



**M A  A M E C**

MANAGEMENT DISCUSSION AND ANALYSIS

March 31, 2015

**MATAMEC EXPLORATIONS INC.**  
**Management Discussion and Analysis**  
**For the period of three months ended March 31, 2015**

## **INTRODUCTION**

The following analysis should be read in conjunction with the financial statements of Matamec Explorations Inc. (“the Company”) for the years ended December 31, 2014 and 2013. The unaudited financial statements for the quarter ended March 31, 2015 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 June 5<sup>th</sup>, 2015 and as at this date 136,966,852 shares and 4,696,800 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 under section 1A of 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 has 100% of six mineral properties in its portfolio, one of them is currently under option, one joint venture with 72%, two joint ventures of 50% and a royalty on another. Seven properties are located in Quebec and three in Ontario. These properties

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**Nature of Operations** (cont'd)

total 438 mining claims covering an area of 24,641 hectares in Quebec and 27 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 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 outside of China.

**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 FOR THE YEAR 2015**

- On January 27, 2015, the Company announced the creation of a joint venture with Ressources Quebec Inc. ("RQ") to acquire an indivis interest of 28% in the Kipawa property for an amount payment of \$3M.
- On March 2, 2015, the Company announced the nomination of Mr Pierre Leblanc as an independent director.
- On April 15 and 20, 2015, CSM and Matamec announced the last result for the last exploration campaign completed in March 2015 on the Sakami gold property. The new results confirm the northwest extension of the Zone 25 envelope of gold mineralization and a new discovery from the program completed in March 2015 confirms the potential for the discovery of enrichment zones within the wide, gold-bearing Zone 25.

**FINANCING**

The Company has not made any funding on common shares or other type of funding agreement during the period ended March 31, 2015. During the period, the Company created the Joint Venture with rare earths Kipawa with Ressource Québec ("RQ ") and sold 28% undivided interest in the Kipawa property to RQ for a consideration of \$3 million paid into the joint account of the Joint Venture.

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**PROJECTS AND NEW ACQUISITIONS**

During the period, the Company mainly focused its efforts on the Kipawa. No new projects have been undertaken and no new acquisitions were made during the period of three months ended March 31, 2015.

**EXPLORATION ACTIVITIES (MINING PROPERTIES)**

Exploration expenses for the period ended March 31, 2015, amounted to \$274,326 as compared to \$377,632 for the same period in 2014. The Kipawa JV and Matheson JV showed the most activity with exploration expenditures totalling: \$ 253,993 for Kipawa and \$14,698 for Matheson JV. (See tables on page 5 and 7)

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

The allocation by properties of mining properties and deferred exploration costs of \$284,326 incurred during the period is as follow:

	<b>Mining properties as of March 31, 2015</b>								
	<b>Ontario</b>		<b>Quebec</b>						
	<b>Matheson Pelangio</b>	<b>Matheson JV</b>	<b>Valmont</b>	<b>Vulcain</b>	<b>Sakami</b>	<b>Kipawa JV</b>	<b>Zeus</b>	<b>Tansim</b>	<b>Total</b>
	\$	\$	\$	\$	\$		\$	\$	\$
<b>Balance - beginning</b>	27,141	1,581,454	-	-	45,110	701,809	-	-	2,355,514
<b>Variance for the year</b>	-	-	-	-	-	(682,484)	10,000	-	(672,484)
<b>Total per province</b>	-	-	-	-	-	-	-	-	-
<b>Balance – March 31, 2015</b>	<b>27,141</b>	<b>1,581,454</b>	<b>-</b>	<b>-</b>	<b>45,110</b>	<b>19,325</b>	<b>10,000</b>	<b>-</b>	<b>1,683,030</b>

	<b>Mining properties as of March 31, 2014</b>								
	<b>Ontario</b>		<b>Quebec</b>						
	<b>Matheson Pelangio</b>	<b>Matheson JV</b>	<b>Valmont</b>	<b>Vulcain</b>	<b>Sakami</b>	<b>Kipawa JV</b>	<b>Zeus</b>	<b>Tansim</b>	<b>Total</b>
	\$	\$	\$	\$	\$		\$	\$	\$
<b>Balance - beginning</b>	27,141	1,581,454	112,318	175,687	112,610	421,667	54,234	44,368	2,529,479
<b>Variance for the year</b>	-	-	-	-	-	-	-	-	-
<b>Total per province</b>	-	-	-	-	-	-	-	-	-
<b>Balance – March 31, 2014</b>	<b>27,141</b>	<b>1,581,454</b>	<b>112,318</b>	<b>175,687</b>	<b>112,610</b>	<b>421,667</b>	<b>54,234</b>	<b>44,368</b>	<b>2,529,479</b>

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

<b>Deferred Exploration Costs March 31, 2015</b>									
	Ontario		Quebec						
	Matheson Pelangio	Matheson JV	Valmont	Vulcain	Sakami	Kipawa	Zeus	Tansim	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance - beginning</b>	304,971	960,248	-	-	2,213,090	2,086,322	-	-	5,564,631
Analysis	-	-	-	-	-	-	-	-	-
Drilling	-	-	-	-	-	-	-	-	-
Geology, geochemistry, geophysics and prospection	-	-	-	-	-	18,600	-	-	18,600
Line cutting	-	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-	-
Travelling and lodging	-	-	-	-	-	21,196	-	-	21,196
Other exploration expenses	-	14,422	-	-	-	214,197	-	-	228,619
Permits	-	-	-	3,978	-	-	1,657	-	5,635
Amortization of property and equipment	-	276	-	-	-	-	-	-	276
<b>Total</b>	-	14,698	-	3,978	-	253,993	1,657	-	
<b>Total per province</b>	-	<b>14,698</b>	-	-	-	-	-	<b>259,628</b>	
<b>Total Quebec/Ontario</b>	-	-	-	-	-	-	-	-	<b>274,326</b>
Write-off	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	(2,317,516)	-	-	(2,317,516)
Tax credits	-	-	-	-	-	(22,799)	-	-	(22,799)
<b>Total including write-off and tax credits</b>	-	<b>14,698</b>	-	<b>3,978</b>	-	<b>(2,086,322)</b>	<b>1,657</b>	-	<b>(2,065,989)</b>
<b>Balance – 31 March, 2015</b>	<b>304,971</b>	<b>974,946</b>	-	<b>3,978</b>	<b>2,213,090</b>	-	<b>1,657</b>	-	<b>3,498,642</b>

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

<b>Deferred Exploration Costs March 31, 2014</b>									
	Ontario		Quebec						
	Matheson Pelangio	Matheson JV	Valmont	Vulcain	Sakami	Kipawa JV	Zeus	Tansim	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<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	-	-	-	-	-	-	7,748	-	7,748
Drilling	-	-	-	-	-	-	-	-	-
Geology, geochemistry, geophysics and prospection	-	-	-	-	135	153,206	504	-	153,845
Line cutting	-	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-	-
Travelling and lodging	-	-	-	-	-	1,559	56	-	1,615
Other exploration expenses	-	500	-	-	-	208,735	-	-	209,235
Permits	-	3,789	-	-	-	-	-	-	3,789
Amortization of fixed assets	-	399	-	-	524	-	477	-	1,400
<b>Total</b>	-	<b>4,688</b>	-	-	<b>659</b>	<b>363 500</b>	<b>8,785</b>	-	
<b>Total per province</b>	-	<b>4,688</b>	-	-	-	-		<b>372,944</b>	
<b>Total Quebec/Ontario</b>	-	-	-	-	-	-	-	-	<b>377,632</b>
Write-off	-	-	-	-	-	-	-	-	-
Governmental assistance	-	-	-	-	(54)	(61,514)	(3,339)	-	(64,907)
<b>Total including write-off and governmental assistance</b>	-	<b>4,688</b>	-	-	<b>605</b>	<b>301,986</b>	<b>5,446</b>	-	<b>312,725</b>
<b>Balance – March 31, 2014</b>	<b>304,971</b>	<b>876,935</b>	<b>351,691</b>	<b>1,512,030</b>	<b>2,207,474</b>	<b>731,069</b>	<b>1,707,369</b>	<b>227,317</b>	<b>7,918,858</b>

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**Exploration work**

In the year 2015, \$274,326 were engaged in deferred exploration costs. From this amount \$259,628 was incurred in deferred exploration costs in Quebec (94% of DEC incurred) and \$14,698 in deferred exploration costs in Ontario (6% of DEC incurred). Here is an outline of the main exploration work done during the first nine months of 2014 on the Kipawa property and Sakami property currently under option:

**Québec**

**Kipawa (REE-Y-Zr)**

During 2015, the Corporation spent \$253,993 on the Kipawa property. The expenses include: the continued metallurgical testing at SGS Lakefield, the organization and planning for the continuation of environmental and social impact study, and the continuity of the relations communities and the other communities.

**Adding a strategic partner**

As previously announced on April 2<sup>nd</sup> and on September 19<sup>th</sup>, 2014, in press releases regarding the RQ's second investment in a Kipawa project joint venture, Matamec announced on January 26, 2015, the creation of a joint venture with RQ. Pursuant to the Agreement, RQ, acting as agent for the Québec government, has acquired a 28% undivided interest in the Kipawa heavy rare earths deposit for a consideration of \$3 million paid into the joint account of the Joint Venture.

The Joint Venture created contributes towards positioning Québec, Témiscamingue and Matamec at the forefront of the quest for heavy rare earth production outside of China. It allows for the continued development of the Kipawa heavy rare earths deposit and to achieve the following objectives forecasted for 2015-2016 as:

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



**Adding a strategic partner (cont'd)**

The Joint Venture will be managed by a management committee consisting of a representative of each of the two parties. Matamec will act as the manager of the Joint Venture. In the event that the parties decide to move to the construction and commercial production phase of the Deposit, they have agreed they could then decide at such time to establish a new legal structure or to enter into a new joint venture agreement, any other contractual arrangement or a commercialization agreement governing their relationship and their rights and obligations in connection with the building of infrastructure and the commercial production and commercialization of the Deposit.

The parties acknowledge that one or several additional partners may join the Joint Venture on terms and conditions to be negotiated and approved by each of them.

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.

**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.

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.

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**Feasibility study of October 17, 2013: Risk regarding the change in the realizable value of rare earth products (cont'd)**

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. In November 2014, the Canadian dollar trades for approximately \$0.88 against the US dollar. Now, it trades for approximately \$0.80 against the US dollar.

Last September, several economists with major Canadian financial institutions predicted the Canadian dollar would close between \$0.85 and \$0.92 at the end of 2015 (Les Affaires - Le dollar à un creux de quatre mois (<http://www.lesaffaires.com/bourse/revue-des-marches/le-dollar-canadien-a-un-creux-de-quatre-mois/572016>)). For 2015 and 2016, three major Canadian financial institutions predict the Canadian dollar will fluctuate between \$0.75 and \$0.84 (Scotiabank -Global Economics -31/03/2015, National Bank of Canada - Financial Markets – Foreign Exchange - April 2015; Desjardins - Economic Studies - FX Forecasts -21/04/2015).

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 from 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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**Feasibility study of October 17, 2013: Risk regarding the change in the realizable value of rare earth products (cont'd)**

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 2016, 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.

**Metallurgical tests\***

In 2014, the metallurgical team worked in collaboration with external experts and SGS Mineral Services on the Kipawa process flowsheet. Focus was placed on reviewing all the bench and pilot plant results from the past years of development, to identify strengths and weaknesses, as well as to plan for future testwork programs in order to achieve further improvements.

For the Beneficiation circuit, various physical separation processes that could complement the current Magnetic Separation flowsheet continues to be considered and evaluated. Some testing has been done while more is planned for 2015. Furthermore, research is on-going to better understand the mineralogical characteristics and magnetic susceptibility of the rare earth bearing minerals of Kipawa.

For the Hydromet circuit, a potentially significant discovery was made in terms of liquid/solid separation. Confirmatory testing is planned for 2015.

(\* Eliza Ngai, Metallurgist (P. Eng) of the Company for the Kipawa project, is the qualified person according to the NI 43-101 standard who wrote this section).

**Social acceptability of the Kipawa 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 project thus is no different from others with regard to this reality.

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**Social acceptability of the Kipawa project (cont'd)**

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.

In continuity with previous years, a set of actions have been accomplished to establish and keep open all the channels of communication with the local, regional and provincial players. However, since the end of 2013, no meeting has been held between Matamec and the EVFN and WLFN Algonquin communities involved in the project. In two press releases issued in October 2014 and January 2015, these communities mentioned that the Kipawa Rare Earths Joint Venture project *had the potential to have significant adverse impacts on their ancestral rights, the environment and their culture*. In a press release issued last November, the Assembly of First Nations of Quebec and Labrador called for rare earths to be included in the moratorium on uranium mining in Quebec.

As mentioned by the Company, the impacts of the Kipawa project and the mitigation measures will be described in the environmental and social impact assessment (ESIA) to come. In March 2014, the two Algonquin communities mentioned that they were waiting for publication of the ESIA and its presentation under the federal environmental assessment process. Then they can have the ESIA analyzed by their own team of experts.

Another action undertaken by Matamec was to participate in the hearings of the Bureau d'Audiences Publiques en Environnement (BAPE) regarding the uranium industry in Quebec. This Commission was mandated by the Quebec Government to advise it regarding the development of the uranium industry in Quebec.

Matamec participated actively in the pre-consultation process, and in the consultation process. A brief was also submitted to the working group, explaining Matamec's position at this level. During the hearing of November 27, 2014, held in Quebec City, the Company took great care to explain that the Divex report, the Commission's reference document, contained inaccuracies that needed to be mentioned and corrected. This should allow the members of the Commission to have appropriate information in hand before producing their final report.

Following the Commission's hearings, the Corporation compiled and analyzed the testimony. Special attention was paid to the hearing held in Témiscamingue. This approach will allow the members of the Matamec team to perfect their understanding of the fears and questions regarding the project.

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**Social acceptability of the Kipawa project (cont'd)**

The final report of the Commission was submitted to the Minister of Sustainable development, Environment and Fight against climate change on May 20<sup>th</sup> 2015. The minister has a time limit of sixty days to make it public. We are awaiting the publication to obtain copy a copy of the report and analyse its content.

Finally, the Director of Regional Relations is more involved in the technical meetings of the Kipawa Rare Earths Joint Venture project to ensure that social acceptability remains a key factor in Matamec's organizational culture.

**Sakami (Gold)**

Presently the property is under option and Matamec still holds a 100% interest in the Sakami property. On August 16, 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	--
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 16, 2014, CSM made the second payment and had spent CAD\$958,915 on the Sakami property.

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.

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**Sakami (Gold)** (cont'd)

**Result of exploration program in 2013 and 2014**

In 2014, CSM and Matamec announced all results of exploration programs completed in December 2014, and in March and April 2014 on the Sakami gold property. Twenty drill holes have been completed for a total of 4,518 metres by CSM. Located on the La Pointe sector of the Sakami 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 2013-2014 drilling programs have confirmed and enhanced the potential of the northeast and depth extensions of Zone 25, which remains open in all directions.

The Zone 25 is known over a strike length of more than 200 metres and to a depth of over 425 metres along its plunge. The holes were spaced at 50 metres. 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 technical data of the 2013-2014 exploration programs shown in this section, come from the press releases issued by CSM and Matamec on March 31 and in July 2014)

**Results of the March 2015 exploration program**

The March exploration program consisted of seven holes (PT-15-84 to PT-15-90) for a total of 2,025 metres of drilling. The program is aimed at increasing the size of the main gold zone (Zone 25) to the west-northwest, as well as its extension at depth.

These results of the first four (4) drilling holes confirm the extension to the Northwest of the Zone 25 envelope of gold mineralization. Furthermore, a high-grade gold zone was discovered by recent drilling on the Sakami gold project. This new discovery confirms the potential for the discovery of enrichment zones within the wide, gold-bearing Zone 25. , Zone 25 will have been tested over a strike length of more than 250 metres and to a depth of over 500 metres along its plunge. When the results for the remaining PT-15-88 to PT-15-90 holes will be received and compiled, they will be issued.

A detailed table of mineralized intersections from the four (4) first drill holes of the March 2015 drilling program is shown below:

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**Results of the March 2015 exploration program (cont'd)**

Hole #	To (m)	At (m)	*Length (m)	Au (g/t)
PT-15-84	169.00	217.50	48.50	1.34
	169.00	175.50	6.50	3.03
	210.00	217.50	7.50	2.50
PT-15-85	148.50	194.00	45.50	1.47
	148.50	156.00	7.50	3.84
	183.00	194.00	11.00	1.74
PT-15-86	112,10	125,75	13,75	0,94
	142,50	165,00	<b>22,50</b>	<b>1,41</b>
PT-15-87	219,40	229,00	<b>9,60</b>	<b>6,86</b>
	220,50	227,00	<b>6,50</b>	<b>9,49</b>

\*Core length. CSM estimates the true width of the mineralized zone at 70 to 90% of the core length.

(The technical data of the March 2015 exploration programs shown in this section, come from the press releases issued by CSM et Matamec on April 15 and 20, 2015)

**Ontario**

**Matheson JV/Matheson Pelagio (gold)**

The Company spent \$14,698 on the Matheson JV/Matheson property in the period ending March 31, 2015.

This property lies along the stratigraphic rock assemblages which contain most of the gold deposits in the Timmins mining camp. This large property shows several targets defined by old till drilling campaigns not followed enough by drilling\*. The entire property deserves further exploration. In link with last year, the whole property needs to be explored further.

\* (J.A. Marcotte and E. Giguère. Exploration Report on the Matheson Property-Matamec. May 31, 2010. 68 p. + annexes)

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**STRATEGY AND ACTION PLAN**

Following the financing of \$1 million in common shares in October 2014 and the acquisition of a 28% interest in January 2015 in the Kipawa heavy rare earths-enriched deposit for an amount of \$3 million by Ressources Québec (RQ), the Company's main objective in 2015-2016 is to complete its financing of a \$1.5-million contribution to the projected \$6-million program and Matamec's working capital.

The first stage of the work program that should be undertaken by the Kipawa Rare Earths Joint Venture, held by Matamec (72% interest) and by RQ (28% interest), has largely devolved to metallurgical work. This will begin in spring/summer 2015. It will mainly include optimization of metallurgical processes (including individual separation of rare earths); in the second stage, this will be followed by development of the second pilot plant.

Of course, to move the project forward, other activities will begin or continue, such as: evaluation of the opportunities to reduce the environmental footprint of the project, updating of the feasibility study, completion of environmental studies, continuation of the social acceptability process with the aboriginal and non-aboriginal populations, and continuation of discussions with strategic industrial and financial partners.

For its Matheson JV/Matheson-Pelangio, Sakami, Wachigabau and Valmont gold properties, the Company is continuing its evaluation of sources of financing. The Company is considering various scenarios, including the transfer of its gold properties to a majority-held subsidiary or the identification of strategic partners.

**MARKETING OF RARE EARTHS & SPECIALTY METALS**

Since the beginning of the year 2015, the Company carried out a number of marketing activities and continued to maintain solid relationships with the industry, with the goal of maintaining our knowledge of the market and being able to provide potential customers with the most recent information on the Kipawa project.

**SELECTED ANNUAL INFORMATION**

The agreement between TRECan and the Company on July 11<sup>th</sup>, 2012 and ended on September 18<sup>th</sup>, 2014, 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 form 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.



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**SELECTED ANNUAL INFORMATION (cont'd)**

Since the agreement with TreCan has 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 by TREcan, consequently the deferred exploration and evaluation expenditures of the Kipawa property do not include the \$ 16,000,817 costs of the feasibility study.

**FINANCIAL STATEMENTS RESTATEMENT**

The comparison amount of the financial statements of the company for the period ended March 31, 2014 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 that 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:

- 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 remaining participation, with 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

Following the restatement, the deficit balance of \$12,506,793 increased to \$18,620,497 and the equity attributable to Matamec Explorations Inc.'s shareholders of \$15,537,006 went to \$9,423,302.

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**RESULTS OF OPERATIONS**

During the period of three months ended March 31, 2015, the Company had a net loss of \$161,729 compared to a net loss of \$443,945 for the same period in 2014.

As of March 31, 2015 a stock-based compensation of \$7,817 was recognized as the statement of operation (\$9,723 as of March 31, 2014).

The decrease in administrative expenses for the period, totalling \$187,277, is primarily attributable to the following elements:

- Decrease of salary of \$77,952 due to staff reduction;
- Decrease of consulting fees of \$19,266 due to the reduction of activities;
- Decrease of travel and representative expenses for \$53,123 due to reduction of outside travel and the reduction of the participation of mining events;

**FIRST QUARTER**

For the first quarter ended March 31, 2015, the Corporation generated \$4,369 in interest income (\$985 for the first quarter ended March 31, 2014) and incurred in administrative expenses, excluding share-based compensation of \$232,647, compared to \$419,924 in 2014. The \$187,277 variation is due to the reduction of professional and consulting fees, and salaries and fringe benefits. The Corporation incurred a net loss of \$161,729 for the first quarter ended March 31, 2015, compared to a net loss of \$443,945 in 2014.

**CASH ASSETS AND SOURCES OF FINANCING**

As of March 31, 2015, the Corporation had a working capital of \$2,145,190 (positive of \$561,822 on March 31, 2014) including cash and cash equivalents of \$2,667,850 (\$155,721 on March 31, 2014). An amount of \$2,591,333 in cash has restricted to the joint venture – Ressource Québec (Rares Earth / Kipawa). The working capital includes \$957,718 in tax credits receivable which is also reserved to the joint venture – Ressource Québec (Rares Earth / Kipawa) on March 31, 2015 (\$1,266,816 on March 31, 2014).

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 of the carrying values of assets and liabilities, expenses and

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**CASH ASSETS AND SOURCES OF FINANCING (cont'd)**

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

The Company's operating activities used \$532,963 in the period ended March 31, 2015 (\$86,772 for the same period in 2014). The decrease in cash flow is a result of the decrease in administrative expenses.

The Company's investing activities consist primarily of exploration and evaluation work as detailed in tables' page 6 "Exploration Activities" of this MD&A.

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.

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**QUARTERLY FINANCIAL INFORMATION**

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

	<b>2015</b>			
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Interest income	4,369			
Administrative expenses	232,647			
Net loss	161,729			
Basic and diluted net loss per share	0,001			

	<b>2014</b>			
	1 <sup>st</sup> Quarter (Restated)	2 <sup>nd</sup> Quarter (Restated)	3 <sup>rd</sup> Quarter (Restated)	4 <sup>th</sup> Quarter
Interest income	985	1,992	25,093	1,293
Administrative expenses	419,924	412,155	256,051	271,485
Net loss	443,945	589,773	646,259	3,711,082
Basic and diluted net loss per share	0,004	0,005	0,005	0,029

	<b>2013</b>			
	1 <sup>st</sup> Quarter (Restated)	2 <sup>nd</sup> Quarter (Restated) (i)	3 <sup>rd</sup> Quarter (Restated) (ii)	
Interest income	14,845	5,799	14,622	
Administrative expenses	494,282	595,649	669,979	
Net loss	274,336	633,495	1,062,285	
Basic and diluted net loss per share	0,002	0,005	0,009	

- i) The increase in charges was largely attributable to salaries and fringe benefit and professional fee expenses
- ii) The net loss was the result of the increase of traveling and entertainment expenses
- iii) The net loss was a result in impairment totalling \$3,784,375 of mining properties and deferred exploration and evaluation expenditures

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**OFF BALANCE-SHEET ARRANGEMENTS**

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

**RELATED-PARTY TRANSACTIONS**

This year, the Company conducted the following transactions specifically related to the exploration of its mining properties with Laval St-Gelais, CPA-CA, director of the Company, and with Marcel Bergeron, CPA-CA, Officer and Director of the Company:

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	\$	\$
Professional fees	2 150	3 525
Consulting fees	-	28 000
Traveling and entertainment expenses	-	882
Geology, geochemistry, geophysics and prospecting	-	11 286
Other expenses	-	7 091
Accounts payable and accrued liabilities	73 803	87 205
Other receivables	(27 782)	1 828

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 June 5 <sup>th</sup> , 2015
Share capital	136,966,852
Stock options	4,696,800
Warrants	-
Outstanding shares	141,663,652

- (i) On March 2, 2015, 400,000 stock options were issued to a director.
- (ii) 900,000 stock options have been cancelled during this period.

**RISKS AND UNCERTAINTIES**

The risk factors are detailed in the Company's MD&A for the year ended December 31, 2014.

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**NEW ACCOUNTING POLICIES IN EFFECT**

The new accounting policies in effect for the period ended March 31, 2015 are set out in Note 2 to the Company's consolidated 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 is dated June 5<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.

(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

**MATAMEC EXPLORATIONS INC.**  
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**For the period of three months ended March 31, 2015**

**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, Independent Director  
David Guérette, Independent Director  
Pierre Leblanc, Independent Director

**Legal Counsel**

Montréal-Québec  
Spiegel Sohmer Inc.  
Fasken Martineau  
Blakes  
Timmins-Ontario  
John P. Huot Barrister & Solicitor  
Ottawa – Ontario  
MBM  
Denver – Colorado/USA  
Burns Figa & Will, PC

**Auditors**

Petrie Raymond S.E.N.C.R.L.  
Montréal (Québec)

**Transfer Agent**

Computershare Inc.  
Montréal (Québec)

**Exchanges Listings**

TSX Venture Exchange - MAT

OTCQX- MHREF