MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2016

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, 2015 and 2014. The unaudited financial statements for the quarter ended September 30, 2016 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. As a result, it should be read in conjunction with such financial information. This management's discussion and analysis is current as at November 29, 2016 and as of this date 136,966,852 shares and 3,320,000 options were issued and outstanding. Reference to "Matamec" or the "Company" refers to 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 nine mineral properties in its portfolio, one of which is currently under option, one joint venture with 72% Company ownership, two joint ventures of 50% and royalty on two others. Ten properties (Kipawa rare earths JV, Opinaca Gold West, Opinaca Lithium, R2D2, Sakami, Tansim, Valmont, Vulcain, Wachigabau and Zeus) are located in Quebec and four properties (HMR, Matheson JV, Matheson-Pelangio and Montclerg) are in Ontario. These properties total 1,242 mining claims covering an area of 68,084 hectares in Quebec and 31 claims for 1,429 hectares in Ontario.

The properties are being explored for precious metals, base metals, rare metals and rare earths.

The Company's main focus is on the exploration and development of the REE-yttrium Kipawa deposit, located in Temiscaming, in south-western Quebec. The Kipawa deposit owned by the Kipawa rare earth JV 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 2016

New Strategy: Matamec Gold and Matamec Energy

- On September 12th, 2016, Matamec announced that as part of its intent to strengthen its position in Gold, it had signed a letter of intent to acquire two gold properties in Québec: Casa Berardi South, located in a parallel structure south of the Casa Berardi mine, and Troilus North, in the north extension of the previous Troilus mine;

HIGHLIGHTS FOR THE YEAR 2016 (cont'd)

- On September 26th, 2016, the Company announced its plan to create a subsidiary, Matamec Energy, that will hold properties that feature key elements used in technologies related to energy. As described in the letter of intent announced on September 12th, Matamec kicked off the process of creating the subsidiary with the intent to acquire the Lorraine property.

Investor relations firm: CHF Capital Markets

- On October 3rd, 2016, Matamec announced that it has retained CHF Capital Markets as its investor relations partner.

Annual General Meeting of Shareholders

- The Annual General Meeting of Shareholders took place on June 9, 2016. All agenda items were approved by the shareholders.

Nomination of a Director

- On November 17th, 2016, Matamec announced that Mr. Alain Madgin has joined its Board of Directors.

Kipawa Property

- On June 20, 2016, Matamec provided an update on the Kipawa Rare Earths Joint Venture.

Hoyle-Matheson Royalties (HMR) Property

- On March 2, 2016, Matamec closed the agreement with Glencore and Goldcorp related to properties located on the Hoyle and Matheson townships and received $500,000 and NSR royalties on the new property named Hoyle-Matheson Royalties;
- On April 18, 2016, the Company highlighted the gold potential of the Hoyle-Matheson Royalties property;
- On November 29th, 2016, Matamec reported the extension of the TVZ onto the HMR property.

HIGHLIGHTS FOR THE YEAR 2016 (cont'd)

Sakami Property

- On April 4, 2016, the Company announced that the La Pointe area of the Sakami property revealed additional gold potential;
- On April 25, 2016, Canada Strategic Metals (CSM) and Matamec highlighted the regional setting of the Sakami Gold property.
- On July 6, 2016, Matamec announced that the summer 2016 exploration program at Sakami would be taking place at the same time as other mining exploration work in the James Bay area along the border of the La Grande-Opinaca subprovinces;
- On August 18, 2016, the Company announced the completion of the summer 2016 exploration program and that CSM had acquired its 50% interest in the Sakami property;
- On August 25, 2016, Matamec announced the results from the first drilling hole, # PT-16-91, from the summer 2016 exploration program, which revealed an intersection of 1.62 g/t over 64.50 m, including 2.21 g/t over 43.30 m and 3.46 g/t over 11.50 m;
- On September 6th, 2016, the Company announced encouraging new results from the Summer 2016 drilling program at the Sakami gold Property, which included an intersection of 4.94 g/t Au over 21.05 metres;
- On September 8th, 2016, Matamec unveiled more results of the Summer 2016 drilling program at the Sakami Gold Property, which included an intersection of 1.87 g/t Au over 27,00 m;
- On November 8th, 2016, CSM and Matamec identified multiple geophysical anomalies at Sakami and confirmed the high-grade results on the Simon showing.

Opinaca Gold West Property

On September 8th, 2016, Matamec announced that it had strengthened its presence in the James Bay sector by acquiring the Opinaca gold west property.

Annual General Meeting – June 9, 2016

On June 9, 2016, the annual general meeting of shareholders took place and all items on the meeting agenda were approved by shareholders, including the approval of the December 31, 2014 financial statements, the election of six directors, and the nomination of independent auditors Petrie Raymond, s.e.n.c.r.l (see below the summary of proxy voting). The Notice of AGM and the management proxy solicitation circular are available on SEDAR.

Summary of Proxy Voting					
Resolution	**Number of Shares**			**Percentage of Shares Voted**	
	For	**Withheld**	**No vote**	**For (%)**	**Withheld (%)**
André Gauthier	33 203 496	2 446 388	4 799 410	93.14	6.86
François Biron	35 256 146	393 738	4 799 410	98.90	1.10
Pierre Leblanc	35 351 646	298 238	4 799 410	99.16	0.84
Normand Tamaro	35 333 146	316 738	4 799 410	99.11	0.89
Marcel Bergeron	35 134 813	515 071	4 799 410	98.56	1.44
David Guérette	35 276 083	373 801	4 799 410	98.95	1.05
Nomination of auditors	39 979 393	469 901	0	98.84	1.16
Taken from "Matamec Explorations Inc. – Annual General Meeting, June 9, 2016 – Final Scrutineers Report", Computershare Investor Services, June 16, 2016. 6 pages (letter and report)					

NOMINATION OF A DIRECTOR

On November 17th, 2016, Mr. Alain Madgin, Senior Vice-President at Citoyen Optimum Public Relations, joined the Board of Directors as an independent director. According to the Company policies, the Board of Directors granted 400,000 stock options to Mr. Madgin at an exercise price of $0.10 per share for a period of 5 years. Terms as conditions of exercise are regulated by the Stock Option Plan to purchase shares of the Company.

FINANCING

The Company has not made any funding on common shares or other type of funding agreement during the period ended September 30, 2016.

PROJECTS AND NEW ACQUISITIONS

During the period ending September 30, 2016, the Company focused its efforts mainly on the heavy rare earth-enriched (HREE) Kipawa deposit owned by the Kipawa rare earth JV. During the same period, Matamec acquired the Opinaca Gold West, Opinaca Lithium and R2D2 properties.

Following the exchange property agreement (PREAA) announced on March 2 with Glencore and Goldcorp, Matamec now holds 1% NSR royalty on the new HMR property.

Exploration Activities (Mining Properties) (cont'd)

The allocation by properties of mining properties and exploration and evaluation assets of $267,294 ($368,810 in 2015) incurred during the period is as follow:

			Mining properties as of September 30, 2016							
	Ontario		**Québec**							
	Matheson Pelangio	Matheson JV	Valmont	Vulcain	Sakami	Kipawa	Zeus	Tansim	R2D2	Opinaca
	$	$	$	$	$		$	$	$	$
Balance – beginning	**-**	**861,056**	**6,986**	**1,086**	**-**	**701,809**	**-**	**-**	**-**	**-**
Variance for the year	-	(861,056)	1,863	2,028	-	-	248	40,662	14,569	107,615
Total per province										
Balance – September 30, 2016	**-**	**-**	**8,849**	**3,114**	**-**	**701,809**	**248**	**40,662**	**14,569**	**107,615**

			Mining properties as of September 30, 2015 (Restated)							
	Ontario		**Québec**							
	Matheson Pelangio	Matheson JV	Valmont	Vulcain	Sakami	Kipawa	Zeus	Tansim	R2D2	Total
	$	$	$	$	$		$	$	$	$
Balance – beginning	27,141	1,581,455	-	-	45,110	701,808	-	-	-	**2,355,514**
Variance for the year	-	-	6,986	1,086	(15,000)		14,061	-	-	**7,133**
Total per province	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance – September 30, 2015	**27,141**	**1,581,455**	**6,986**	**1,086**	**30,110**	**701,808**	**14,061**	**-**	**-**	**2,362,647**

Exploration Activities (Mining Properties) (cont'd)

Exploration and evaluation assets September 30, 2016											
	Ontario			Québec							
	Matheson Pelangio	Matheson JV	HMR	Valmont	Vulcain	Sakami	Kipawa	Zeus	Tansim	R2D2	Total
	$	$	$	$	$	$	$	$	$	$	$
Balance - beginning	-	-	-	53,707	6,740	-	2,272,348	-	111	-	2,332,906
Analysis	-	-	-	-	-	-	-	-	-	-	-
Drilling	-	-	-	-	-	-	-	-	-	-	-
Geology, geochemistry, geophysics and prospection	-	4,737	23,921	-	-	26,103	9,142	-	833	-	64,736
Line cutting	-	-	-	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-	-	-	-
Travelling and lodging	3,207	10,882	-	-	-	-	-	-	-	-	14,089
Other exploration expenses		11,242	-	-	-	-	-	-		-	11,242
Permits	507	-	-	444	-	1,400	-	1,535	6,356	-	10,242
Amortization of property and equipment	-	-	-	-	-	-	-	-	-	-	-
Total	3,714	26,861	23,921	444	-	27,503	9,142	1,535	7,189	-	-
Total per province			**54,496**							**45,813**	-
Total Quebec/Ontario											**100,309**
Tax credits	-	-	-	-	-	-	-	-	-	-	-
Total including write-off and tax credits	**3,714**	**26,861**	**23,921**	**444**	**-**	**27,503**	9,142	**1,535**	**7,189**	**-**	**100,309**
Balance – September 30, 2016	**3,714**	**26,861**	**23,921**	**54,151**	**6,740**	**27,503**	**2,281,490**	**1,535**	**7,300**	**-**	**2,433,215**

Exploration Activities (Mining Properties) (cont'd)

Exploration and evaluation assets September 30, 2015 (restated)											
	Ontario			Québec							
	Matheson Pelangio	Matheson JV	HMR	Valmont	Vulcain	Sakami	Kipawa	Zeus	Tansim	R2D2	Total
	$	$	$	$	$	$	$	$	$		$
Balance - beginning	304,971	960,248	-	-	-	2,213,091	2,086,321	-	-		5,564,631
Analyses	-	-	-	-	-	-	-	-	-	-	-
Drilling	-	-	-	-	-	-	-	-	-	-	-
Geology, geochemistry, geophysics and prospection	-	-	-	-	-	-		-	-	-	-
Line cutting	-	-	-	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-	-	-	-
Travelling and lodging	-	-	-	-	-	-	-	-	-	-	-
Other exploration expenses	-	85,426	-	-	-	-	194,981	-	-	-	280,405
Permits	-	1,072	-	53,707	6,741	-	-	3,812	111	-	65,443
Amortization of fixed assets	-	828	-	-	-	-	-	-	-	-	828
Total	**-**	**87,326**	**-**	**53,707**	**6,741**	**-**	**194,981**	**3,812**	**111**	**-**	**346,678**
Total per province			**87,326**							**259,352**	
Total Quebec/Ontario											**346,678**
Governmental assistance	-	-	-	-	-	-	(194,488)	-	-	-	(194,488)
Total including write-off and governmental assistance	**-**	**87,326**	**-**	**53,707**	**6,741**	**-**	**493**	**3,812**	**111**		**152,190**
Balance – September 30, 2015	**304,971**	**1,047,574**	**-**	**53,707**	**6,741**	**2,213,091**	**2,086,814**	**3,812**	**111**		**5,716,820**

Exploration work

Since the beginning of the year 2016, $100,309 was engaged in exploration and evaluation assets. From this amount, $54,496 was incurred in exploration and evaluation assets in Ontario (55% of DEC incurred) and $45,813 was incurred in Quebec (45% of DEC incurred). Here is an outline of the main exploration done in 2016 on the Kipawa property and that under Sakami option. Also, information related to the HMR (1% NSR), Matheson JV (50%), Matheson-Pelangio (100%) and Tansim (100%) properties hold by Matamec are showed below:

Québec

Kipawa rare earth JV (REE-Y)

During the period, the Kipawa rare earth JV spent $270,720 on the Kipawa deposit. The expenses include: the continued metallurgical testing at SGS Lakefield, the organization and planning for the ongoing environmental and social impact studies, and the ongoing relations between Matamec and the aboriginal and non-aboriginal local communities.

Addition of a strategic partner

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

The creation of this joint venture contributes to the positioning of Quebec, Témiscamingue and Matamec at the forefront of the quest for heavy rare earths production outside of China.

The Joint Venture is managed by a management committee consisting of a representative of each of the two parties. Matamec acts as the manager of the Joint Venture. In the event that the parties decide to move into 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.

Addition of a strategic partner (cont'd)

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.

Cash and work in progress

Matamec, as Operator, manages the funds and carry out the work of the Joint Venture rare earths Kipawa. At September 30, 2016 the funds of the Kipawa rare earths JV totaled $768,519.

These funds allow for the achievement the objectives for the years 2015-2017 on the enriched heavy rare earths Kipawa deposit, such as:

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

Since the organization of the Kipawa rare earths JV in January 2015, $2,646,594 was spent in the Kipawa deposit.

Feasibility study

This section provides an update to the feasibility study since its publication on October 17th, 2013, including its background and current status.

Background and Current Status*

A Kipawa feasibility study (FS) was published on October 17, 2013 based on the mining and processing of 3,650 average t/d of ore to produce 3,600 tonnes of mixed rare earth concentrate per year. Overall estimated capital cost for the project was $ 374 million, with an IRR of 21.6%. During and subsequent to this study, metallurgical test work continued and some new processing data have not been reflected in FS's process design. Furthermore, potential improvements and other process options have been identified that require testing and assessment.

For the period ending November 14, 2016, no work was conducted directly pertaining to the FS update. An update of the FS to include process and related changes is required.

Future Plans*

The FS update was scheduled to begin in Q4 2016; however a slower than anticipated pace for ongoing metallurgical work and delayed execution of a second mini-pilot program requires that the FS update be pushed back to late 2017 - early 2018.

As previously reported, a number of trade-off studies are planned to be completed prior to the FS update. These are not currently on the critical path and can be completed as time and resources permit. Trade-off studies are expected to include:

- Plant location;
- Mining Methods;
- On-site Manufacture of Sulfuric Acid;
- Transportation Study;
- Tailings Disposal.

(Al Hayden, P.Eng, Consulting Metallurgical Engineer for the Kipawa project is a qualified person for NI 43-101 purposes and responsible for the technical content of this section.)*

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

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.

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.

For the years 2015 and 2016, three major Canadian financial institutions predicted that the Canadian dollar would range between $0.75 and $0.84 against the US dollar (Scotia- Global Economics-31/03/2015; National Bank of Canada - Financial Markets-Foreign Exchange-April 2015; Desjardins-Economic Studies-Forecasts currency-21/04/ 2015). In November 2015, these Canadian financial institutions forecasted for 2016 a Canadian dollar in a range between $0.72 and $0.79. These institutions now see the dollar

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

in a range between $0.72 and $0.76 during 2016 (Scotiabank- Global Economics-10/17/ 2016; National Bank of Canada-Financial Markets-Foreign Exchange-November 2016; Desjardins-Economic Studies-FX Forecasts-November 2016). At this time, the Canadian dollar trades around $0.75.

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. More recently, Roskill Information Services Ltd., in its August 23, 2016 Weekly Roundup publication, reported that the Chinese government plans a zero tolerance approach to the illegal mining of rare earths. Mining from unofficial sources accounts for 25-30% of global rare earth supply in 2016. The Chinese government is also exploring the possibility of a product tracing system to track the source of rare earths and movement through the whole supply chain.

In addition, regarding the changes in global demand for rare earths, Kerry Satterthwaite of Roskill 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. 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.

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

The following table presents estimated (in tonnes) global demand for rare earths in 2020. At that time, demand from the polishing and alloying sectors will remain strong. Only the "phosphors" sector will see demand remain stable or decline following the rapid penetration of LED bulbs; this has reduced demand for europium and terbium by 2/3 since 2011, since the same formulation for LED bulbs requires micrograms per unit unlike fluorescents that use grams per unit.

Estimated Global Rare Earths Demand in 2020 (t. REO +/- 20%)

Application	China	Japan	USA	Others	Total	Market Share
Catalysts	20,000	5,000	6,500	2,500	**34,000**	16%
Glass	8,500	1,500	1,000	1,000	**12,000**	6%
Polishing	17,500	3,500	2,500	1,500	**25,000**	12%
Metal Alloys	28,000	5,500	3,000	2,000	**38,500**	18%
Magnets (Excluding 12.5% recycling)	60,000	8,000	2,500	2,000	**72,500**	35%
Phosphors (Including Pigments)	4,500	500	250	250	**5,500**	3%
Ceramics	4,000	2,500	1,500	1,250	**9,250**	4%
Other	7,000	2,250	2,750	1,250	**13,250**	6%
Total	**149,500**	**28,750**	**20,000**	**11,750**	**210,000**	100%
Market Share	71%	14%	9,5%	5,5%	100%	

Source: Imcoa and Rare Earths Industry Stakeholders – November 2016.

In its article entitled "Will permanent magnets save the rare earth industry?" dated November 3, 2016, Roskill points out that the permanent magnet and catalyst sectors will be the largest markets for rare earths until 2026. The catalyst sector will continue to drive

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

demand for cerium and lanthanum, while neodymium, praseodymium and dysprosium will be needed for permanent magnets.

In a presentation entitled "The Global Rare Earths Industry Today – Plagued by Illegal Production in China" at the 11th International Rare Earths Conference held in Singapore from November 9 to 12, 2015, Dudley J. Kingsnorth, rare earths world market expert for more than 25 years, forecast that the world rare earths demand would increase to 200,000 t. between 2015 and 2020, and to 280,000 t. between 2020 and 2025 with a growth estimated at 7% per year. For example in a sustainable viewpoint for the price of a rare earth oxide as neodymium, it would be in a range of $60 to $80/kg between 2015 and 2020, and from $70 to $90/kg between 2020 and 2025.

In his most recent presentation, "Rare Earths - The China Conundrum," delivered at the 12th International Rare Earths Conference held in Hong Kong from November 8 to 10, 2016, Kingsnorth forecasts global demand for rare earths in 2020 to reach 210,000 tpy, a 5% increase over the 2015 forecasts. As for his perspective on long-term prices of rare earth oxides such as neodymium, he now expects it to be around $70/kg between 2015 and 2020 and about $80/kg between 2020 and 2025.

In 2016, future forecasts of rare earth prices are increasingly difficult to make. In 2014, Zhou et al., cited above, indicated that the Chinese government's strategies would have a positive impact on the future price of rare earths. By 2016, the consolidation of the rare earths industry is nearing completion, but the elimination of illegal production or smuggling of rare earths is progressing very slowly and environmental legislation is sparsely applied (Imcoa, 2016).

However, the following factors could contribute to increasing prices in China in the future, thereby driving increased production in the rest of the world (Imcoa, 2016):

1. Chinese companies have been incurring losses since 2014 as the market value declined from US $10B in 2011 to US $4B in 2013, and in 2016 it will end up between US$2-3B;

2. the cost of restoring rare earth mines and unused processing units is estimated to be 10 times the industry's current gross revenue and this benefits the downstream industry;

3. China's mining production is estimated at 300-400,000 tpy of rare-earth oxides and is expected to increase to 400-500,000 tpy by 2020 for the downstream needs of the industry, which threatens China's dominant position in the long term;

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

4. the establishment of ISO standards for rare earths is promoted by China and has the support of the USA, Europe, Japan and Canada;

5. there is a very strong desire on the part of the Chinese authorities to develop new applications using rare earths.

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 2017, it expects to be able to review all the information and assumptions it contains. Although the Company has no control over the price 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*

The 2015-2017 metallurgical development work plan, developed with the objective to improve the weaknesses identified within the Kipawa process flowsheet, continues to advance. For the Beneficiation circuit, encouraging results have been obtained with flotation on the Kipawa ore, with excellent rare earth recovery at low mass pull. These results could lead to significant reduction in both capital and operating costs for the project. Optimization work on flotation is expected to continue until mid-2017. Matamec will continue to work closely with the research facility to further improve upon the results.

Metallurgical work is also ongoing in the Hydromet and Purification circuits. The planned testwork will continue to confirm and optimize those two circuits, with the aim to generate highly valuable rare earth products while minimize the overall cost of the project. A continuous mini-pilot plant will be operated subsequently to validate the improvements made to the process.

In addition, Matamec has initiated work into the recovery of potential by-products from the Kipawa deposit. Initial studies revealed good potential to recover Zirconium, Feldspar and Quartz from Kipawa, and by doing so substantially decreases the total amount of tailings generated from the project. The potential for generating by-products will continue to be evaluated.

Metallurgical tests* (cont'd)

(Eliza Ngai, M.Eng, P.Eng, Metallurgist of the Company for the Kipawa project, is the qualified person according to the NI 43-101 standard, and is responsible for the technical content of this section).*

Environment*

This section provides an update on several initiatives related to the environment.

By means of an Engage Grant (EG), a study began in December 2015 to characterize and predict the geochemical behavior of rare earth-bearing tailings, working from a study of 6 rock samples from the Kipawa deposit, and this work continued in the fall of 2016.

The objectives set for the autumn laboratory study were:

- To characterize the samples post-dismantlement (mini-cell in the laboratory):
    - The late receipt of some results caused some delays to the original project schedule. However, this did not affect the quality of the study. Among other things, the post-dismantling characterization of the mini-cells is not yet fully complete.

- Perform automated mineralogy using QEMSCAN and microprobe analysis (EPMA):
    - Mineralogy by QEMSCAN (Quantitative Evaluation of Minerals by SCANning electron microscopy) and EPMA (electronic microprobe analysis on polished sections) are complete and will be included in the findings of the student working on the study.

- EXAFS:
    - Extended X-Ray Absorption Fine Structure (EXAFS) will also be completed later this fall.

- Interpretation of the overall results:
    - Thermodynamic equilibrium calculations using Vminteq and PHREEQC software are also in progress and will continue at the beginning of 2017. They will be included in the articles and the thesis by the doctoral student.

A few exchanges took place between Matamec and IRME-UQAT to discuss continuing the study within the framework of a Collaborative Research and Development Grant (CRD). Currently, we are investigating the possibility of applying for this with the Natural Sciences and Engineering Research Council of Canada (NSERC).

(Sylvain Doire is the Director of Environment.)*

Social acceptability of the Kipawa project*

Social acceptability has become an inescapable requirement for all large-scale projects, and mining projects are no exception. We are proud to mention that this component of the development of the Kipawa rare earths joint venture has always been one of our top priorities.

The principles of information sharing, transparency and listening are a part of the everyday life of the Director of Regional Relations and of the other members of the team. The joint venture project is currently in a phase of process optimization. It is therefore necessary to redouble our efforts to keep local stakeholders informed about the project and the fact that is continues to be a going concern, even if no ground activity is noted by the involved parties.

Regular contacts take place with the regional and municipal authorities to inform them of the joint venture's activities. The elected representatives are kept apprised of the fact that we continue to work with various universities and research centres from across Quebec to optimize the project and improve our understanding of rare earths.

During the period covered by this report, a meeting was held with the representatives of both aboriginal communities involved in the project. Frank discussions took place. It was explained to them that we have worked to optimize and improve the project, which may better meet the expectations of their communities.

Also, the Director of Regional Relations regularly meets with Témiscamingue's business community. We keep working to ensure that the region will reap its fair share of the benefits during the construction and operations phases of the project's development. According to this community, the arrival of a mining project would represent an opportunity for diversification of industry for Témiscamingue - an opportunity which could help slow the exodus of its population.

(Claude Brisson is the Director of Regional Relations).*

Sakami (Gold)

On August 18, 2016, Matamec announced that Canada Strategic Metals (CSM) has acquired its 50% undivided interest in the Sakami property, after having issued 2,000,000

Sakami (Gold) (cont'd)

shares to the Company and having spent $2,250,000 in exploration work over the past 3 years.

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.

Regional context of the Sakami Gold Property

The property covers a major geological contact between two very favourable sub-provinces for the discovery of gold showing. The geology of this geological contact includes Opinaca sediments of the mafic volcanic La Grande and iron formations in association with a major deformation zone, particularly along the sub-provinces of La Grande-Opinaca. The mineralization style and tectonic setting have many similarities with the Eleonore mine owned by Goldcorp and showing Cheechoo, held by Sirios Resources.

In this context of similarity index Pointe shows important similarities with the showing Cheechoo, such as:

- The mineralization associated with silicified paragneiss containing fine quartz veinlets.
- A brownish tourmaline alteration and mineralization in a very thin pyrrhotite - arsenopyrite.
- An association of gold mineralization with a very proximal tonalite intrusion.
- The presence of gold mineralization associated with silicified paragneiss the Opinaca basin and folds structures.

The reader is cautioned that there is no guarantee that the content mineralization identified on the Cheechoo deposit will be identified on the Sakami project of the Company.

Results of the 2016 Summer Exploration Campaign

The 2016 Summer Program covered 4 areas of the property, and included a drilling campaign of 9 holes totaling 2,058 m on the La Pointe sector (PT-16-91 to PT-16-99). It also comprised a total of 210 km of geophysical survey lines in the La Pointe, Île and JR West sectors, and a mapping and prospecting campaign in the Péninsule, Île and JR West sectors.

The result from PT-16-93 together with PT-16-91 and PT-16-92 confirm that Zone 25 increases in thickness and grade to the northwest (see Figures 1, 2, and 3). This lens remains wide open in this direction and we are very keen to test the continuity of this thick zone of gold mineralization in the next drill campaign. Note that the grade of the intervals are relatively consistent; there are no extreme grade assays that carry very low grade intervals. The very thick intervals and their relative position suggest a possible merging of Zone 22 and 25 in this direction, as illustrated in Figure 3.

The drilling of PT-16-96 and 97 confirms the mineralization trend to the extreme south east, and the lack of significant assay results in the remaining drill holes testifies to the complex geology occurring at this apparent fold nose on the La Pointe Peninsula. All significant results for the latest campaign are presented in the table below.

TABLE OF MINERALIZED INTERSECTIONS FROM 2016 DRILLING

Hole #	From (m)	To (m)	Length * (m)	Au (g/t)
PT-16-91**	165.20	208.50	43.30	2.21
Including	176.00	187.50	11.50	3.46
PT-16-92**	203.60	252.15	48.55	2.52
Including	206.95	228.00	21.05	4.94
Including	206.95	225.00	18.05	5.38
PT-16-93	252.00	279.00	27.00	1.87
Including	253.00	258.00	5.00	3.14
And Including	271.00	277.00	6.00	2.69
PT-16-94	NSV			
PT-16-95	NSV			
PT-16-96	124.00	125.00	1.00	1.73
PT-16-97	136.00	156.50	20.50	0.55
PT-16-98	NSV			
PT-16-99	66.00	69.00	3.00	1.33
	78.00	81.00	3.00	1.08
	91.50	93.00	1.50	1.97
	124.50	127.50	3.00	1.07
	169.00	170.50	1.50	2.86

** The Company estimates the true width of the mineralized zone at 70 to 95% of the core length.*
*** Results already announced in a press release dated September 6, 2016.*

Results of the Summer 2016 Exploration Campaign (cont'd)

Figure 1: Plan map of the La Pointe area showing Zone 25. The three best results are labelled, the others are highlighted with orange traces. The dashed box shows the position of Figure 2.

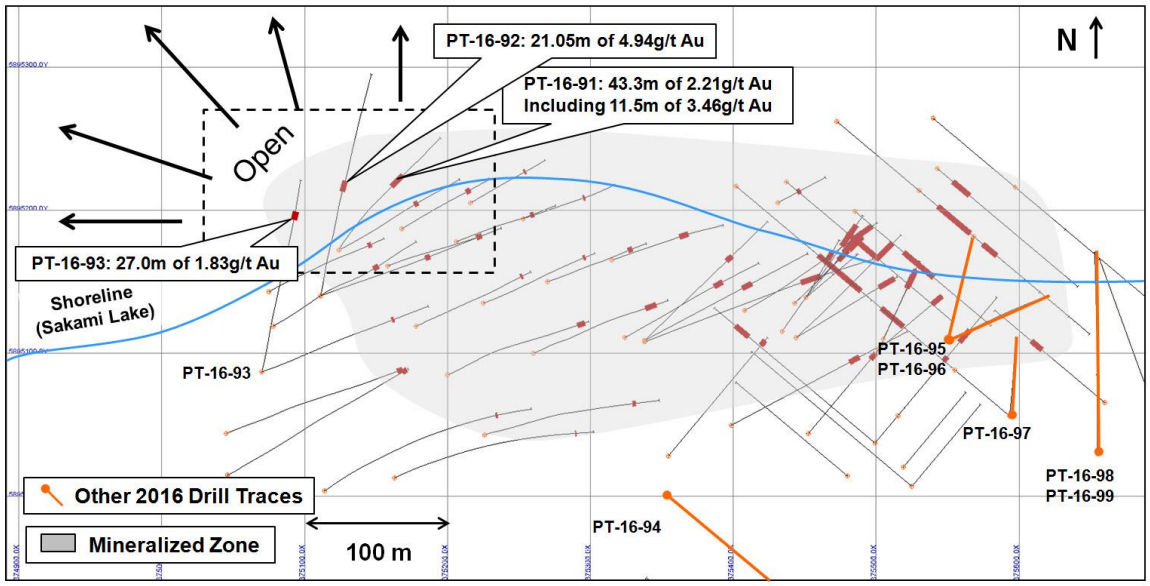
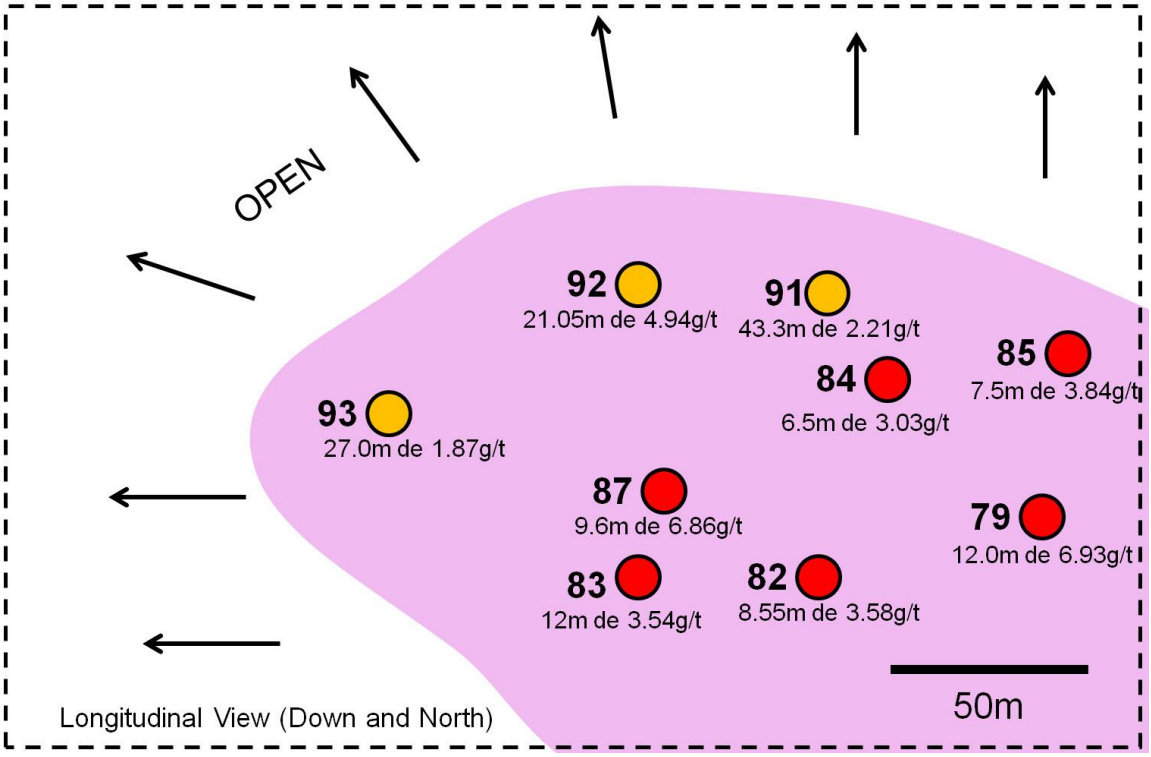
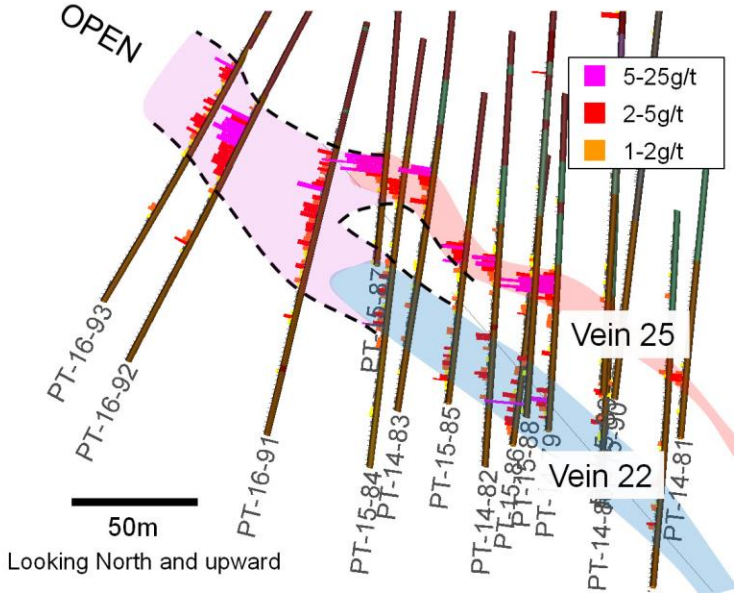


Figure 2: Oblique view (longitudinal) showing the location of pierce points on the northwest portion of Zone 25 (orange points are from 2016).



Results of the Summer 2016 Exploration Campaign (cont'd)

Figure 3: Composite section of Zone 25 and 22 illustrating potential merging of these zones.



In addition to the drilling, the program included 185 kilometres of magnetic and electromagnetic surveying on three sectors of the property: JR Ouest, Iles, and La Pointe. The program also included prospecting, mapping and sampling work on the Peninsula and Iles sectors. A total of 511 chip samples and 156 channel samples were collected.

The geophysical survey was divided into three sectors, covering 85 line-km on the Iles sector, 89 line-km on the JR Ouest sector and 11 line-km on the La Point sector. The survey helped to better define the position and nature of the various geological units and many fault and shear structures. Interpretation of the various domains identified a total of 61 anomalies with the potential to be associated with mineralization.

The results for the Simon showing supports the presence of high-grade gold values, with channel sampling results of up to **20.8 g/t Au over 1 metre** and **17.45 g/t Au over 1 metre**. It should be recalled that the Simon showing was discovered as a result of work carried out in the summer of 2015 on the Peninsula sector, which returned 45.9 g/t Au in a chip sample. This new gold showing is located on a geophysical anomaly where a strong magnetic low is observed, as well the junction of multiple faults. It is also located on the contact between the LaGuiche sediments (Opinaca) and La Grande belt volcanic and appears encased, like the Zone 25 gold zone in the La Point sector.

(The technical data shown in this section comes from the press releases issued by Matamec and CSM on April 4th and 25th, July 6th, September 8th and November 8th, 2016).

Tansim (Li-Ta-Nb-Be)

This property located in western Québec is rich in lithium, tantalum, niobium and beryllium which are used in today's innovative technologies.

From east to west on the property, complex and zoned granitic pegmatites show large beryl crystals (1.5 to 45 cm in length) with grades up to 0.5% Be, grades between 168 and 500 ppm up to 5.8% Ta_2O_5, grades up to 0.028% Nb_2O_5 and grades between 0.33 and 1.95% up to 4.65$ Li_2O. These complex pegmatites are typically carrier of following minerals*:

- Spodumene and lepidolite (lithium);
- Tantalite and columbo-tantalite (tantalum and niobium;
- Beryl (beryllium).

** (R. Charbonneau and I. Robillard. Technical Report on Tansim Property. Matamec. September 26, 2007. 25 p. + Appendices 1 and 2).*

Ontario

Matheson JV/Matheson Pelangio (gold)

The Matheson JV held at 50% and the Matheson-Pelangio (100%) properties lie 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 sufficiently followed by drilling*. The entire property deserves further exploration.

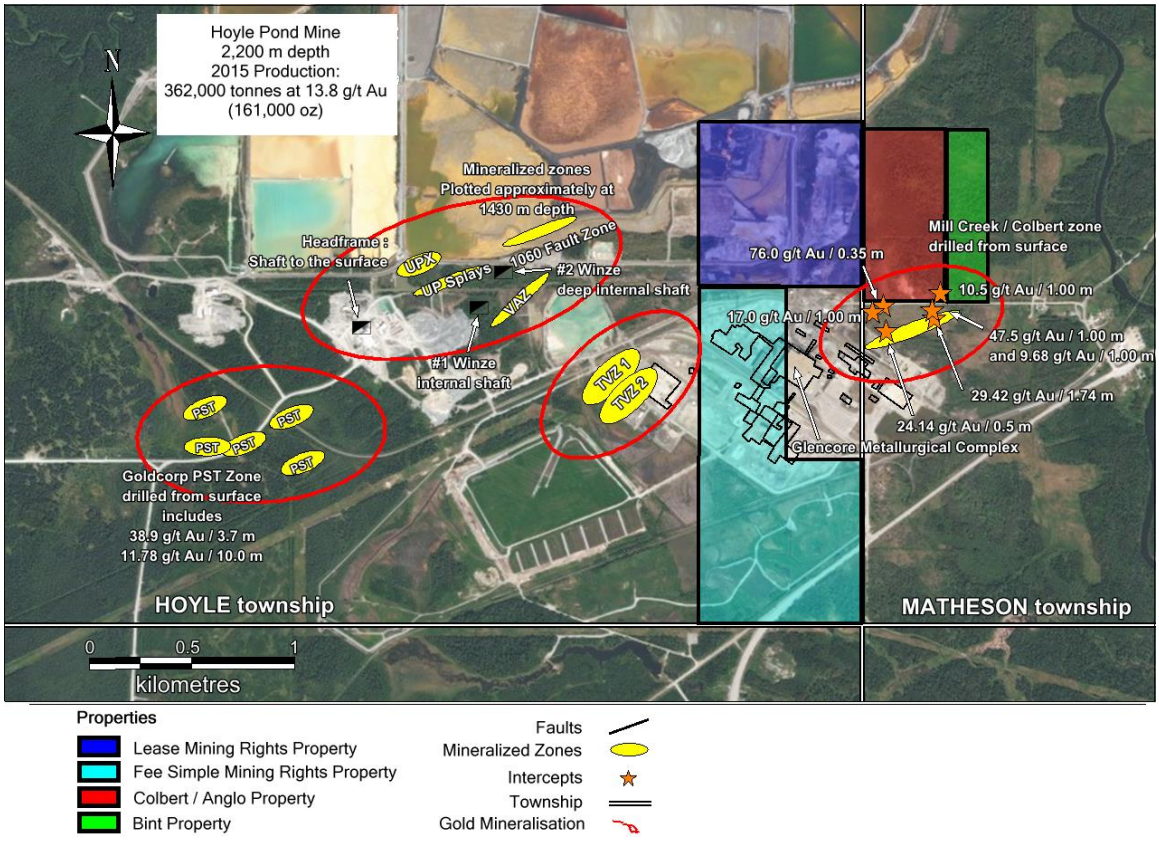
***** *(J.A. Marcotte and E. Giguère. Exploration Report on the Matheson Property-Matamec. May 31, 2010. 68 p. + annexes).*

On March 2, 2016, the Company announced the closing of the transaction between the Company, International Explorers and Prospectors Inc. ("IEP"), Glencore Canada Corp. ("Glencore") and Goldcorp Canada Ltd ("Goldcorp") with respect to the sale by the Company and IEP on certain properties located in Hoyle and Matheson Townships in Timmins for an amount of $861,055 and NSR royalties on the new Hoyle-Matheson Royalties property.

New Hoyle-Matheson Royalties Property (HMR)

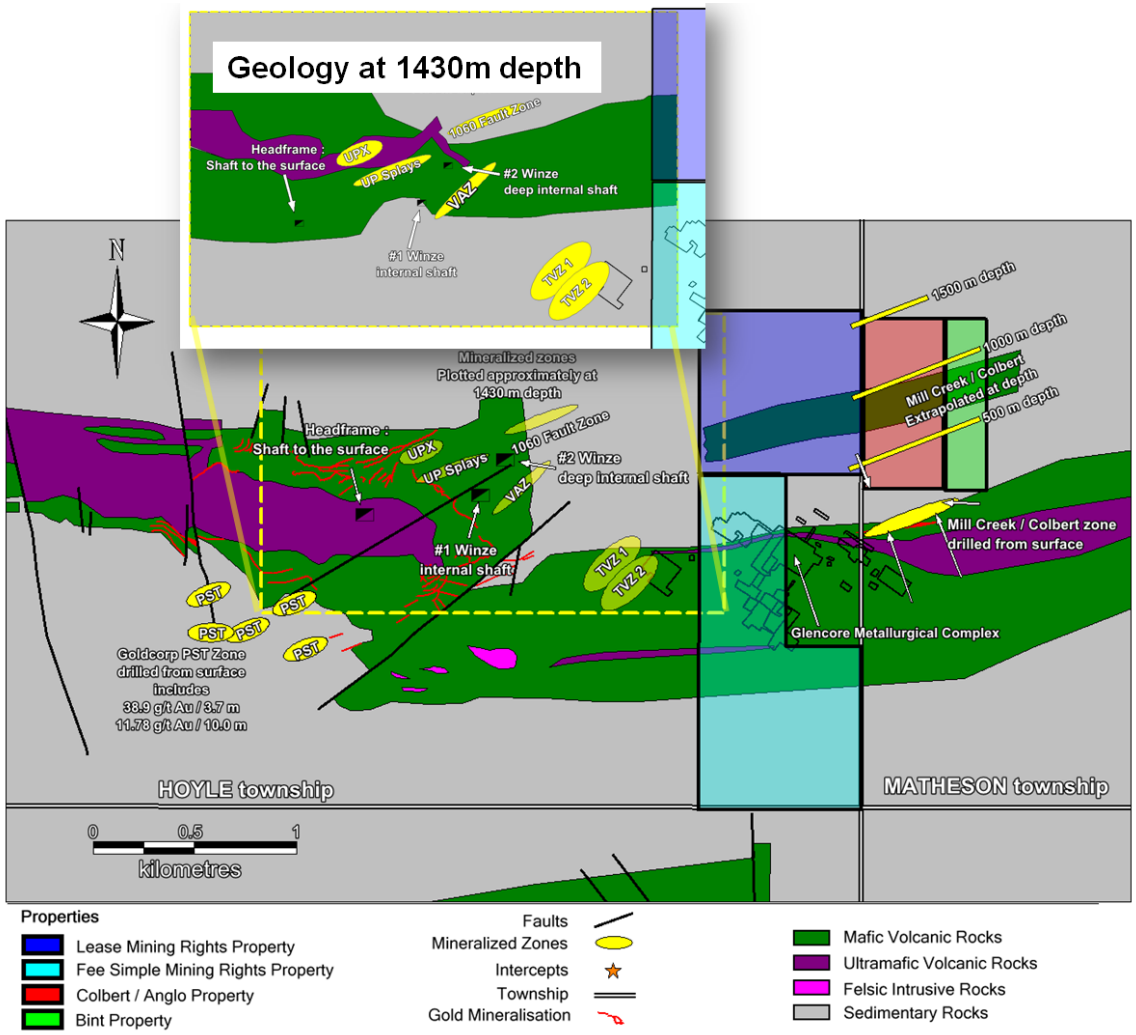
Following the PREAA announced on March 2nd, 2016 with Glencore and Goldcorp, Matamec now holds royalties of 1% NSR on the HMR property. The Company recently reviewed and restated the gold potential of this property. Based on its review, Matamec believes that the mineralized series of gold veins being mined and processed at Goldcorp's Hoyle Pond Gold Mine trends onto the HMR property. The press release of April 16, 2016 summarizes publicly available information to highlight this conclusion. The four properties upon which Matamec has received a 1% NSR are collectively referred to as the HMR, and are indicated on the following figures 1 and 2:

Figure 1. Hoyle-Matheson Royalties Property



New Hoyle-Matheson Royalties Property (cont'd)

Figure 2. Hoyle-Matheson Royalties Property geological map with mineralized zones projected vertically. The inset map shows the geology at 1,430 meters to illustrate the actual rock association at depth. Surface geology was taken from Ontario Geological Survey Open File 5985.



Technical information presented herein was gleaned from Goldcorp Investor Presentations from 2010 to 2015, Ontario Geological Survey publications and other public information, all of which Matamec has assumed to be reliable. Matamec's review indicates that within the Hoyle Pond Gold Mine property, to the west of the HMR, the mineralized veins occur primarily within, or proximal to a 500-800 meter thick mafic volcanic package, with ultramafic rocks occurring near the core. Several individual veins

New Hoyle-Matheson Royalties Property (cont'd)

have been mined or are currently being mined or developed on the Hoyle Pond Gold Mine property. Individual gold bearing veins have a relative predisposition for an east-north-east direction. Together, these families of veins also trend in an apparent east-north-east direction with a plunge to the east. It is as of yet unknown if the mineralization system occurs within the HMR.

The similarity between the rock sequences, structural interpretation and mineralized zones occurring on the Mill Creek/Colbert Zone and at the Hoyle Pond Gold Mine is striking. These two zones are on either side of the HMR, with the prospective geological and structural packages trending onto it from both directions.

On November 29, Matamec has recently compiled data provided by Goldcorp under the Property Rights Exchange Arrangements Agreement ("PREAA") regarding exploration work completed in 2012 to 2015 on the TVZ zone, whose eastern extension is located on the Hoyle-Matheson Royalties ("HMR") Property.

The HMR Property is contiguous to the operating Hoyle Pond Mine in Timmins, Ontario. The *Leased Mining Rights* and *Fee Simple Mining Rights* property are wholly owned by Goldcorp and Matamec retains a 1% net smelter royalty ("NSR") on the property (see Figure 1 for the localization of the HMR property). Drilling completed by Goldcorp on the HMR Property from 2012 to 2015 has shown that the TVZ zone extends onto these two claims. The 1% NSR on the *Leased Mining Rights* property is effective only after the first 500,000 ounces are produced; all other royalties have a 1% NSR that is effective from the first ounce produced.

The TVZ zone comprises a subvertical mineralized corridor with variable thickness that strikes and plunges gently to the northeast. The currently known mineralization occurs between 1,200m and 2,000m vertical depth on the two claims in question. It is hosted entirely within sedimentary rocks, which is not typical of the ore produced from the Hoyle Pond Mine. The zone appears to be cutting up-stratigraphy and may intersect the contact with the mafic volcanic package to the northeast. The TVZ zone is open in this direction, towards the Colbert Claim (see Figure 3). Goldcorp is not currently mining the TVZ zone, and has indicated that they presently have no plans for additional work on the HMR property.

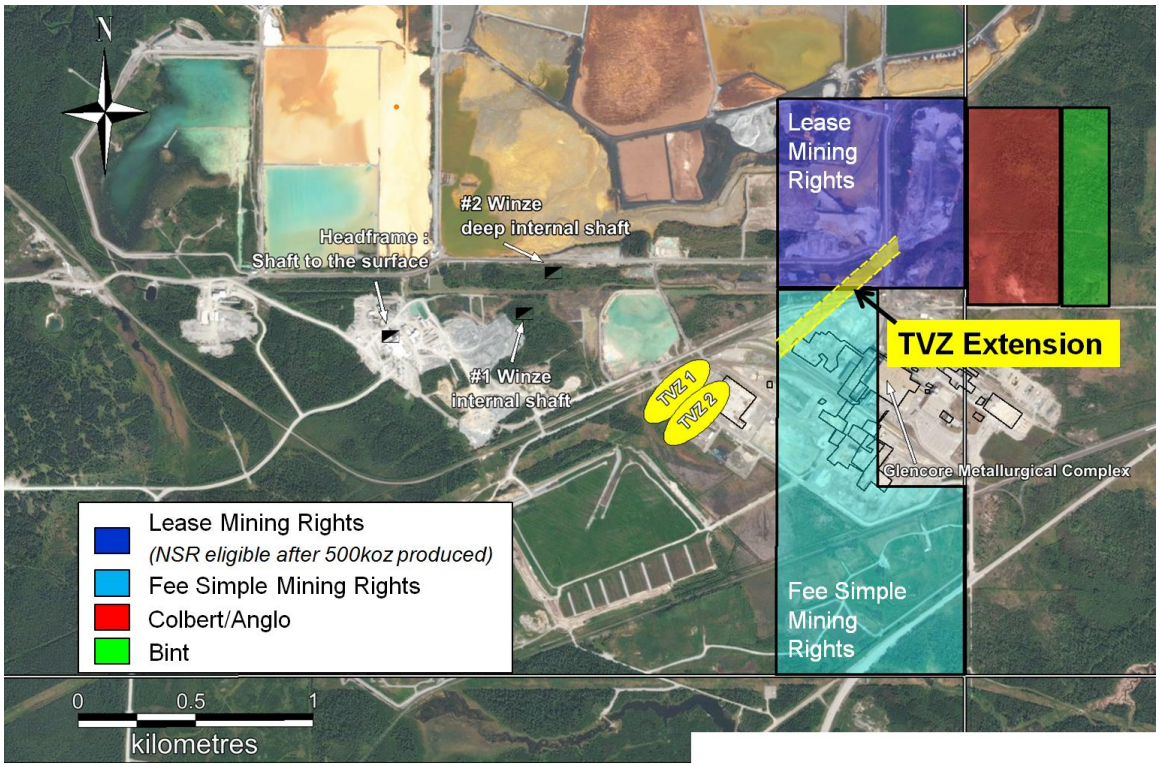
Caution

Matamec has not received any other drilling result on the TVZ zone, whose eastern extension is located on the HMR Property, since it received the latest drilling results pursuant to the PREAA in 2016. Although Matamec does not have an equity interest in

New Hoyle-Matheson Royalties Property (HMR) (cont'd)

these properties (*Leased Mining Rights* and *Fee Simple Mining Rights* claims), it does own royalties on these claims, which are contiguous with the operating Hoyle Pond Mine. The receipt of any royalty payments by Matamec in respect of these claims is entirely dependent upon whether Goldcorp decides to extract minerals from these properties.

Figure 3. Satellite Photo of the Hoyle Pond Mine area in Timmins showing the approximate extension of the TVZ zone onto the four claims upon which Matamec owns a 1% NSR. The yellow ellipses showing the position of TVZ1 and TVZ2 were plotted based on a public presentation by Goldcorp.



(The technical data shown in this section comes from the press releases issued by Matamec on March 2th, April 16th, and November 29th, 2016).

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 is to be undertaken by the Kipawa Rare Earths Joint Venture, held by Matamec (72% interest) and by RQ (28% interest), has largely come down to metallurgical work. This began in spring/summer 2015 and mainly includes the 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.

With the intent to move the project forward with the **$768,519 in liquidity held at September 30st, 2016 by the Kipawa Rare Earths JV**, in addition to the metallurgical work, other activities will begin or continue, such as: evaluation of the opportunities to reduce 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.

In order to achieve these future development and financing objectives, Matamec unveiled its new strategy for its mining properties, which is to continue exploration of its gold properties in Matamec Gold and to create an Energy subsidiary for its other properties. On September 12 it announced the signing of a letter of intent to acquire the Casa Berardi South and Troilus North gold properties from Greg Explorations Inc. ("Greg"), subject to certain conditions. Matamec announced on September 26 that the process to create the Matamec Energy subsidiary is underway and that the Company intends to acquire Greg's Lorraine property, subject to certain conditions, as outlined in the letter of intent.

The MoU targets an increased collaboration between the two companies to meet the following objectives:

1. To allow Matamec to increase its portfolio of gold properties in geological settings linked to deposits or mines in production in Province of Québec by the acquisition of certain of Greg’s gold properties, and to proceed with financing thereafter. To date, the parties have agreed that the North Troilus and South Casa Berardi held by Greg will be part of this transaction (the “gold projects”);

STRATEGY AND ACTION PLAN (cont'd)

2. To transfer energy-related projects of Matamec and Greg into a new mining company (NewCo), to be constituted, in which Matamec will be the main shareholder. This new company will be exclusively dedicated to exploration and development of industrial minerals deposits related to energy.

To achieve this objective, an update of the technical reports (prepared in compliance with the National Instrument 43-101 for the Standards of Disclosure for Mineral Projects) and an independent valuation of each property of Matamec and Greg will be completed this fall. This will allow the parties to agree on the fair market value (FMV) of the gold projects that will be transferred by Greg to Matamec and the energy-related projects which will be transferred by the parties to NewCo. The planned acquisition of the Greg gold projects will probably be completed through the issuance of shares of Matamec on the main basis of the ratio of the FMV of these properties on all properties of Matamec and Greg. As for the acquisition of energy related projects by NewCo, the terms remain subject to negotiation between the parties. The final terms of these transactions must be confirmed in the near future by the parties and remain subject to certain conditions such as, notably, the approval from each Board of Directors of Matamec and Greg as well as regulatory approval a new mining company (NewCo) to be formed in Matamec's case.

The parties have agreed on a timetable targeting, especially, (i) identification of the gold projects and industrial mineral projects, as well as the confirmation of their value, by end of September 2016; (ii) the incorporation of NewCo and the execution of the required agreements to put in place the different transactions targeted by the MoU by the end of October 2016; and (iii) put in place the initial financing of NewCo by the end of November 2016. On November 25th, 2016, the MoU was amended by the two parties whereby the completion date of item (i) was postponed to January 31, 2017 and for item (ii) to February 28, 2017.

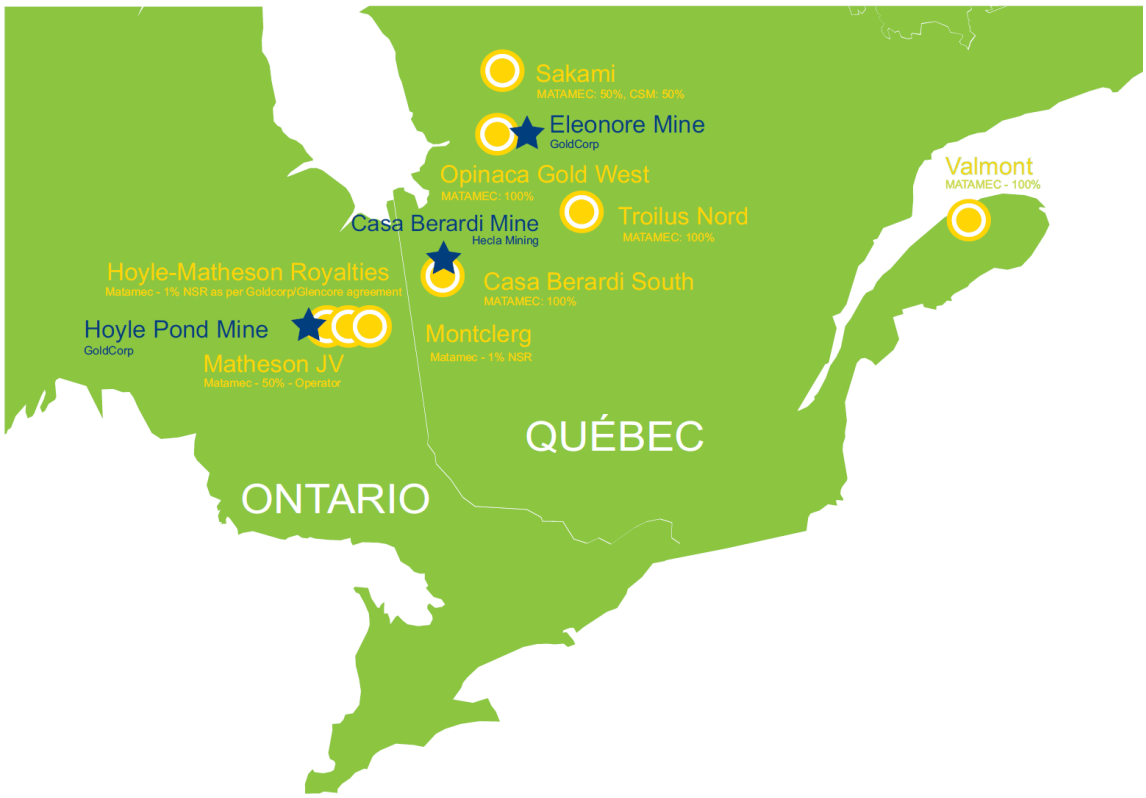
With the properties it already holds, including the new Opinaca Gold West property and these two new acquisitions, Matamec will hold interests in the following gold properties (see the map below for their locations):

- **Near the Casa Berardi Mine, owned and operated by Hecla Québec, north of La Sarre in northwest Québec:** The Casa Berardi South property (acquired at 100%) captures a rock structure that is parallel and analogous to the Casa Berardi mine for 15 kilometres, and has been relatively unexplored to date;
- **In the northwest extension of the former Troilus Mine host package, located northwest of Chibougamau, Québec:** The Troilus North property (100%) straddles a northeastern extension of the volcanic sequence hosting the Troilus Mine deposit for about 10km;

STRATEGY AND ACTION PLAN (cont'd)

- **In the geological setting that hosts the Éléonore mine near James Bay in Québec:**
  - **The Sakami property**, 50% owned by Matamec, covers the Opinaca-La Grande geological contact, and the results of its Summer 2016 drilling campaign in the La Pointe Zone included 4.94 g/t Au over 21.05m;
  - **The new Opinaca Gold West property**, 100% owned by Matamec, is situated along the same geological formation as Goldcorp's Éléonore gold mine where new gold potential along this trend has been identified. The claims block covers a series of geochemical gold-arsenic anomalies and geological elements that suggests the presence of a gold bearing system along approximately 40 km;
- **Along the stratigraphic rock formations east of the Hoyle Pond Mine owned and operated by Goldcorp in Timmins, Ontario**: Matamec holds a royalty of 1% NSR on the new HMR property, a 50% interest in the Matheson JV property, and a 100% interest in the Pelangio property;
- **In the promising setting of the historic Candego mine, in the Gaspé region:** The Valmont property hosts Pb-Zn-Ag-Au mineralization from the historic Candego mine and several gold-bearing vein systems.

Locations of Matamec's Gold Properties



STRATEGY AND ACTION PLAN (cont'd)

In terms of key elements that are used in technology related to energy (see Tables 1 and 2), Matamec will hold interests in the following energy-related properties (see Figure below for their locations):

- **Elements used in lithium-ion batteries, for vehicles and energy storage**:

  ● The Tansim Property (100% owned by Matamec) covers 12,000 hectares (ha) and is located on the north shore of Lake Simard in the Temiscamingue region of Québec. It shows complex and zoned granitic pegmatites on more than 10 km;

  ● The Lorraine Property (100% owned by Matamec) covers 4,600 ha in the Témiscamingue region approximately 40km east of the provincial border with Ontario;

  ● The Fabre Property (100% owned by Matamec) covers 2,930 ha in the Lake Temiscamingue region about 10km from the historic Cobalt mining camp, and is in a lithological and structural setting that is key to the discovery of cobalt-enriched mineralization;

- **Elements used in most technologies related to energy:**

  ● The Kipawa Property, located 50km east of the town of Témiscaming, comprises a block of 21 mining claims covering more than 1,100 ha.

Table 1. Key Elements Used in Energy-Related Technology that are Present on Matamec Energy Properties

Energy-Related Properties	
Properties	**Elements Present**
Tansim	Li
Fabre	Co, Ag
Lorraine	Ni, Co, Pt, Pd, Rh
Kipawa	Ce, La, Pr, Nd, Eu, Gd, Tb, Dy, Yb, Y, Ga, Hf, Ti

Table 2. Key Elements Used in Energy-Related Technology

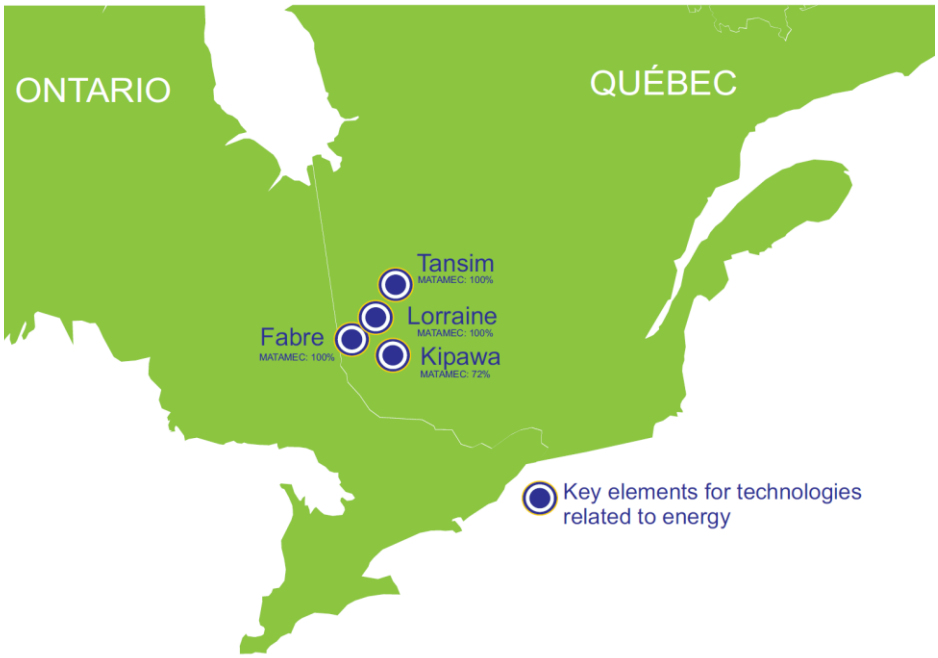
Applications	Technologies	Key elements
Vehicles	EV-NiMH, EV-Li Ion, Fuel Cells, Permanent magnets, Batteries, Catalytic converters, Vehicle lightweighting	Lithium, Cobalt, Cerium, Dysprosium, Lanthanum, Neodymium, Nickel, Praseodymium, Platinum, Palladium, Rhodium, Terbium, Yttrium, Gadolinium, Titanium
Storage	Batteries	Lithium, cobalt, cerium, nickel, terbium
Wind	Direct Drive (Permanent magnets)	Dysprosium, Neodymium, Praseodymium, Terbium
Lighting	Fluorescent, LED	Cerium, Europium, Gallium, Lanthanum, Nickel, Silver, Terbium, Yttrium
Photovoltaics	Silicon, CIGS, CdTe	Gallium, Nickel, Silver
Power Generation	Gas turbines, Hydrogen electrolysis, Thermoelectrics, Fuel cells	Yttrium, Platinum, Palladium, Rhodium, Cerium, Cobalt, Hafnium, Lanthanum, Ytterbium, Gadolinium

*** 20 of the 31 key elements used in energy-related technology are found on Matamec Energy's 4 properties. Here are the 11 that have yet to demonstrate a significant presence:**

For vehicle applications : magnesium, manganese
For storage applications : graphite, manganese, vanadium
For lighting applications: tin, germanium, indium
For photovoltaic applications: tin, indium, tellurium
For power generation applications: rhenium, tellurium, bismuth and lead

Source: DOE, 2015

Locations of Matamec Energy's Projects



MARKETING OF RARE EARTHS & SPECIALTY METALS

Since the beginning of 2016, 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. Among others, Matamec was attendee of these following conferences:

- "PDAC" in Toronto from March 6 to 9, 2016;
- "SME 2016 : Current Trends In Mining Finance," held in New York from April 24 to 26, 2016;
- Meetings with several companies in Japan from May 9 to 11, 2016;
- "8th Lithium Supply & Markets Conference" from 24 to 26 May 2016;
- The "Argus Americas Rare Earths Summit" in Denver from June 13 to 16, 2016;
- "Mines & Money" in Toronto from September 26 to 28, 2016;
- "Mines & Energy Seminar" in Seoul on September 27, 2016;
- "Tokyo Mining Seminar" at the Canadian Embassy in Tokyo on September 29, 2016;

MARKETING OF RARE EARTHS & SPECIALTY METALS (cont'd)

- "Explor 2016" in Montréal from October 5 to 6, 2016;
- "12th International Rare Earths Conference" in Hong Kong from November 8 to 10, 2016;
- "Québec Mines" in Québec city from November 21 to 24, 2016.

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

The agreement between TRECan and the Company on July 11th, 2012 and ended on September 18th, 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.

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 financial statements of the Company for the period ended September 30st, 2015 have been restated to correct the accounting treatment relating to the acquisition by Ressource Québec Inc. in the Kipawa property.

Initial treatment of the sale of equity resulting from the addition of cash reserved to the joint venture and a reduction of asset exploration and evaluation in the interim consolidated statement of financial position was reversed. According to the most

FINANCIAL STATEMENTS RESTATEMENT (CONT'D)

commonly used industry transaction practices, it is presented as a lease contract using the method proposed by the working group on IFRS in the mining sector, without regard to the legal form of the transaction.

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 Ressource Québec for the feasibility study.

	Balance as previously	Restatement increase	Restated balance
Cash Flows for the period ended on September 30, 2015	$	$	$
Operating Activities			
Change in non-cash working capital items	(290,250)	56,778	(233,472)
Operating Activities			
Bank advance	-	(133,776)	(133,776)
Exploration and evaluation assets	(1,109,253)	837,991	(271,262)
Gain on disposal of exploration and evaluation assets	3,000,000	(3,000,000)	-
Financing activities			
Bank advances	-	(54,066)	(54,066)
Increase (decrease) in cash and cash equivalents		(2,293,073)	
Cash and cash equivalents - end of period	2,297,140	(2,293,073)	4,067

SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

Selected financial information for the period of three and six months ended September 30, 2016 and 2015 is shown in the following table:

	Three months ended		Six months ended	
	Results as at September 30, 2016	**Results as at September 30, 2015**	**Results as at September 30, 2016**	**Results as at September 30, 2015**
	$	$	$	$
Administration fees	7,979	-	25,536	-
Rebilling of expenses to the joint operation	28,675	164,505	86,226	164,505
Income – Interest	-	5,309	-	20,467
Gain on disposal of assets	-	-	6,695	-
General and administrative expenses	198,624	186,070	585,004	558,519
Stock-based compensation	4,528	23,402	21,793	36,713
Financing fees, and bank charge	985	(125)	3,745	9,629
Income taxes	119,255	(14,900)	6,729	(33,621)
Deferred Income tax expenses	(36,700)	(80,400)	(228,800)	(153,400)
Net loss	175,038	(55,857)	195,193	232,868
Basic and dilated net loss per share	0.0013	(0.0004)	0.0014	0.002

	Balance sheet as of September 30, 2016	**Balance sheet as of December 31, 2015**
	$	$
Total assets	4,769,617	5,555,878
Cash and cash equivalents	4,192	(5,801)
Equity	2,982,083	3,066,236

THIRD QUARTER

Under the agreement with Ressources Québec (Kipawa rare earths JV), the company charges a portion of its expenses in the joint venture. During the period, the Company charged an amount of $28,675 for administrative costs. In addition, on expenditure on the active exploration and evaluation of the Kipawa property, the Company is entitled to a 3% management income. During the year, the Company charged an amount of $7,979.

THIRD QUARTER (cont'd)

For the quarter ended September 30st, 2016 the Company incurred administrative expenses excluding stock-based compensation share of $198,624 compared to $186,070 in 2015. The difference of $12,554 was attributable to increased expenses for shareholder's reports.

For the quarter ended September 30, 2016 the Company recorded net earnings of $175,038 compared to a net loss of $55,857 in 2015.

RESULTS OF OPERATIONS

During the period, the Company charged an amount of $86,226 for administrative costs Under the agreement with Ressources Québec. In addition, on expenditure on the active exploration and evaluation of the Kipawa property, the Company is entitled to a 3% management income. During the year, the Company charged an amount of $25,356 for the expenses related to exploration and evaluation assets on Kipawa property.

During the period of nine month ended September 30st, 2016 the Company incurred administrative expenses excluding stock-based compensation share of $585,004 compared to $558,519 in 2015. The difference of $26,485 was attributable to increase of information to shareholders.

For this period the Company recorded net earnings of $195,193, compared to a net loss of $232,868 in 2015.

CASH ASSETS AND SOURCES OF FINANCING

The Company had a working capital negative of $294,797 as at September 30, 2016 (negative $795,767 on September 30, 2015). An amount in cash of $115,360 is due to Kipawa rare earths Joint Venture. This working capital includes an amount of $1,136,898 in tax credits receivable as at September 30, 2016 ($1,291,519 on September 30, 2015).

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 Company's obligations and budgeted expenditures through December, 2016. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance

CASH ASSETS AND SOURCES OF FINANCING (cont'd)

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 financial statements.

The Company's operating activities used $463,527 during the three-month period ended September 30st, 2016 ($615,535 for the same period in 2015). The year variation is a result of a decrease in administrative expenses. The change for the year is attributable to the reduction in expenses of administration.

The Company's investing activities primarily reflect funds used for exploration and evaluation, details of which are disclosed in the table on page 6 add in mining properties.

The Company is entitled to a refundable tax credit for resources up to 31 % of eligible expenses, as well as a refundable mining duties credit for losses equivalent to 16 % of eligible expenses incurred financed from funds not having the subject of a tax waiver. The Company has no investment invested in commercial paper backed by assets.

QUARTERLY FINANCIAL INFORMATION

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

	2016			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Interest income				
Administrative expenses	167,332	219,047	198,624	
Net loss (income)	(96,742)	116,875	175,038	
Basic and diluted net loss (income) per share	(0.0010)	0.0010	0.0013	

	2015			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter (i)
Interest income	4,369	10,790	5,309	(15,014)
Administrative expenses	232,647	139,803	209,472	173,981
Net loss (income)	161,729	126,996	(55,857)	1,694,329
Basic and diluted net loss per share	0.001	0.001	0.000	0.021

	2014			
	1st Quarter (Restated)	2nd Quarter (Restated)	3rd Quarter (Restated)	
Interest income	985	1,992	25,093	
Administrative expenses	419,924	412,155	256,051	
Net loss	443,945	589,773	646,259	
Basic and diluted net loss per share	0,004	0,005	0,005	

i) The net loss resulted from the devaluation in the amount of $ 4,449,052 of mining properties of the Company and exploration expenses and deferred evaluation.

OFF BALANCE-SHEET ARRANGEMENTS

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

RELATED-PARTY TRANSACTIONS

At September 30, 2016 and 2015, professional fees were charged by Laval St-Gelais, CPA, CA, director of the Company until June 8, 2015, consulting fees were charged by Marcel Bergeron, CPA. CA, who is an officer and director of the Company and in 2015 by Francois Biron, engineer, who is a director of the Company.

	September 30, 2016	September 30, 2015
	$	$
Professional fees	3,449	5,566
Consulting fees	88,813	30,000
Accounts payable and accrued liabilities	156,819	103,975

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 November 29, 2016
Share capital	136,966,852
Stock options	3,320,000
Warrants	-
Outstanding shares	140,286,852

RISKS AND UNCERTAINTIES

The risk factors are detailed in the Company's MD&A for the year ended December 31, 2015.

NEW ACCOUNTING POLICIES IN EFFECT

The new accounting policies in effect for the period ended September 30, 2016 are set out in Note 2 to the Company's consolidated financial statements.

FINANCIAL RISK FACTORS

The Company is exposed to various financial risks resulting from both its operations and its investments. The Company's management manages financial risks. The Company does not use financial instruments of transactions, including derivative financial instruments for speculative purposes. The exposure of the Company's major financial

FINANCIAL RISK FACTORS (cont'd)

risks and financial policies as described in the annual financial statements 31 December 2015 to the Note 20.

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 Company 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 November 15, 2016, 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) and SEDAR (www.sedar.com) websites.

(Signed) André Gauthier

(Signed) Marcel Bergeron

(s) André Gauthier, President and Chief Executive Officer

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

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Burns Figa & Will, PC

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Transfer Agent
Computershare Inc.
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Exchanges Listings

TSX Venture Exchange - MAT

OTCQX- MHREF