



Unaudited Condensed Consolidated  
Interim Financial Statements  
As at June 30, 2014  
(expressed in Canadian dollars)

The attached financial statements have been prepared by Management of Matamec Explorations Inc. and have not been reviewed by the auditor.

# MATAMEC EXPLORATIONS INC.

## Condensed Consolidated Interim Statements of Financial Position (unaudited)

(In Canadian dollars)

	Notes	June 30, 2014	December 31, 2013
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		-	788 341
Short-term deposit, rate of 0,9%, maturing on September 2014		10 005	100 259
Sales taxes recoverable		41 709	147 329
Tax credits recoverable	4	1 645 889	1 397 897
Other receivables		26 138	25 726
Prepaid expenses		22 510	27 970
		<u>1 746 251</u>	<u>2 487 522</u>
<b>Non-current assets</b>			
Non-current portion of tax credits recoverable	4	409 395	105 546
Investment in shares of a private company		1	1
Available-for-sale financial assets (cost: \$31,700)	5	36 000	23 000
Property and equipment	6	172 210	182 260
Exploration and evaluation assets	7	16 541 014	16 249 316
		<u>17 158 620</u>	<u>16 560 123</u>
<b>Total assets</b>		<u><u>18 904 871</u></u>	<u><u>19 047 645</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank overdraft		60 834	-
Accounts payable and accrued liabilities		1 976 055	1 176 139
Deposit on sale of interest in a property		22 500	22 500
		<u>2 059 389</u>	<u>1 198 639</u>
<b>Non-current liabilities</b>			
Deferred income taxes		2 306 000	2 312 000
<b>Total liabilities</b>		<u>4 365 389</u>	<u>3 510 639</u>
<b>Equity attributable to Matamec Explorations Inc.'s shareholders</b>			
Share capital		23 256 671	23 256 671
Contributed surplus		4 819 024	4 795 828
Accumulated other comprehensive income		4 300	(8 700)
Deficit		(13 540 513)	(12 506 793)
<b>Total equity</b>		<u>14 539 482</u>	<u>15 537 006</u>
<b>Total liabilities and equity</b>		<u><u>18 904 871</u></u>	<u><u>19 047 645</u></u>

ON BEHALF OF THE BOARD OF DIRECTORS  
(signed) André Gauthier, Director

(signed) Marcel Bergeron, Director

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

# MATAMEC EXPLORATIONS INC.

## Condensed Consolidated Interim Statements of Profit and Loss (unaudited)

(In Canadian dollars, except number of shares)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	\$	\$	\$	\$
<b>Administrative expenses</b>				
Salaries and fringe benefits	79 833	159 845	163 380	287 854
Rent and office expenses	23 390	37 278	65 746	84 844
Consulting fees	59 083	28 625	142 293	54 500
Stock-based compensation	13 472	-	23 196	-
Trustees and registration fees	8 244	5 695	16 774	15 406
Shareholders' reports	13 713	36 224	17 670	41 678
Professional fees	196 808	196 925	320 169	326 444
Insurance, taxes and licenses	6 883	4 597	11 282	8 928
Travelling and entertainment expenses	13 963	112 023	75 489	244 382
Telecommunications	6 089	9 496	10 979	16 078
Amortization of property and equipment	4 149	4 941	8 298	9 816
Write-off of exploration and evaluation assets	164 780	-	164 780	-
	<b>590 407</b>	<b>595 649</b>	<b>1 020 056</b>	<b>1 089 930</b>
<b>Operating loss</b>	<b>590 407</b>	<b>595 649</b>	<b>1 020 056</b>	<b>1 089 930</b>
<b>Financial revenues</b>				
Interest income	(1 992)	(5 799)	(2 978)	(20 645)
Financing fees, interest and bank charges	22 219	515	22 642	1 187
	20 227	(5 284)	19 664	(19 458)
<b>Loss before income taxes</b>	<b>610 634</b>	<b>590 365</b>	<b>1 039 720</b>	<b>1 070 472</b>
Income taxes	(20 861)	43 130	(6 000)	(162 643)
<b>Net Loss</b>	<b>589 773</b>	<b>633 495</b>	<b>1 033 720</b>	<b>907 829</b>
<b>Net loss per share, basic and diluted</b>	0.005	0.005	0.009	0.008
<b>Weighted-average number of common shares outstanding basic and diluted (in thousands)</b>	120 300	120 300	120 300	120 300

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

# MATAMEC EXPLORATIONS INC.

## Condensed Consolidated Interim Statements of Comprehensive Income (unaudited)

(In Canadian dollars)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	\$	\$	\$	\$
Net loss for the year	(589 773)	(633 495)	(1 033 720)	(907 829)
Available for sale financial assets:				
Gain (loss) on change in fair value of available for sale financial assets	(19 000)	(5 000)	13 000	(5 000)
<b>Total comprehensive loss for the period attributable to Matamec Explorations Inc. shareholders</b>	<b>(608 773)</b>	<b>(638 495)</b>	<b>(1 020 720)</b>	<b>(912 829)</b>

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

# MATAMEC EXPLORATIONS INC.

## Condensed Consolidated Interim Statements of Changes and Equity (unaudited)

(In Canadian dollars, except number of shares)

	Number of common shares outstanding	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total of equity attributable to Matamec shareholders
	#	\$	\$	\$	\$	\$	\$
<b>Balance - January 1st, 2014</b>	120 300 186	23 256 671	-	4 795 828	(8 700)	(12 506 793)	15 537 006
Net loss for the period	-	-	-	-	-	(1 033 720)	(1 033 720)
Other comprehensive income	-	-	-	-	13 000	-	13 000
Comprehensive income for the year	-	-	-	-	13 000	(1 033 720)	(1 020 720)
<b>Stock options</b>							
Share-based compensation	-	-	-	23 196	-	-	23 196
<b>Balance - June 30, 2014</b>	<b>120 300 186</b>	<b>23 256 671</b>	<b>-</b>	<b>4 819 024</b>	<b>4 300</b>	<b>(13 540 513)</b>	<b>14 539 482</b>
<b>Balance - January 1st, 2013</b>	120 300 186	23 256 671	-	4 590 366	800	(11 937 145)	15 910 692
Net loss for the year	-	-	-	-	-	(907 829)	(907 829)
Other comprehensive loss	-	-	-	-	(5 000)	-	(5 000)
Comprehensive loss for the year	-	-	-	-	(5 000)	(907 829)	(912 829)
<b>Balance - June 30, 2013</b>	<b>120 300 186</b>	<b>23 256 671</b>	<b>-</b>	<b>4 590 366</b>	<b>(4 200)</b>	<b>(12 844 974)</b>	<b>14 997 863</b>

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

# MATAMEC EXPLORATIONS INC.

## Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(In Canadian dollars)

	Notes	June 30, 2014	June 30, 2013
		\$	\$
<b>Operating activities</b>			
Net loss		(1 033 720)	(907 829)
Adjustment for :			
Share-based compensation		23 196	-
Amortization of property and equipment		8 298	9 816
Interest Income		-	(20 645)
Deferred income tax expense		(6 000)	(22 000)
Radiation of exploration and evaluation assets		164 780	-
		<b>(843 446)</b>	<b>(940 658)</b>
Change in non-cash working capital items	10	95 043	3 865 786
<b>Cash flows used in operating activities</b>		<b>(748 403)</b>	<b>2 925 128</b>
<b>Investing activities</b>			
Short-term deposit acquisition		(10 005)	-
Short-term deposit disposal		100 259	-
Government assistance received		-	984 977
Interest income		-	20 645
Exploration and evaluation assets		(191 026)	(4 186 570)
Property and equipment acquisition		-	(5 234)
<b>Cash flows used in investing activities</b>		<b>(100 772)</b>	<b>(3 186 182)</b>
<b>Decrease in cash and cash equivalent</b>		<b>(849 175)</b>	<b>(261 054)</b>
<b>Cash and cash equivalents – beginning of period</b>		<b>788 341</b>	<b>1 592 282</b>
<b>Cash and cash equivalents – end of period</b>		<b>(60 834)</b>	<b>1 331 228</b>
<b>Additional information related to the statement of cash flows:</b>			
Cash (Bank overdraft)		(60 834)	1 331 228
		<b>(60 834)</b>	<b>1 331 228</b>

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

# MATAMEC EXPLORATIONS INC.

Condensed Notes to the Interim Consolidated Financial Statements

For the six months period ended June 30, 2014 and 2013

(unaudited)

(In Canadian dollars)

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## 1. Incorporation, nature of operations and going concern

The Company, incorporated under Part 1A of the Québec Companies Act, is a mining exploration business. Since February 14, 2011 the Company is regulated by the Business Corporation Act (Quebec). The Company's head office is located at 1010 Sherbrooke Street West, suite 700, Montreal (Quebec) Canada, H3A 2R7. Shares of the Company are traded on TSX Venture Exchange under the symbol "MAT" and OTC QX stock exchange under the symbol "IMREF". Matamec Explorations Inc. is the ultimate parent company of the group. It has not yet determined whether the mining properties contain economically recoverable ore reserves. The recoverability of the amounts shown for mining properties depends upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to continue exploration work and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

The Company has not yet determined whether the mining properties and the deferred exploration and evaluation ("E&E") expenditures have economically recoverable ore reserves. Recovery of amounts indicated under mining properties, the deferred exploration and evaluation expenditures and the property and equipment are subject to the discovery of economically recoverable reserves, the Company's ability to obtain the financing required to complete exploration, evaluation, development, construction and profitable future production on its assets or the proceeds from the sale of such assets

The accompanying unaudited condensed interim financial statements have been prepared using International Financial Reporting Standards ("IFRS") 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 Company's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph. These unaudited condensed interim 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.

The Company recorded a net loss of \$1,033,720 for the three-month period ended June 30th, 2014, and has an accumulated deficit of \$13,540,513 as at June 30th, 2014. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations and existing commitments for exploration and evaluation programs and pay general and administration costs. As at June 30th, 2014, the company had a negative working capital of \$290,638. Management estimates that these funds will not be sufficient to meet the Company's obligations and budgeted expenditures through June 30th, 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 Company or that they will be available on terms which are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these unaudited condensed interim financial statements.

If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these unaudited condensed interim financial statements.

The Company's financial year ends on December 31. These unaudited condensed interim financial statements were approved for issue by the Board of Directors on August 25th, 2014.

# MATAMEC EXPLORATIONS INC.

Condensed Notes to the Interim Consolidated Financial Statements

For the six months period ended June 30, 2014 and 2013

(unaudited)

(In Canadian dollars)

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## 2. Basis of preparation and significant accounting policies in effect

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of previous financial year, except as described below.

The significant accounting policies used in the preparation of the Company's unaudited condensed financial statements are described below.

### *a) Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to their fair value (available-for-sale financial assets). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flows information.

### *b) Basis of consolidation*

#### **Subsidiary**

The consolidated financial statements include the accounts of Matamec Explorations Inc., and its wholly owned subsidiary Mabec Uranium Inc. The subsidiary is inactive. The reporting date of the annual information of the subsidiary is December 31.

The subsidiary is an entity controlled by the Company since it has the power to govern the subsidiary's financial and operating policies. The existence and effect of potential rights to vote that can actually be exercised or converted are taken into account to evaluate if the Company controls another entity. The subsidiary accounts are consolidated from the date the Company gets control and cease to be consolidated from the date the Company ceases to have that control. The subsidiary accounting policies are in compliance with the Company's policies.

#### **Jointly controlled asset**

The Company and Toyota Rare Earth Canada Inc. ("TRECAn") control jointly an exploration and evaluation asset, pursuant to a 51/49 joint venture agreement, 51% being the interest of the Company. Information on this asset is presented in Notes 7 (Property Kipawa). Jointly controlled assets involve joint control, and often joint ownership, by the group and venturers of assets contributed or acquired for the purpose of the joint venture, without creating a corporation, partnership or other entity. When the Group's activities are conducted through jointly controlled assets, the Group recognizes its share of jointly controlled assets, any liabilities that it has incurred, and its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, and any expenses that it has incurred in respect of its interest in the joint venture.

#### **Transactions eliminated on consolidation**

Intercompany balances and transactions, including unrealized gains and losses arising from intercompany transactions, are eliminated in the preparation of the consolidated financial statements.

#### **Changes in accounting policies**

The Company has adopted IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Corporation will adopt IFRIC 21 in its financial statements for the annual period beginning January 1, 2014.



# MATAMEC EXPLORATIONS INC.

Condensed Notes to the Interim Consolidated Financial Statements

For the six months period ended June 30, 2014 and 2013

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### 3. Judgments, estimates and assumption

Many of the amounts included in the financial statements require Management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on Management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Management's opinions and estimates could have an appreciable impact on the amounts reported in the financial statements with respect to the following items, which have changed significantly since the audited annual financial statements for the year ended December 31, 2013:

#### Impairment of non-financial assets

The Company's evaluation of the recoverable amount with respect to the non-financial assets is based on numerous assumptions and may differ significantly from actual values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values.

The Company's fair value estimates are based on numerous assumptions. The recoverable amount estimates may differ from actual values and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or will expire in the near future, and is not expected to be renewed; substantive exploration and evaluation ("E&E") expenditures in a specific area is neither budgeted nor planned; E&E of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale, significant negative industry or economic trends.

### 4. Tax credits recoverable

	June 30, 2014	December 31, 2013
<b>Quebec refundable credit on mining duties at rate of 12%, 13,51%, 15% and 16%</b>		
Property Kipawa JV		
2012	775 679	306 427
2013	342 125	91 651
2014	14 982	-
	<b>1 132 786</b>	<b>398 078</b>
Other properties		
2012	55 985	55 985
2013	51 869	13 895
2014	439	-
	<b>108 293</b>	<b>69 880</b>
<b>Refundable credit for resources related to exploration at rates of 35% and 38,75%</b>		
Property Kipawa JV		
2012	-	325 078
2013	616 880	616 880
2014	100 843	-
	<b>717 723</b>	<b>941 958</b>
Other properties		
2013	93 527	93 527
2014	2 955	-
	<b>96 482</b>	<b>93 527</b>
Total	<b>2 055 284</b>	<b>1 503 443</b>
Less: Non-current portion of tax credits recoverable	<b>(409 395)</b>	<b>(105 546)</b>
<b>Current portion of tax credits recoverable</b>	<b>1 645 889</b>	<b>1 397 897</b>

## MATAMEC EXPLORATIONS INC.

Condensed Notes to the Interim Consolidated Financial Statements

For the six months period ended June 30, 2014 and 2013

(unaudited)

(In Canadian dollars)

### 5. Available-for-sale financial assets

The Company owns 100,000 shares of Northern Superior Resources Inc. ("Northern"). Northern's shares were trading at \$0.035 as at June 30th, 2014 (\$0.03 as a December 31, 2013). Consequently, the Company recorded an unrealized loss of \$1,500 on changes of the fair value of the investment during the year.

On August 19, 2013, the Company has signed an agreement with Canada Strategic Metals. This Company can acquire a 50% undivided interest in Sakami property by issuing 2 million common shares and will spend \$2,250,000 in deferred exploration, left on 3 years. At the date of the agreement 500,000 shares were issued for a consideration of \$22,500. On June 30th, 2014 the shares were trading at \$0.065. Consequently, the Company recorded an unrealized gain of \$17,500 on changes of the fair value of the investment during the period.

### 6. Property and equipment

	Buildings and land	Computer equipment	Office furniture	Exploration amenities and facilities	Total
Net book value					
As at January 01, 2014	128 493	59 313	49 842	70 775	308 423
Additions	-	-	-	-	0
As at June 30, 2014	128 493	59 313	49 842	70 775	308 423
Accumulated depreciation					
As at January 01, 2014	9 568	36 386	22 990	57 219	126 163
Depreciation	2 328	3 006	2 682	2 034	10 050
As at June 30, 2014	11 896	39 392	25 672	59 253	136 213
<b>Net book value as at June 30, 2014</b>	<b>116 597</b>	<b>19 921</b>	<b>24 170</b>	<b>11 522</b>	<b>172 210</b>
Net book value					
As at January 01, 2013	128 493	53 717	47 703	70 775	300 688
Additions	-	5 595	2 140	-	7 735
As at June 30, 2013	128 493	59 312	49 843	70 775	308 423
Accumulated depreciation					
As at January 01, 2013	4 719	29 078	16 143	51 409	101 349
Depreciation	2 424	2 568	4 422	2 904	12 318
As at June 30, 2013	7 143	31 646	20 565	54 313	113 667
<b>Net book value as at June 30, 2013</b>	<b>121 350</b>	<b>27 666</b>	<b>29 278</b>	<b>16 462</b>	<b>194 756</b>

# MATAMEC EXPLORATIONS INC.

Condensed Notes to the Interim Consolidated Financial Statements

For the six months period ended June 30, 2014 and 2013

(unaudited)

(In Canadian dollars)

## 7. Deferred exploration

### Mining properties

	Interest	December 31, 2013	Additions	Disposal	Write off	June 30, 2014
Sakami	100%	112 610	-	-	-	112 610
Zeus	100%	54 234	-	-	(24 640)	29 594
Kipawa JV	51%	-	-	-	-	-
Tansim	100%	44 368	-	-	-	44 368
Valmont	100%	112 318	-	-	-	112 318
Vulcain	100%	175 687	-	-	(15 440)	160 247
Matheson Pelangio	100%	27 141	-	-	-	27 141
Matheson JV	50%	1 581 454	-	-	-	1 581 454
		<b>2 107 812</b>	<b>-</b>	<b>-</b>	<b>(40 080)</b>	<b>2 067 732</b>

### Deferred exploration and evaluation expenditures

	December 31, 2013	Additions	Disposal	Tax credits	Write off	June 30, 2014
Sakami	2 206 869	8 797	-	(54)	-	2 215 612
Zeus	1 701 925	10 613	-	(35 879)	-	1 676 659
Kipawa JV	6 964 454	589 561	-	(135 896)	-	7 418 119
Tansim	227 317	-	-	(464)	-	226 853
Valmont	351 691	-	-	(4 971)	-	346 720
Vulcain	1 512 030	-	-	-	(124 701)	1 387 329
Matheson Pelangio	304 971	-	-	-	-	304 971
Matheson JV	872 247	24 772	-	-	-	897 019
	<b>14 141 504</b>	<b>633 743</b>	<b>-</b>	<b>(177 264)</b>	<b>(124 701)</b>	<b>14 473 282</b>
<b>Total</b>	<b>16 249 316</b>	<b>633 743</b>	<b>-</b>	<b>(177 264)</b>	<b>(164 781)</b>	<b>16 541 014</b>

### Mining properties

	Interest	December 31, 2012	Additions	Disposal	Write off	June 30, 2013
Sakami	100%	114 701	-	-	-	114 701
Zeus	100%	52 468	-	-	-	52 468
Kipawa JV	75%	-	-	-	-	-
Tansim	100%	46 712	-	-	-	46 712
Valmont	100%	110 400	-	-	-	110 400
Vulcain	100%	183 023	-	-	-	183 023
Matheson Pelangio	100%	27 141	-	-	-	27 141
Matheson JV	50%	1 581 454	-	-	-	1 581 454
		<b>2 115 899</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 115 899</b>

### Deferred exploration and evaluation expenditures

	December 31, 2012	Additions	Disposal	Tax credits	Write off	June 30, 2013
Sakami	2 216 093	7 840	-	(113)	-	2 223 820
Zeus	1 496 007	96 506	-	(36 531)	-	1 555 982
Kipawa JV	4 836 600	4 020 614	-	(946 634)	-	7 910 580
Tansim	226 772	35 748	-	(14 690)	-	247 830
Valmont	332 147	7 154	-	(2 836)	-	336 465
Vulcain	1 510 341	8 303	-	(1 242)	-	1 517 402
Matheson Pelangio	304 971	-	-	-	-	304 971
Matheson JV	840 487	27 474	-	-	-	867 961
	<b>11 763 418</b>	<b>4 203 639</b>	<b>-</b>	<b>(1 002 046)</b>	<b>-</b>	<b>14 965 011</b>
<b>Total</b>	<b>13 879 317</b>	<b>4 203 639</b>	<b>-</b>	<b>(1 002 046)</b>	<b>-</b>	<b>17 080 910</b>

# MATAMEC EXPLORATIONS INC.

Condensed Notes to the Interim Consolidated Financial Statements

For the six months period ended June 30, 2014 and 2013

(unaudited)

(In Canadian dollars)

## 8. Financial instruments and risk management

The fair value of the investment in a private company cannot be determined since it does not trade on an active market.

The estimative fair value is established at the date of the consolidated statement of financial position using the relevant information available on the market and other information on financial instruments.

Above Company's financial instruments, classified as loans and receivables, have a fair value which approximates their carrying value due to their short-term maturity. The fair value of the investment in listed shares is based on market prices.

### Fair value hierarchy

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities: -Investment in shares of a listed company;
- Level two includes inputs that are observable other than quoted prices included in level one:- None;
- Level three includes inputs that are not based on observable market data.

Input level used by the Company to assess fair value is level one.

### Fair value

Fair value of financial instruments is presented as follow:

	June 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalent	-	-	788 341	788 341
Short-term deposit	10 005	10 005	100 259	100 259
Other receivables	26 138	26 138	25 726	25 726
Total	36 143	36 143	914 326	914 326
<b>Available-for-sale</b>				
Investment in share of a private company	1	1	1	1
Investment in shares of a listed company	36 000	36 000	23 000	23 000
	36 001	36 001	23 001	23 001
<b>Financial liabilities</b>				
Bank overdraft	60 834	60 834	-	-
Trade payable and accrued liabilities	1 976 055	1 976 055	1 176 139	1 176 139
	2 036 889	2 036 889	1 176 139	1 176 139

## 9. Commitments and contingencies

May 1st, 2013, the Company agreed to pay to its president, André Gauthier, compensation equivalent to four months 'pay plus two months' salary per year of service up to a maximum of 24 months in case of termination of employment subject to additional conditions. At June 30, 2014, the balance of the commitment is \$ 364,000 and \$ 15,167, representing a month salary included in accrued liabilities

# MATAMEC EXPLORATIONS INC.

Condensed Notes to the Interim Consolidated Financial Statements

For the six months period ended June 30, 2014 and 2013

(unaudited)

(In Canadian dollars)

## 10. Cash flow information

	Six months period ended	
	June 30, 2014	June 30, 2013
	\$	\$
<b>Changes in non-cash working capital items</b>		
Decrease sales tax recoverable	105 620	209 379
Increase of other receivables	(412)	(38 079)
Decrease of prepaid expenses	5 460	4 761
Decrease of tax credits recoverable	(551 841)	(157 713)
Increase (decrease) of accounts payable and accrued charges	536 216	(107 245)
Decrease deposit of sale interest of a property	-	3 954 684
	<b>95 043</b>	<b>3 865 786</b>

## 11. Joint-venture

- a) Following the signature of the SPA on July 11, 2012, the deposit on sale of interest in a property of \$1,500,000 presented in the current liabilities was accounted for as a reduction of the deferred exploration and evaluation costs.
- b) On July 11, 2012, TRECan and the Company, signed a sale and purchase agreement ("SPA") and a JVA agreement in connection with the Kipawa HREE Deposit. Through this transaction, the two companies intend to complete a feasibility study on the Kipawa HREE Deposit.

Under the SPA, TRECan has acquired from Matamec an undivided interest of 49% in the Kipawa HREE Deposit for a total consideration not exceeding \$16,000,817. This amount has been used for the sole purpose of funding the expenses related to the feasibility study and was payable as follows: upon signature, TRECan would make payment of \$8,500,000 and an amount not exceeding \$7,500,817 ("the second sale price") has been paid by TRECan upon receipt of cash calls in accordance with the JVA (after the initial \$8,500,000 has been spent).

An undivided interest of 25% in the Kipawa HREE Deposit has been transferred by Matamec to TRECan on the signature date. The additional undivided interest of 24%, should be transferred to TRECan upon delivery of the feasibility report, or the full contribution of the second sale price. On August 8, 2013 the additional 24% has been transferred, bringing the participation of Matamec to 51% and 49% for TRECan.