$47,877 for Matheson JV.

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**Exploration Activities (Mining Properties) (cont'd)**

The allocation by properties of mining properties and deferred exploration costs of \$674,339 expended during the period is as follow:

| <b>Mining Properties as of September 30, 2014</b> |                   |             |               |               |         |            |         |         |          |        |           |
|---|-------------------|-------------|---------------|---------------|---------|------------|---------|---------|----------|--------|-----------|
|   | <b>Ontario</b>    |             |               | <b>Quebec</b> |         |            |         |         |          |        |           |
|   | Matheson Pelangio | Matheson JV | Matheson-East | Valmont       | Vulcain | Wachigabau | Sakami  | Kipawa  | Zeus     | Tansim | Total     |
|   | \$                | \$          | \$            | \$            | \$      | \$         | \$      |         | \$       | \$     | \$        |
| Balance - beginning                               | 27,141            | 1,581,454   | -             | 112,318       | 175,687 | -          | 112,610 | 421,667 | 54,234   | 44,368 | 2,107,812 |
| <b>Variance for the year</b>                      | -                 | -           | -             | -             | (7,332) | -          | -       | 280,142 | (18,908) | -      | 253,902   |
| <b>Total per province</b>                         | -                 | -           | -             | -             | -       | -          | -       | -       | -        | -      | -         |
| <b>Balance – June 30, 2014</b>                    | 27,141            | 1,581,454   | -             | 112,318       | 168,355 | -          | 112,610 | 701,809 | 35,326   | 44,368 | 2,783,381 |

| <b>Mining Properties as of September 30, 2013</b> |                   |             |                |               |         |            |         |         |        |        |           |
|---|-------------------|-------------|----------------|---------------|---------|------------|---------|---------|--------|--------|-----------|
|   | <b>Ontario</b>    |             |                | <b>Quebec</b> |         |            |         |         |        |        |           |
|   | Matheson Pelangio | Matheson JV | Matheson -East | Valmont       | Vulcain | Lesperance | Sakami  | Kipawa  | Zeus   | Tansim | Total     |
|   | \$                | \$          | \$             | \$            | \$      | \$         | \$      |         | \$     | \$     | \$        |
| Balance - beginning                               | 27,141            | 1,581,454   | -              | 110,400       | 183,023 | -          | 114,701 | 421,667 | 52,468 | 46,712 | 2,537,566 |
| <b>Variance for the year</b>                      | -                 | -           | -              | -             | -       | -          | -       | -       | -      | -      | -         |
| <b>Total per province</b>                         | -                 | -           | -              | -             | -       | -          | -       | -       | -      | -      | -         |
| <b>Balance – September 30, 2013</b>               | 27,141            | 1,581,454   | -              | 110,400       | 183,023 | -          | 114,701 | 421,667 | 52,468 | 46,712 | 2,537,566 |

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**Exploration Activities (Mining Properties) (cont'd)**

|  | <b>Deferred Exploration Costs September 30, 2014</b> |                        |                |                   |                   |                   |                  |                  |                |                  |
|--|--|------------------------|----------------|-------------------|-------------------|-------------------|------------------|------------------|----------------|------------------|
|  | <b>Ontario</b>                                       |                        | <b>Quebec</b>  |                   |                   |                   |                  |                  |                |                  |
|  | <b>Matheson<br/>Pelangio</b>                         | <b>Matheson<br/>JV</b> | <b>Valmont</b> | <b>Vulcain</b>    | <b>Wachigabau</b> | <b>Sakami</b>     | <b>Kipawa</b>    | <b>Zeus</b>      | <b>Tansim</b>  | <b>Total</b>     |
|  | \$   | \$                     | \$             | \$                | \$                | \$                | \$               | \$               | \$             | \$               |
| <b>Balance - beginning</b>                                       | 304,971  | 872,247                | 351,691        | 1, 512,030        | -                 | 2, 206,869        | 429,083          | 1, 701,925       | 227,317        | 7,606,133        |
| Analyses   | -  | -                      | -              | -                 | -                 | -                 | -                | 7,747            | -              | 7,747            |
| Geology, geochemistry,<br>geophysics and prospection             | -  | -                      | -              | -                 | -                 | 135               | 201,355          | 504              | -              | 201,994          |
| Line cutting   | -  | -                      | -              | -                 | -                 | -                 | -                | -                | -              | -                |
| Materials  | -  | -                      | -              | -                 | -                 | -                 | -                | -                | -              | -                |
| Travelling and lodging   | -  | -                      | -              | -                 | -                 | 18                | 1,614            | 695              | -              | 2,327            |
| Others exploration expenses                                      | -  | 42,393                 | -              | -                 | -                 | 7,203             | 401,762          | 713              | -              | 452,071          |
| Permits  | -  | 4,287                  | -              | -                 | -                 | -                 | -                | 3,285            | -              | 7,572            |
| Amortization of fixed assets                                     | -  | 1,197                  | -              | -                 | -                 | -                 | -                | 1,431            | -              | 2,628            |
| <b>Total</b>   | -  | <b>47,877</b>          | -              | -                 | -                 | <b>7,356</b>      | <b>604,731</b>   | <b>14,375</b>    | -              | <b>674,339</b>   |
| <b>Total per province</b>  | -  | <b>47,877</b>          | -              | -                 | -                 | -                 | -                | -                | -              | <b>626,462</b>   |
| <b>Total Quebec/Ontario</b>                                      | -  | -                      | -              | -                 | -                 | -                 | -                | -                | -              | <b>674,339</b>   |
| Write-off  | -  | -                      | (4,828)        | (145,917)         | -                 | -                 | -                | (190,591)        | (2,116)        | (343,452)        |
| Disposal of deferred costs                                       | -  | -                      | -              | -                 | -                 | -                 | -                | -                | -              | -                |
| Governmental assistance  | -  | -                      | (4,971)        | -                 | -                 | (54)              | 299,161          | (35,879)         | (464)          | 257,793          |
| <b>Total including write-off and<br/>governmental assistance</b> | -  | <b>47,877</b>          | <b>(9,799)</b> | <b>(145,917)</b>  | -                 | <b>7,302</b>      | <b>903,892</b>   | <b>(226,470)</b> | <b>(464)</b>   | <b>588,680</b>   |
| <b>Balance – September 30, 2014</b>                              | <b>304,971</b>                                       | <b>920,124</b>         | <b>341,892</b> | <b>1, 366,113</b> | -                 | <b>2, 214,171</b> | <b>1,332,975</b> | <b>1,489,830</b> | <b>224,737</b> | <b>8,194,813</b> |

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**Exploration Activities (Mining Properties) (cont'd)**

| <b>Deferred Exploration Costs September 30, 2013</b>         |                          |                    |                |                  |                   |                  |               |                  |                |                  |
|--|--------------------------|--------------------|----------------|------------------|-------------------|------------------|---------------|------------------|----------------|------------------|
|  | <b>Ontario</b>           |                    | <b>Quebec</b>  |                  |                   |                  |               |                  |                |                  |
|  | <b>Matheson Pelangio</b> | <b>Matheson JV</b> | <b>Valmont</b> | <b>Vulcain</b>   | <b>Lesperance</b> | <b>Sakami</b>    | <b>Kipawa</b> | <b>Zeus</b>      | <b>Tansim</b>  | <b>Total</b>     |
|  | <b>\$</b>                | <b>\$</b>          | <b>\$</b>      | <b>\$</b>        | <b>\$</b>         | <b>\$</b>        | <b>\$</b>     | <b>\$</b>        | <b>\$</b>      | <b>\$</b>        |
| <b>Balance - beginning</b>                                   | 304,971                  | 840,487            | 332,147        | 1,510,341        | -                 | 2,216,093        | -             | 1,496,007        | 226,772        | 6,926,818        |
| Analyses   | -                        | -                  | -              | -                | -                 | -                | -             | 24,162           | 4,947          | 29,109           |
| Drilling   | -                        | -                  | -              | -                | -                 | -                | -             | -                | -              | -                |
| Geology, geochemistry, geophysics and prospection            | -                        | 11,084             | 14,248         | 5,397            | -                 | 6,859            | 34,090        | 66,091           | 30,055         | 167,824          |
| Line cutting   | -                        | -                  | -              | -                | -                 | -                | -             | -                | -              | -                |
| Materials  | -                        | -                  | -              | -                | -                 | -                | -             | 1,593            | 601            | 2,194            |
| Travelling and lodging                                       | -                        | 1,494              | 2,722          | 1,836            | -                 | -                | 27,555        | 6,911            | 11,211         | 51,729           |
| Other exploration expenses                                   | -                        | 3,458              | 280            | 760              | -                 | 720              | 240           | 142,991          | 680            | 149,129          |
| Permits  | -                        | 11,683             | 180            | 5,622            | -                 | 8,820            | -             | 10,185           | 121            | 36,611           |
| Amortization of fixed assets                                 | -                        | 1,710              | -              | -                | -                 | -                | -             | 2,043            | -              | 3,753            |
| <b>Total</b>   | -                        | <b>29,429</b>      | <b>17,430</b>  | <b>13,615</b>    | -                 | <b>16,399</b>    | <b>61,885</b> | <b>253,976</b>   | <b>47,615</b>  | -                |
| <b>Total per province</b>                                    | -                        | <b>29,429</b>      | -              | -                | -                 | -                | -             | -                | <b>410,920</b> | -                |
| <b>Total Quebec/Ontario</b>                                  | -                        | -                  | -              | -                | -                 | -                | -             | -                | -              | <b>440,349</b>   |
| Write-off  | -                        | -                  | -              | -                | -                 | -                | -             | -                | -              | -                |
| Disposal of deferred costs                                   | -                        | -                  | -              | -                | -                 | -                | -             | -                | -              | -                |
| Governmental assistance                                      | -                        | -                  | (6,966)        | (3,213)          | -                 | (3,047)          | (61,885)      | (98,005)         | (19,094)       | (192,210)        |
| <b>Total including write-off and governmental assistance</b> | -                        | <b>29,429</b>      | <b>10,464</b>  | <b>10,402</b>    | -                 | <b>13,352</b>    | -             | <b>155,971</b>   | <b>28,521</b>  | <b>248,139</b>   |
| <b>Balance – September 30, 2013</b>                          | <b>304,971</b>           | <b>869,916</b>     | <b>342,611</b> | <b>1,520,743</b> | -                 | <b>2,229,445</b> | -             | <b>1,651,978</b> | <b>255,293</b> | <b>7,174,957</b> |

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**Exploration**

In the first nine months of 2014, the Company incurred \$626,462 in deferred exploration costs in Quebec (93% of DEC incurred) and \$47,877 in deferred exploration costs in Ontario (3% of DEC incurred). Here is an outline of the main exploration work done during the first nine months of 2014 on the Kipawa JV property and Sakami property currently under option:

**Québec**

Kipawa JV (REE-Y-Zr)

During the first nine months of 2014, the Corporation spent \$604,731 on the Kipawa JV property. The expenses include: the continued metallurgical testing at SGS Lakefield, the organization and planning for the study of environmental and social impact, and the continuity of the relations between Matamec and the Algonquin communities and the other communities.

**TRECan converted its 49% interest into a 10% NPI Royalty**

On September 19<sup>th</sup>, Matamec announced the signature of a Termination and Release Agreement between the Company and Toyotsu Rare Earth, Inc. (TRECan) in the HREE Kipawa Deposit. Upon signing this agreement, Matamec paid CAD\$280,000 to TRECan and TRECan converted its 49% interest in the HREE Kipawa Deposit into a 10% NPI Royalty. Now, Matamec will own 100% interest of the HREE Kipawa Deposit.

Matamec and TRECan signed a Joint Venture Agreement (“JVA”) on July 11, 2012 for the HREE Kipawa Deposit. Since the signature of the JVA, TRECan bought 49% interest in the Deposit for \$16M. Matamec funded all the work related to the feasibility study with the \$16M. On October 14, 2013, this study was completed and filed on SEDAR: « Roche, Genivar, SGS and Golder Associates. NI 43-101 Report: Feasibility Study for the Kipawa Project Temiscamingue Area, Québec, Canada (Submitted to Matamec Explorations Inc.). October 17, 2013. 429 p. + Appendices) ».

The JVA was signed with the option that after the completion of the Feasibility Study, if TRECan did not want to participate in the next phase of the development of the HREE Kipawa Deposit, it could convert its 49% interest in a 10% NPI Royalty.

TRECan took the corporate decision to convert its 49% interest into a 10% NPI Royalty. Both parties agreed to sign a Termination and Release Agreement by which Matamec will pay to TRECan the agreed amount in cash before November 19<sup>th</sup>, 2014 and TRECan will convert its 49% interest into a 10% NPI Royalty. The NPI Royalty is described in Annex D of the JVA filed on SEDAR on July 23, 2012.

**Adding a strategic partner**

Following press releases issued on April 2<sup>th</sup> and September 19<sup>th</sup>, 2014, Matamec announced on October 3<sup>rd</sup>, 2014, the closing of a first private placement of \$999,999.96



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CAD with Ressources Québec Inc. (“RQ”), a subsidiary of Investissement Québec. Under the private placement, RQ subscribed to 16,666,666 common shares of the Company at a price of \$ 0.06 per share. As a result of this investment, RQ holds 12.17% of the common shares issued and outstanding of Matamec.

The shares issued under the private placement, are subject to a mandatory hold period of four months and one day ending on February 3, 2015. The net proceeds of the financing will be used for the completion of Phase 1 of the development work program related to the Kipawa project.

The involvement of the Government of Québec through Ressources Québec, a subsidiary of Investissement Québec, in the development of the HREE Kipawa Deposit, demonstrates the importance of this project for the Québec economy and especially for the Abitibi-Témiscamingue region.

As previously announced in April 2<sup>th</sup> and in the September 19<sup>th</sup> 2014 press releases, the second portion of the investment of RQ will consist in a minority stake of \$3M in the HREE Kipawa Deposit. This investment is part of the Phase 1 of the development work program of the HREE Kipawa Deposit in which Matamec will contribute \$2M, bringing the total investment for the Phase 1 to \$6M. Presently, the parties are working on a Joint Venture Agreement.

When the 3M\$ additional financing will be completed with RQ, it will allow to achieve the following objectives forecasted for 2015-2016:

- optimisation of metallurgical processes (including individual separation of rare earths) and building of a second pilot plant;
- evaluation of the opportunities to reduce environmental footprint of the project;
- updating of the Regulation 43-101 compliant feasibility study published in October 2013;
- continuation of environmental studies;
- continuation of the social acceptability process with aboriginal peoples;
- continuation of discussions with strategic industrial and financial partners.

**Feasibility study of October 17, 2013: Risk regarding the change in the realizable value of rare earth products**

For the reader of the feasibility study ("FS") dated October 17, 2013, risk assessment and management is a very important factor to consider. In Section 24.3 "Risk Assessment and Management" and in Section 1.16 "Summary", several risks were identified regarding all the information presented in the FS. For example, the importance of the changes in value of the products ("2 mixed concentrates of light and heavy rare earths") was emphasized. Risk COM03 is the risk of change in the realizable value of the products, established during the financial appraisal of the FS for the life cycle of the mine and is ranked under high commercial risks.

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In addition to the risk analysis, the reader may consult the sensitivity analysis of the FS in Section 22.7 and Section 1.19.2 "Summary". The sensitivity analysis shows that the rare earth price forecasts for the Kipawa project may decline by approximately 24%. At this level, the net present value (NPV) reaches the minimum profitability threshold.

As described in Section 19.0 "Market Studies and Contracts" of FS, and particularly in Section 19.5 "Price Outlooks", the rare earth revenue model forecasts for the year 2016-2017 and subsequent years used in the FS are based on a market study commissioned by the Company from the London firm Asian Metals, concomitantly with the surveys of industrial buyers of rare earths. This information from industrial buyers is essential in setting the final price of each rare earth oxide. Other information sources were consulted for the review of the historical price data, such as the websites and reports of Metals Pages, Roskill Information Service Ltd. and Industrial Minerals.

In the revenue model forecasts for rare earth products, other factors are to be considered, in particular, the exchange rate of the Canadian dollar against the US dollar. In the FS Section 22.3.1 Table 22.1-Economic Assumptions, the assumption adopted concerning the exchange rate of the Canadian dollar is parity with the US dollar. The international prices paid for rare earth products and oxides are expressed in US dollars. At present, the Canadian dollar trades for approximately \$0.88 against the US dollar. In September 2014, several economists of major Canadian financial institutions forecast a Canadian dollar that should end the year 2015 between \$0.85 and \$0.92 (<http://www.lesaffaires.com/bourse/revue-des-marches/le-dollar-canadien-a-un-creux-de-quatre-mois/572016>).

Despite this information, the Company must point out that the annual growth of demand for rare earth oxides is slower than forecast and the prices of most rare earth oxides are lower than those that could be obtained in 2013. The main causes are: 1) the decrease in the use of rare earths in terms of quantity per unit produced, following the research regarding their reduction triggered by the astronomical price increase between 2010 and 2012, 2) the accumulation of large inventories of rare earths during this period by industrial and speculative buyers, and the slow reduction of these inventories, and 3) smuggling of rare earths from China.

However, Y. Zhou, Y. Shi and A. Torrisi in an article entitled: "China's action to reform the rare earths market", in the August 2014 issue (pp. 35-38) of Industrial Minerals, point out that the Chinese government has developed different strategies to attack pollution in general, and specifically the pollution caused by rare earths, as well as smuggling of rare earths. These authors consider that the deployment of these strategies should have a positive impact on future rare earth prices.

In addition, regarding the changes in global demand for rare earths, Kerry Satterthwaite of Roskill Information Services Ltd. gave a presentation at the 10th International Rare Earths Conference organized by Metal Events Ltd. in Singapore in November 10-13, 2014, entitled "Global rare earths market - Roskill outlook to 2018". In this presentation, she observed that the global rare earths market had declined from 120,000 t. to 110,000 t.

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between 2010 and 2012. However, she estimated that the rare earths market should increase by 5.9% per year between 2013 and 2018. Ms. Satterthwaite pointed out that the predictions concerning the markets for different rare earths require a very good understanding of their trends. According to this author, the Roskill firm has shown, for over 30 years, that it has developed recognized expertise in industrial minerals, both in the rare earths sector and in several others.

At present, the Company is no longer able to quantify the impact of the changes in the Kipawa JV project's internal and external environment on the assumptions of the FS. In the FS update Matamec intends to produce in 2015, it expects to be able to review all the information and assumptions it contains. Although the Company has no control over the variation of rare earth products, it has continued its efforts, since the publication of the FS, to optimize the metallurgical process in order to reduce the cost of the initial investment and the operating costs of the Kipawa JV project and to present a satisfactory internal rate of return.

**Social acceptability of the Kipawa JV project**

The evaluation criteria of industrial development projects have evolved greatly over the past few years. Some of these criteria, such as the environment and social acceptability, are now important components of any project. The Kipawa JV project is no different from others regarding this reality.

It is still important to mention that Matamec has been very proactive in ensuring that all of a project's stakeholders receive the right information regarding the project. Matamec gives priority to obtaining comments and questions from these persons or groups, in order to ensure they are considered in the project's development.

The social acceptability process is an evolving process. Major efforts and resources are allocated to this field of activity to ensure that nothing is left out, so that channels of communication are maintained and developed between Matamec and the persons and groups involved in their project's development process.

**Sakami (Gold)**

Presently the property is under option and Matamec still holds a 100% interest in the Sakami property. On August 19, 2013, Matamec and Canada Strategic Metals Inc. ("CSM") announced that they have signed an option agreement where Canada Strategic Metals can acquire an interest of up to 70% in the Sakami project.

CSM can acquire a 50% interest by issuing common shares and carrying out exploration as follows:

|                                 | <b>Number of shares</b> | <b>Exploration work</b> |
|---------------------------------|-------------------------|-------------------------|
| Signature of a formal agreement | 500,000                 | --                      |

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|                           |                  |                    |
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| On the First Anniversary  | 500,000          | \$500,000          |
| On the Second Anniversary | 500,000          | \$750,000          |
| On the Third Anniversary  | 500,000          | \$1,000,000        |
| <b>TOTAL</b>              | <b>2,000,000</b> | <b>\$2,250,000</b> |

As of August 19, 2014, CSM made the 2<sup>nd</sup> payment and had spent \$958,915CAD on the Sakami property on October 31<sup>st</sup>.

CSM will have acquired an interest of 50% in Sakami after issuing a total of 2,000,000 common shares and carrying out exploration in the amount of \$2,250,000 before August 16, 2016. Once CSM has earned a 50% interest, the parties will form a full joint venture and will enter into a formal agreement with the standard clauses. The property is subject to a 1% Net Smelter Return royalty on certain claims.

Within 180 days of acquiring its 50% interest in the property, CSM will have an option to acquire an additional 20% property interest by issuing 1 million shares to Matamec and completing an independent bankable feasibility study within five years of the date of the share issuance. During the period that the additional option is valid, the Company must spend a minimum of \$2,000,000 on exploration by the end of each year until the feasibility study is completed.

On July 23<sup>th</sup>, CSM and Matamec announced the final results of the latest exploration program completed in March and April 2014 on the Sakami gold property. The program was aimed at increasing the size of the main gold zone (Zone 25) to the west-northwest, as well as its extension at depth. The new results confirm the extension of the Zone 25 gold mineralization envelope to the west, to the northwest and at depth. The program completed the testing of Zone 25 over a strike length of more than 200 metres and to a depth of over 425 metres along its plunge.

The recent results also confirm that the contact corridor between the Opinaca-La Grande volcano-sedimentary sub-provinces is fertile for significantly-enriched gold mineralization. The latest drilling program on the Sakami property consisted of a total of 2,913 metres in 11 holes. The last two drilling programs by Strategic Metals have confirmed and enhanced the potential of the northeast and depth extensions of Zone 25, which remains open in all directions. The holes were spaced at 50 metres.

A detailed table of mineralized intersections from the recent drilling program is shown below:

| Hole #   | To (m) | At (m) | *Length (m) | Au (g/t) |
|----------|--------|--------|-------------|----------|
| PT-14-73 | 150.65 | 172.50 | 21.85       | 1.46     |
| PT-14-74 | 237.65 | 264.00 | 26.35       | 2.30     |
| PT-14-75 | 274.05 | 281.20 | 7.15        | 2.40     |

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|          |        |        |       |       |
|----------|--------|--------|-------|-------|
| PT-14-76 | 180.00 | 183.00 | 3.00  | 1.57  |
| PT-14-77 | 180.00 | 182.25 | 2.25  | 2.02  |
| PT-14-78 | 208.50 | 213.00 | 4.50  | 2.15  |
| PT-14-79 | 188.00 | 236.20 | 48.20 | 2.51  |
|          | 188.00 | 200.00 | 12.00 | 6.93  |
|          | 190.00 | 196.00 | 6.00  | 11.35 |
| PT-14-80 | 157.50 | 163.50 | 6.00  | 1.03  |
| PT-14-81 | 228.00 | 232.60 | 4.60  | 2.58  |
| PT-14-82 | 231.45 | 271.70 | 40.25 | 1.43  |
|          | 231.45 | 240.00 | 8.55  | 3.58  |
| PT-14-83 | 240.00 | 295.50 | 55.50 | 1.06  |
|          | 240.00 | 252.00 | 12.00 | 3.54  |

\*Core length: CSM estimates the true width of the mineralized zone at 80 to 95% of the core length.

**STRATEGY AND ACTION PLAN**

With the feasibility study in progress for the Kipawa deposit, the Company still intends to concentrate on developing its strategic and green energy metal properties namely the KipawaJV, Zeus and Tansim properties. Currently, the company is actively working to assess the conditions of the stock market for funding that allows for the transfer of its gold properties in a majority owned subsidiary. The gold properties are Matheson-JV/Matheson-Pelangio, Montclerg, Sakami Wachigabau, and Valmont.

The main corporate goal in 2013 was to complete the feasibility study for the Kipawa deposit and it cost a total of \$ 16 million. Now that the study is completed, we expect a program of \$ 6 million to perform the metallurgical optimization comprising a second series of tests in the pilot

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plant started in autumn 2013, update of the feasibility study, additional environmental assessments and social acceptability.

The Company holds several other properties in Quebec and Ontario. These properties will be explored depending on the impact of these possible exploration projects on the value of the Company and the conclusion of financing.

**MARKETING OF RARE EARTHS & SPECIALTY METALS**

Since the beginning of 2014, the Company completed a number of areas in its marketing and the company also continued its strong relationships with various industry end-users for the purpose of acquiring market intelligence and able to provide them with the most current information on the Kipawa Project. The Company will be increasing its marketing activities for the Kipawa JV rare earth project as it progresses towards commercialization.

**SELECTED ANNUAL INFORMATION**

**Financial statements restatement**

The agreement between TREcan and the Company, in accordance with the practices most commonly used in the industry, has been accounted for as a farm-out agreement without consideration for the legal of the agreement. A farm-out arrangement typically involves an entity (i.e., the farmor) agreeing to provide a working interest in a mining property (i.e., the farmee), provided that the farmee makes a cash payment to the farmor and/or incurs certain expenditures on the property to earn that interest.

Consequently the company uses the carrying amount of the interest before the agreement with TREcan as the carrying amount for the portion of the interest retained. The Company does not record exploration expenditures made with the funds supplied by TREcan for the feasibility study.

Since the agreement with Trecan as been accounted for as a farm-out agreement, the company uses the carrying amount of the interest before the conclusion of the agreement as the carrying amount for the portion of the interest retained. The company has not recorded the exploration expenditures made with the funds supplied par TREcan, consequently the deferred exploration and evaluation expenditures of the Kipawa property do not include the \$ 16,000,817 costs of the feasibility study.

The financial statements of the company for the year ended December 31, 2013 and the comparative figures for the year needed December 31, 2012 have been restated to correct the accounting treatment of the taking of participation of Toyotsu Rare Earth Canada Inc. (« TRECan ») in the Kipawa property.

The initial accounting treatment of the transaction which resulted in a gain on disposal of exploration and evaluation assets in the consolidated statements of operations will be reversed, the transaction will be presented as a farm-out contract using the method proposed by the mining industry task Force on IFRS.

According to this method :

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- The Company uses the book value of its participation before the conclusion of the farmout agreement as the book value of the remaining participation
- The Company deducts the cash consideration received, if any, of the book value of the book value of the remaining participation, any surplus being recorded as profit in net results.
- The Company does not record the prospection expenses made with the funds supplied by TREcan for the feasibility study

Selected financial information for the period of three and six months ended September 30, 2014 and 2013 is shown in the following table:

|   | Three months ended                                    |   | Nine months ended                                     |   |
|---|---|---|---|---|
|   | Results as at<br>September<br>30, 2014<br>(Retraités) | Results as at<br>September 30,<br>2013<br>(Retraités) | Results as at<br>September 30,<br>2014<br>(Retraités) | Results as at<br>September 30,<br>2013<br>(Retraités) |
|   | \$  | \$  | \$  | \$  |
| <b>Income – Interest</b>                                      | 25,093  | 14,622  | 28,070  | 35,266  |
| <b>Expenses</b>   |   |   |   |   |
| General and administrative expenses                           | 256,051   | 483,310   | 1,088,130   | 1,573,240   |
| Stock-based compensation                                      | 17,213  | 186,669   | 40,409  | 186,669   |
| Write-off of exploration and evaluation assets                | 204,912   | -   | 369,692   | -   |
| Income tax  | 182,000   | 406,591   | 176,000   | 243,948   |
| <b>Net loss</b>   | 646,259   | 1,062,285   | 1,679,979   | 1,970,114   |
| <b>Net income (loss) basic and diluted net loss per share</b> | 0.005   | 0.009   | 0.014   | 0.016   |

|                                  | Balance sheet<br>as of<br>September 30, 2014<br>(Restated) | Balance sheet<br>as of<br>December 31, 2013<br>(Restated) |
|----------------------------------|--|---|
|                                  | \$   | \$  |
| <b>Total assets</b>              | 12,846,105   | 12,923,900  |
| <b>Cash and cash equivalents</b> | (97,825)   | 783,400   |
| <b>Equity</b>                    | 7,824,992  | 9,423,302   |

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**Operating Results**

The Company incurred a net loss of \$1,679,979 for the period of nine months ended September 30, 2014 as compared to a net profit of \$1,970,114 for the same period in 2013.

As at September 30, 2014, \$40,409 stock-based compensation was attributed in earnings (\$186,669 as at September 30, 2013). In add, a write-off for an amount of 369,692\$ in exploration and evaluation assets was included in operating.

The variation in administrative expenses, excluding stock-based compensation and write-off of exploration and evaluation assets was reduce for an amount of \$485,110 is primarily attributable to the variation in the following expenses:

- Decreased salaries and fringe benefits of \$284,307 due to the reduction of activities of the corporation;
- Decreased of professional fees of \$69,841;
- Decrease of travelling and entertainment expenses of \$217,684 due to decrease of travelling outside of the country and less participation at various congress and symposium.

**CASH ASSETS AND SOURCES OF FINANCING**

As of September 30, 2014, the Corporation had a negative cash flow of \$1,607,435 (a positive cash flow of \$1,311,383 as at December 31, 2013), the working capital includes \$775,180 in tax credits receivable on September 30, 2014 (\$1,397,897 on December 31, 2013).

The accompanying financial statements have been prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Corporation ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern, as described in the following paragraph. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption would not be appropriate. These adjustments could be material.

Management estimates that these funds will not be sufficient to meet the Corporation's obligations and budgeted expenditures through September 30, 2015. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If Management is unable to obtain new funding, the



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Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements.

Operating activities of the Company used \$520,966 in the third quarter ended September 30, 2014, while they have increased \$85,895 for the same period in 2013. The decrease is mainly due to the loss during the period.

Investment activities of the Company are mainly used to fund exploration and evaluation details of which are disclosed in the table on page 6, the addition of mineral properties and the acquisition of property.

The Company is entitled to a refundable tax credit for resources up to 38.75% of qualifying expenditures, and a credit on mining duties refundable for losses of 16% of 50% of qualifying expenditures incurred using non tax renounced flow-through funds.

The Company does not have any investments in asset-backed commercial paper.

**Quarterly Financial Information**

The following table contains selected financial information for the last eight quarters:

|   | <b>2014</b>                           |                                       |                                       |                         |
|---|---------------------------------------|---------------------------------------|---------------------------------------|-------------------------|
|   | 1 <sup>st</sup> Quarter<br>(Restated) | 2 <sup>nd</sup> Quarter<br>(Restated) | 3 <sup>rd</sup> Quarter<br>(Restated) | 4 <sup>th</sup> Quarter |
| Interest and other income                     | 985                                   | 1,992                                 | 25,093                                |                         |
| Administrative expenses                       | 419,924                               | 412,155                               | 256,051                               |                         |
| Net loss                                      | 443,945                               | 589,773                               | 646,259                               |                         |
| Net loss basic and diluted net loss per share | 0,004                                 | 0,005                                 | 0,005                                 |                         |
| Current assets                                | 1,769,204                             | 1,746,251                             | 855,679                               |                         |
| Total current assets                          | 12,564,461                            | 12,791,166                            | 12,846,105                            |                         |
| Current liabilities                           | 1,184,882                             | 2,059,389                             | 2,463,114                             |                         |
| Working capital                               | (561,822)                             | 290,638                               | 1,607,435                             |                         |
| Shareholder's equity                          | 9,021,079                             | 8,425,777                             | 7,824,992                             |                         |

|   | <b>2013</b>                           |                                       |   |                                       |
|---|---------------------------------------|---------------------------------------|---|---------------------------------------|
|   | 1 <sup>st</sup> Quarter<br>(Restated) | 2 <sup>nd</sup> Quarter<br>(Restated) | 3 <sup>rd</sup> Quarter (i)<br>(Restated) | 4 <sup>th</sup> Quarter<br>(Restated) |
| Interest and other income                     | 14,845                                | 5,799                                 | 14,622                                    | 5,661                                 |
| Administrative income                         | 494,282                               | 595,649                               | 669,979                                   | 180,522                               |
| Net loss                                      | 274,336                               | 633,495                               | 1,062,047                                 | 697,469                               |
| Net loss basic and diluted net loss per share | 0,002                                 | 0,005                                 | 0,0009                                    | 0,005                                 |
| Current assets                                | 6,297,650                             | 5,573,929                             | 4,013,354                                 | 2,477,481                             |
| Total current assets                          | 18,813,841                            | 19,375,279                            | 13,261,002                                | 12,293,900                            |
| Current liabilities                           | 1,675,616                             | 1,594,441                             | 1,231,628                                 | 1,166,098                             |
| Working capital                               | 4,622,034                             | 3,979,488                             | 2,781,726                                 | 1,311,383                             |
| Shareholder's equity                          | 11,653,984                            | 12,292,479                            | 10,154,874                                | 9,423,302                             |

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|   | 2012                    |                         |                              |   |
|---|-------------------------|-------------------------|------------------------------|---|
|   | 1 <sup>st</sup> Quarter | 2 <sup>nd</sup> Quarter | 3 <sup>rd</sup> Quarter (ii) | 4 <sup>th</sup> Quarter (iii)<br>(Restated) |
| Interest and other income                     |                         |                         |                              | 11,219                                      |
| Administrative income                         |                         |                         |                              | 1,054,973                                   |
| Net loss                                      |                         |                         |                              | 929,478                                     |
| Net loss basic and diluted net loss per share |                         |                         |                              | 0.007                                       |
| Current assets                                |                         |                         |                              | 5,049,150                                   |
| Total current assets                          |                         |                         |                              | 15,085,285                                  |
| Current liabilities                           |                         |                         |                              | 1,270,526                                   |
| Working capital                               |                         |                         |                              | 3,778,624                                   |
| Shareholder's equity                          |                         |                         |                              | 11,928,320                                  |

**Off Balance-Sheet Arrangements**

The Company does not have any off balance-sheet arrangements.

**Related-Party Transactions**

The Company conducted the following transactions this year: specifically related to the exploration of its mining properties to Aline Leclerc Management Inc., of which Aline Leclerc, President, is also an Officer and Director of the Company; and the following professional fees to Laval St-Gelais, CPA, CA, who is a director of the Company and to Marcel Bergeron, CPA, CA, an Officer and Director of the Company:

|   | September 30, 2014 | September 30, 2013 |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| Professional fees                                 | 35,928             | 63,629             |
| Consultant fees                                   | 55,200             | 80,870             |
| Accommodation, transport and communication        | 6,329              | 70,767             |
| Geology, geochemistry, geophysics and prospecting | 23,272             | 260,855            |
| Others expenses                                   | 54,372             | 8,121              |
| Other receivables                                 | 10,915             | -                  |
| Accounts payable and accrued liabilities          | 250,539            | 32,466             |

These transactions occurred in the normal course of operations and were the amounts established and agreed to by the parties according to contract.

**Outstanding Share Data (when this report was produced)**

|               | As at February 17, 2015 |
|---------------|-------------------------|
| Share capital | 136,687,063             |
| Options       | 7,176,800               |

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|                    |             |
|--------------------|-------------|
| Warrants           | -           |
| Outstanding shares | 143,863,863 |

- (i) During the quarter that ended on September 30, 2014, 500,000 options to purchase were issued.
- (ii) As per October 2nd, 2014, Ressources Québec inc. made a private placement of 16 666 666 common shares.

**Risks and Uncertainties**

The risk factors are detailed in the Company's MD&A for the year ended December 31, 2013.

**New accounting policies in effect**

The new accounting policies in effect for the second quarter ended September 30, 2014 are set out in Note 2 to the Company's unaudited condensed interim financial statements.

**Information Communication Controls and Procedures**

In accordance with National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Corporation will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certification includes a "Note to Reader" stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

**Additional Information and Continuous Disclosure**

This management discussion and analysis restated is dated February 17<sup>th</sup>, 2015, and complies with Canadian Securities Administrators' *National Instrument 51-102* on continuous disclosure. The purpose of this management discussion and analysis is to help the reader understand and assess the material changes and trends in the Company's results and financial position. It presents Management's perspectives on the Company's current and past activities and financial results, as well as an outlook of activities planned for the coming months. The Company regularly discloses additional information through press releases and other reports filed on the Matamec ([www.matamec.com](http://www.matamec.com)) and SEDAR ([www.sedar.com](http://www.sedar.com)) websites.

**MATAMEC EXPLORATIONS INC.**  
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(Signed) André Gauthier

(Signed) Marcel Bergeron

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(s) André Gauthier, President and Chief Executive Officer

(s) Marcel Bergeron, Secretary-Treasurer and Chief Financial Officer

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**For the Nine month period ended September 30, 2014**

**Matamec Explorations Inc.**

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**Directors and Officers**

André Gauthier, President and CEO

Marcel Bergeron, Secretary-Treasurer and CFO

Laval St-Gelais, Director

Normand Tamaro, Director

Davis Guérette, Director

**Legal Counsel**

Spiegel Sohmer Inc.

Fasken Martineau

Blakes

John P. Huot Barrister & Solicitor

MBM

Burns Figa & Will, PC

**Auditors**

Petrie Raymond S.E.N.C.R.L.

Montréal (Québec)

**Transfer Agent**

Computershare Inc.

Montréal (Québec)

**Exchange Listings**

TSX Exchange - MAT

OTCQX- MHREF