MATAMEC

Annual Consolidated Financial Statements Restated
as at December 31, 2013 and 2012

(expressed in Canadian dollars)

# MATAMEC EXPLORATIONS INC.

Annual Consolidated Financial Statements Restated

December 31, 2013 and 2012

PETRIE RAYMOND
CHARTERED PROFESSIONAL ACCOUNTANTS - L.L.P.

255 CRÉMAZIE BLVD. EAST, SUITE 1000
MONTRÉAL (QUÉBEC) H2M 1M2
TEL. : (514) 342-4740
FAX : (514) 737-4049

## *Independent Auditor's Report*

To the Shareholders of
**Matamec Explorations Inc.:**

We have audited the accompanying consolidated financial statements of **Matamec Explorations Inc.**, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years ended December 31, 2013 and 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Independent auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

***Independent Auditor's Report*** *(cont'd)*

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Matamec Explorations Inc.** as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years ended December 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

***Emphasis of matter***

*Going concern*

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern.

*Amended consolidated financial statements*

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements, which explains that the consolidated financial statements for the years ended December 31, 2013 and 2012 have been amended from those on which we originally reported on April 30, 2014.

Petrie Raymond [1]

Montreal, Quebec
On February 17, 2015

Limited Liability Partnership
Chartered Professional Accountants

[1] CPA Auditor, CA, Public Accountancy permit No. A117490

# MATAMEC EXPLORATIONS INC.

Consolidated Statements of Financial Position Restated
As at December 31, 2013 and 2012

(In Canadian dollars)

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **783,400** | 609,466 |
| Short-term deposit, rate of 0,9%, maturing on September 2014 | | **100,259** | 100,316 |
| Accounts receivable from a venturer | | **-** | 45,492 |
| Sales taxes recoverable | | **147,329** | 537,196 |
| Tax credits recoverable | 7 | **1,397,897** | 3,640,379 |
| Other receivables | | **25,726** | 7,748 |
| Prepaid expenses | | **22,870** | 108,553 |
| | | **2,477,481** | 5,049,150 |
| **Non-current assets** | | | |
| Non-current portion of tax credits recoverable | 7 | **105,546** | 362,412 |
| Investment in shares of a private company | | **1** | 1 |
| Available-for-sale financial assets (cost: $31,700 ; 9 200 $ in 2012) | 8 | **23,000** | 10,000 |
| Property and equipment | 9 | **182,260** | 199,338 |
| Exploration and evaluation assets | 10 | **10,135,612** | 9,464,384 |
| | | **10,446,419** | 10,036,135 |
| **Total assets** | | **12,923,900** | 15,085,285 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 11 | **1,166,098** | 1,270,526 |
| Deposit on sale of interest in a property | | **22,500** | - |
| | | **1,188,598** | 1,270,526 |
| **Non-current liabilities** | | | |
| Excess of tax credits over deffered exploration and evaluation expenditure - Kipawa JV | | **-** | 437,439 |
| Deferred income taxes | | **2,312,000** | 1,449,000 |
| | | 2,312,000 | 1,886,439 |
| **Total liabilities** | | 3,500,598 | 3,156,965 |
| **Equity attributable to Matamec Explorations Inc.'s shareholders** | | | |
| Share capital | 12 | **23,256,671** | 23,256,671 |
| Contributed surplus | 13 | **4,795,828** | 4,590,366 |
| Accumulated other comprehensive income | | **(8,700)** | 800 |
| Deficit | | **(18,620,497)** | (15,919,517) |
| **Total equity** | | **9,423,302** | 11,928,320 |
| **Total liabilities and equity** | | **12,923,900** | 15,085,285 |

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

(signed) Marcel Bergeron, Director

The accompanying notes are an integral part of these consolidated financial statements restated

# MATAMEC EXPLORATIONS INC.

Consolidated Statements of Operations Restated
For the years ended December 31, 2013 and 2012

(In Canadian dollars)

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| **Administrative expenses** | | | |
| Salaries and fringe benefits | | 318,115 | 386,723 |
| Rent and office expenses | | 94,513 | 168,603 |
| Consulting fees | | 276,599 | 294,127 |
| Stock-based compensation | | 205,462 | 588,927 |
| Trustees and registration fees | | 67,501 | 60,693 |
| Shareholders' reports | | 36,850 | 60,239 |
| Professional fees | | 420,571 | 517,417 |
| Insurance, taxes and licenses | | 18,233 | 22,222 |
| Travelling and entertainment expenses | | 372,901 | 348,441 |
| Telecommunications | | 24,583 | 33,298 |
| Part XII.6 tax | | - | 92,307 |
| Amortization of property and equipment | | 19,805 | 18,758 |
| Write-off of exploration and evaluation assets | | 104,091 | 443,797 |
| **Opérating loss** | | **1,959,224** | **3,035,552** |
| **Financial revenues** | | | |
| Interest income | | 40,927 | 41,097 |
| Financing fees, interest and bank charges | | (11,334) | (4,382) |
| | | 29,593 | 36,715 |
| **Loss before income taxes** | | **1,929,631** | **2,998,837** |
| Income taxes | **15** | 737,949 | 1,106,173 |
| **Net Loss** | | **2,667,580** | **4,105,010** |
| **Net loss per share, basic and diluted** | | 0.022 | 0.034 |
| **Weighted-average number of common shares outstanding basic and diluted (in thousands)** | | 120,300 | 120,249 |

# MATAMEC EXPLORATIONS INC.

Consolidated Interim Statements of Comprehensive Income Restated
For the years ended December 31, 2013 and 2012

(In Canadian dollars)

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Net loss for the year | 2,667,580 | 4,105,010 |
| Available for sale financial assets: | | |
| Loss on change in fair value of available for sale financial assets | 9,500 | 19,000 |
| Other comprehensive loss, net of income taxes | **9,500** | **19,000** |
| **Total comprehensive loss for the period attributable to Matamec Explorations Inc. shareholders** | **2,677,080** | **4,124,010** |

# MATAMEC EXPLORATIONS INC.

Consolidated Interim Statements of Changes in Equity Restated
For the years ended December 31, 2013 and 2012

(In Canadian dollars)

| | Number of common shares outstanding | Share capital (note 12) | Warrants | Contributed surplus (note 13) | Accumulated other comprehensive income | Deficit | Total of equity attributable to Matamec shareholders |
|---|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ | $ |
| **Balance - January 1st, 2013 as previously stated** | 120,300,186 | 23,256,671 | - | 4,590,366 | 800 | (11,937,145) | **15,910,692** |
| Restatement | - | - | - | - | - | (3,982,372) | **(3,982,372)** |
| **Balance January 1st, 2013, restated** | **120,300,186** | **23,256,671** | **-** | **4,590,366** | **800** | **(15,919,517)** | **11,928,320** |
| Net loss for the period | - | - | - | - | - | (2,667,580) | **(2,667,580)** |
| Other comprehensive loss | - | - | - | - | (9,500) | - | **(9,500)** |
| Comprehensive loss for the year | - | - | - | - | (9,500) | (2,667,580) | **(2,677,080)** |
| **Stock options** | | | | | | | |
| Share-based compensation | - | - | - | 205,462 | - | - | **205,462** |
| Deferred income taxes relating to share issue costs | - | - | - | - | - | (33,400) | **(33,400)** |
| **Balance - December 31st, 2013** | **120,300,186** | **23,256,671** | **-** | **4,795,828** | **(8,700)** | **(18,620,497)** | **9,423,302** |
| **Balance - January 1st, 2012** | 120,010,186 | 23,158,071 | 2,699,949 | 1,344,690 | 19,800 | (11,774,207) | **15,448,303** |
| Net loss for the year | - | - | - | - | - | (4,105,010) | **(4,105,010)** |
| Other comprehensive loss | - | - | - | - | (19,000) | - | **(19,000)** |
| Comprehensive loss for the year | - | - | - | - | (19,000) | (4,105,010) | **(4,124,010)** |
| **Stock options** | | | | | | | |
| Share-based compensation | - | - | - | 588,927 | - | - | **588,927** |
| Fair value of option exercised | - | 43,200 | - | (43,200) | - | - | **-** |
| Employee stock option plan | 250,000 | 43,000 | - | - | - | - | **43,000** |
| Property aquisition | 40,000 | 12,400 | - | - | - | - | **12,400** |
| Share issue costs | - | - | - | - | - | (3,900) | **(3,900)** |
| Warrants expired | - | - | (2,699,949) | 2,699,949 | - | - | **-** |
| Deferred income taxes relating to share issue costs | - | - | - | - | - | (36,400) | **(36,400)** |
| | **290,000** | **98,600** | **(2,699,949)** | **3,245,676** | **-** | **(40,300)** | **604,027** |
| **Balance - December 31st, 2012** | **120,300,186** | **23,256,671** | **-** | **4,590,366** | **800** | **(15,919,517)** | **11,928,320** |

# MATAMEC EXPLORATIONS INC.

Consolidated Statements of Cash Flows Restated
For the years ended December 31, 2013 and 2012

(In Canadian dollars)

| | Notes | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities** | | | |
| Net loss | | **(2,667,580)** | (4,105,010) |
| Adjustment for : | | | |
| Share-based compensation | | **205,462** | 588,927 |
| Amortization of property and equipment | | **19,805** | 18,758 |
| Write-off of exploration and evaluation assets | | **104,091** | 443,797 |
| Deferred income tax expense | | **829,600** | 1,412,600 |
| | | **(1,508,622)** | **(1,640,928)** |
| Change in non-cash working capital items | 19 | **161,994** | 61,613 |
| **Cash flows used in operating activities** | | **(1,346,628)** | (1,579,315) |
| **Investing activities** | | | |
| Short-term deposit acquisition | | **(100,259)** | (100,316) |
| Short-term deposit disposal | | **100,316** | - |
| Government assistance received | | **3,055,201** | 56,807 |
| Exploration and evaluation assets | | **(1,089,521)** | (1,265,223) |
| Excess of tax credits over deffered exploration and evaluation expenditure - Kipawa JV | | **(437,439)** | 437,439 |
| Property and equipment acquisition | | **(7,736)** | (83,084) |
| **Cash flows used in investing activities** | | **1,520,562** | (954,377) |
| **Financing activities** | | | |
| Stock options exercised | | **-** | 43,000 |
| Share issue costs | | **-** | (3,900) |
| **Cash flows generated from financing activities** | | **-** | 39,100 |
| **Increase (decrease) in cash and cash equivalent** | | **173,934** | (2,494,592) |
| **Cash and cash equivalents – beginning of period** | | **609,466** | 3,104,058 |
| **Cash and cash equivalents – end of period** | | **783,400** | 609,466 |

**Additional information related to the statement of cash flows:** **19**

The accompanying notes are an integral part of these consolidated financial statements restated

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

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

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

Theses consolidated financial statements restated 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, 12 months from the end of the reporting period. In making its assessment, management is aware of material uncertainties related to events and conditions that lend a significant doubt on the Corporation's ability to continue as a going concern and, accordingly, of the appropriateness of the use of accounting principles applicable to a going concern, as described in the following paragraph. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption not appropriate. These adjustments could be material.

For the year ended December 31, 2013 the Company recorded a net loss of $ 2,667,580 ( $ 4,105,010 in 2012). In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations and existing commitments for exploration and evaluation programs and pay general and administration costs. As at December 31, 2013, the Company had working capital of $ 1,311,383 including cash of $ 783,400 Management estimates that these funds will not be sufficient to meet the Company's obligations and budgeted expenditures through December 31, 2014. 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. amounts reflected in these unaudited condensed interim financial statements.

Management periodically seeks addtional form of financing through the issuance of new equity instruments and the exercise of stock options to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for its assets may be less than amounts recorded in these consolidated financial statements restated.

Although management has taken steps to verify title to mining properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and may not be in compliance with regulatory requirements.

The Company's financial year ends on December 31,2013. These consolidated financial statements restated were approved for issue by the Board of Directors on February 17, 2015.

**2. Basis of preparation**

These consolidated financial statements restated have been prepared in accordance with the IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements.

The company has consistently applied the accounting policies throughout all periods presented in these financial statements.

(In Canadian dollars)

### 3. Restated financial statements

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

The initial accounting treatment of the transaction which resulted in a gain on disposal of exploration and evaluation assets in the consolidated statements of operations was reversed. In accordance with the most commonly used practices in the industry, the transaction is presented as a farm-out contract using the method proposed by the mining industry task Force on IFRS without regards to the legal form of the transaction.

Acording to this method :

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

The impact on the financial statement is as follows :

| | Balance as previousy stated | Restatement increase | Restated balance |
|---|---|---|---|
| ***Consolidated Statements of Financial Position - December 31st, 2013*** | | | |
| *Current assets* | | | |
| Cash and cash equivalents | $ 788,341 | $ (4,941) | $ 783,400 |
| Prepaid expenses | $ 27,970 | $ (5,100) | $ 22,870 |
| *Total current assets* | | (10,041) | |
| *Non-current assets* | | | |
| Exploration and evaluation assets | $ 16,249,316 | $ (6,113,704) | $ 10,135,612 |
| *Total assets* | | (6,123,745) | $ |
| *Current liabilities* | | | |
| Accounts payable and accrued liabilities | $ 1,176,139 | $ (10,041) | $ 1,166,098 |
| *Equity attributable to Matamec Explorations Inc.'s shareholders* | | | |
| Deficit | $ (12,506,793) | $ (6,113,704) | $ (18,620,497) |
| *Total liabilities and equity* | | $ (6,123,745) | |

(In Canadian dollars)

**3. Restated financial statements (cont'd)**

| | | Balance as previousy stated | | Restatement increase (decrease) | | Restated balance |
|---|---|---|---|---|---|---|
| ***Consolidated Statements of Operations for the year ended December 31st, 2013*** | | | | | | |
| *Revenues* | | | | | | |
| Gain on disposal of exploration and evaluation assets | $ | 2,131,332 | $ | (2,131,332) | $ | - |
| Net earnings (Loss) before income taxes | $ | 201,701 | $ | (2,131,332) | $ | (1,929,631) |
| Net Loss | $ | (536,248) | $ | (2,131,332) | $ | (2,667,580) |
| Net loss per share, basic and diluted | | (0.004) | | | | (0.022) |
| ***Consolidated Statements of Comprehensive loss for the year ended December 31, 2013*** | | | | | | |
| *Net loss for the year* | $ | (536,248) | $ | (2,131,332) | $ | (2,667,580) |
| *Total of comprehensive loss attribuable to Matamec Explorations Inc.'s shareholdes* | $ | (545,748) | $ | (2,131,332) | $ | (2,677,080) |
| ***Consolidated Statements of Cash Flows for the year ended on December 31, 2013*** | | | | | | |
| *Operating Activities* | | | | | | |
| Net loss | $ | (536,248) | $ | (2,131,332) | $ | (2,667,580) |
| Gain on disposal of exploration and evaluation assets | $ | (2,131,332) | $ | 2,131,332 | $ | - |
| Change in non-cash working capital items | $ | (934,596) | $ | 1,096,590 | $ | 161,994 |
| *Total Operating activities* | | | | 1,096,590 | $ | |
| *Investing activities* | | | | | | |
| Proceeds on disposal of exploration and evaluation assets | $ | 7,500,817 | $ | (7,500,817) | $ | - |
| Exploration and evaluation assets | $ | (8,909,062) | $ | 7,819,541 | $ | (1,089,521) |
| Excess of tax credits over deffered exploration and evaluation expenditure - Kipawa JV | $ | - | | (437,439) | $ | (437,439) |
| *Total Investing activities* | | | | (118,715) | | |
| Increase (decrease) in cash and cash equivalents | $ | (803,941) | $ | 977,875 | $ | 173,934 |
| *Cash and cash equivalents - beginning of period* | $ | 1,592,282 | $ | (982,816) | $ | 609,466 |
| *Cash and cash equivalents - end of period* | $ | 788,341 | $ | (4,941) | $ | 783,400 |

(In Canadian dollars)

**3. Restated financial statements (cont'd)**

| | | Balance as previousy stated | | Restatement increase (decrease) | | Restated balance |
|---|---|---|---|---|---|---|
| ***Consolidated Statements of Financial Position - December 31st, 2012*** | | | | | | |
| *Current assets* | | | | | | |
| Cash and cash equivalents | $ | 1,592,282 | $ | (982,816) | $ | 609,466 |
| Accounts receivable from a venturer | $ | - | $ | 45,292 | $ | 45,292 |
| Prepaid expenses | $ | 116,053 | $ | (7,500) | $ | 108,553 |
| *Total current assets* | | | | (945,024) | $ | |
| *Non-current assets* | | | | | | |
| Exploration and evaluation assets | $ | 13,879,317 | $ | (4,414,933) | $ | 9,464,384 |
| *Total assets* | | | | (5,359,957) | $ | |
| *Non-current liabilities* | | | | | | |
| Accounts payable and accrued liabilities | $ | 1,701,687 | $ | (431,161) | $ | 1,270,526 |
| Deposit on sale of interest in a property | $ | 1,383,663 | $ | (1,383,663) | $ | - |
| *Total Current liabilities* | | | | (1,814,824) | | |
| *Non-current liabilities* | | | | | | |
| Excess of tax credits over deferred exploration and evaluation expenditures-Kipawa JV | $ | - | $ | 437,439 | $ | 437,439 |
| Total liabilities | | | | (1,377,385) | $ | |
| *Equity attributable to Matamec Explorations Inc.'s shareholders* | | | | | | |
| Deficit | $ | (11,937,145) | $ | (3,982,372) | $ | (15,919,517) |
| *Total liabilities and equity* | | | | (5,359,757) | $ | |
| ***Consolidated Statements of Operations for the year ended December 31, 2012*** | | | | | | |
| *Revenues* | | | | | | |
| Gain on disposal of exploration and evaluation assets | $ | 3,982,372 | $ | (3,982,372) | $ | - |
| Net earnings (Loss) before income taxes | $ | 983,535 | $ | (3,982,372) | $ | (2,998,837) |
| Net Loss | $ | (122,638) | $ | (3,982,372) | $ | (4,105,010) |
| Net Loss per share, basic and diluted | | (0.001) | | | | (0.034) |

(In Canadian dollars)

**3. Restated financial statements (cont'd)**

| | | Balance as previousy stated | | Restatement increase (decrease) | | Restated balance |
|---|---|---|---|---|---|---|
| ***Consolidated Statements of Comprehensive loss for the year ended December 31, 2012*** | | | | | | |
| *Net loss for the year* | $ | (122,638) | $ | (3,982,372) | $ | (4,105,010) |
| *Total of comprehensive loss attributable to Matamec Explorations Inc.'s shareholders* | $ | (141,638) | $ | (3,982,372) | $ | (4,124,010) |
| ***Consolidated Statements of Cash Flows for the year ended December 31, 2012*** | | | | | | |
| *Operating activities* | | | | | | |
| Net loss | $ | (122,638) | $ | (3,982,372) | $ | (4,105,010) |
| Gain on disposal of exploration and evaluation assets | $ | (3,982,372) | $ | 3,982,372 | $ | - |
| Change in non-cash working capital items | $ | 916,388 | $ | (854,775) | $ | 61,613 |
| *Total Operating activities* | | | | (854,775) | | |
| *Investing activities* | | | | | | |
| Proceeds on disposal of exploration and evaluation assets | $ | 8,500,000 | $ | (8,500,000) | $ | - |
| Exploration and evaluation assets | $ | (9,199,743) | $ | 7,934,520 | $ | (1,265,223) |
| Excess of Tax credits over Deferred and evaluation expenditures - Kipawa JV | $ | - | $ | 437,439 | $ | 437,439 |
| *Total Investing activities* | | | | (128,041) | $ | |
| Decrease in cash and cash equivalents | $ | (1,511,776) | $ | (982,816) | $ | (2,494,592) |
| *Cash and cash equivalents - beginning of period* | $ | 3,104,058 | $ | - | $ | 3,104,058 |
| *Cash and cash equivalents - end of period* | $ | 1,592,282 | $ | (982,816) | $ | 609,466 |

**4. Significant accounting policies**

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

*a) Basis of measurement*

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

*b) Basis of consolidation*

**Subsidiary**

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

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

**Jointly controlled asset**

The Company and Toyota Rare Earth Canada Inc. ("TRECan") control jointly an exploration and evaluation asset, pursuant to a 51/49 joint venture agreement (75/25 in 2012) , 51% (75% in 2012) being the interest of the Company. Information on this asset is presented in Notes 10 (Property Kipawa) and 21. Jointly controlled assets involve joint control, and often joint ownership, by the group and venturers of assets contributed or acquired for the purpose of the joint venture, without creating a corporation, partnership or other entity. When the Group's activities are conducted through jointly controlled assets, the Group recognizes its share of jointly controlled assets, any liabilities that it has incurred, and its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, and any expenses that it has incurred in respect of its interest in the joint venture. The agreement between TREcan and the Company, in accordance with the practices most commonly used in the industry, has been accounted for as a farm-out agreement without consideration for the legal 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.

**Transactions eliminated on consolidation**

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

*c) Functional and presentation currency*

Items included in the Matamec's consolidated financial statements restated are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The consolidated financial statements restated are presented in Canadian dollars, which is the Company's functional currency.

*d) Financial instruments*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

*i. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

*ii. Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

**4. Significant accounting policies (cont'd)**

*ii. Available-for-sale financial assets (cont'd)*

Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statement of operations as part of finance income. When an available-for-sale asset is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the consolidated statement of operations and are included in other gains or losses.

Available-for-sale financial assets are classified as non-current, unless the investment matures within twelve months, or Management expects to sell them within twelve months

*iii. Financial liabilities at amortized cost*

Financial liabilities are initially recognized at fair value plus transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method. Interest expenses are presented, where appropriate, in interest on debts.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company has classified its financial instruments as follows:

| Categories | Financial instruments |
|---|---|
| Loans and receivables | Cash and cash equivalent |
| | Short-term deposit |
| | Other receivables |
| Available-for-sale financial assets | Available-for sale financial assets |
| Financial liabilities at amortized cost | Accounts payable and accrued liabilities |

*e) Impairment of financial assets*

At each reporting date of the consolidated statement of financial position, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a “loss event”) and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

*i. Financial assets carried at amortized cost*

The impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment losses as well as reversals are recognized in the consolidated statement of operations.

*ii. Available-for-sale financial assets*

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statement of operations. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the consolidated statement of operations.

Impairment losses on available-for-sale equity financial assets are not reversed.

*f) Cash and cash equivalents*

Cash and cash equivalents include cash, bank balances and funds restricted for exploration.

**4. Significant accounting policies (cont'd)**

*g) Tax credits receivable*

Quebec refundable credits on mining duties are recorded in the consolidated statement of operations as current income tax recovery when the Company's intention is to operate the property and are recorded in exploration and evaluation costs when the intention is to resell the properties. The Company is also entitled to a refundable tax credits on qualified mining exploration and evaluation expenses incurred in the province of Quebec which are recorded against the deferred exploration and evaluation costs in the consolidated statement of financial position. Credits related to resources and credits on mining duties are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with them.

*h) Property and equipment*

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price of the asset. Subsequent costs are included in the book value of the asset or recorded separately, when required, when it is probable that future economic benefits associated with the asset will flow to the Company and when the cost can be measured reliably. The carrying value of an asset replaced has to be derecognized on replacement.

Repairs and maintenance costs are charged to the consolidated statement of operations during the period in which they are incurred. Depreciation of property and equipment is calculated to distribute property and equipment cost, less their residual value, over their useful life, according to the following declining balance method and periods, by major categories:

| | |
|---|---|
| Building | 4% |
| Computer Equiqment | 30% |
| Furniture and office equipment | 20% |
| Exploration and evaluation equipments | 30% |

Depreciation of property and equipment related to exploration and evaluation activities is expensed or capitalized in deferred exploration and evaluation expenditures, according to the capitalization policy. Depreciation of property and equipment related to exploration and evaluation activities is capitalized to deferred exploration and evaluation expenditures. For those assets which are not related to exploration and evaluation activities, depreciation expense is recognized in the consolidated statement of operations.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains or losses in the consolidated statement of operations.

*i) Exploration and evaluation assets*

Exploration and evaluation assets are comprised of deferred exploration and evaluation expenditures and mining properties. Expenditures incurred on activities that precede exploration and evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

Exploration and evaluation assets include rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at fair value in the event of an impairment caused by a devaluation loss. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production. These costs are expensed when properties are abandoned or when the costs recovery or access to resources become uncertain. Proceeds from property sale are recorded against the property carrying value and any excess or deficit is recorded as a gain or loss in the consolidated statement of operations. In the event of a partial sale, if the carrying value is higher than the proceeds, only losses are recognized.

Exploration and evaluation expenditures include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. Generally, expenses regarding the exploration and evaluation activities are capitalized.

**4. Significant accounting policies (cont'd)**

*i) Exploration and evaluation assets (cont'd)*

Exploration and evaluation costs also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. Exploration and evaluation expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body or a proved and probable
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- activities related to permits; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final

Exploration and evaluation expenditures are capitalized if Management determines that there is sufficient evidence to support probability of generating positive economic return in the future. When a mine project moves into the development phase, exploration and evaluation expenditures are capitalized to mine development costs in property and equipment. When a mine project is not proved viable, all non recoverable costs are written-off.

Exploration and evaluation expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized exploration and evaluation costs are classified as investing activities in the consolidated statement of cash flows under the heading "Exploration and evaluation assets".

*j) Current and deferred income taxes*

*Income taxes and mining taxes*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of operations except to the extent that it relates to items recognized directly in equity or in other comprehensive income. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income and mining taxes are the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date in the jurisdictions where the Company operates and generates taxable income. Management periodically evaluates positions in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate, based on the amounts expected to be

*Deferred income taxes and deferred mining taxes*

Deferred tax and deferred mining taxes are recognized, using the asset and liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements restated. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to taxable income when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Deferred income and mining taxes assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income or mining taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle balances on a net basis.

*k) Equity*

Common shares and warrants are classified as equity. The share capital represents the amount received upon issuance of shares. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model to determine the fair value of warrants issued.

Contributed surplus includes charges related to stock options until such equity instruments are exercised, in which case the amounts are transferred to share capital. Contributed surplus includes warrants expired and unexercised.

**4. Significant accounting policies (cont'd)**

*l) Flow-through shares*

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through share issues.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability for flow-through shares obligation. The Company estimates the fair value of the obligation using the residual method, i.e. by comparing the price of the flow-through share to the quoted price of common share at the date of the financing announcement.

A group may renounce the deductions for tax purposes under either what is referred to as the "general" method or the "look-back" method.

When tax deductions are renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the entity records a deferred tax liability with the corresponding charge of income tax expense. The obligation is reduced to zero, with a corresponding income recorded

When tax deductions are renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are made and capitalized. At that time, the obligation would be reduced to zero, with a corresponding income recorded.

*m) Share-based payment transaction*

The Company grants stock options to buy common shares of the Company to Directors, Officers, and Employees.An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Each tranche of a grant is considered a separate grant with its own vesting period and its own fair value at grant date. The fair value of the options is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period that the options are earned. The fair value is recognized as an expense with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. The maximum life of the options is five years.

Any consideration paid on exercise of share options is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options are exercised.

*n) Earning (loss) per share*

The calculation of earnings (loss) per share ("EPS") is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding at the end of the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the EPS. The treasury stock method is used to determine the dilutive effect of the warrants and share options. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants and share options.

*o) Segment disclosure*

The Company currently operates in a single segment – acquisition, exploration, evaluation and development of mining properties. All of the Company's activities are conducted in Quebec and Ontario, Canada.

*p) Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of operations over the period of the lease

## 5. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of authorization of these consolidated financial statements restated, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective,and have not been early adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements restated is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements restated.

***IFRS 9, Financial instruments***

The replacement standard (IFRS 9) is being issued in phases. To date, the sections dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These sections will be effective for annual periods beginning on or after January1st, 2015. Further sections dealing with impairment methodology and hedge accounting are still being developed. Management has yet to assess the impact of this new standard on the consolidated financial statements restated. However, they do not expect to implement IFRS 9 until all of its sections have been published and they can comprehensively assess the impactof all changes.

***IAS32, Offsetting Financial Assets and Financial Liabilities***

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

The meaning of "currently has a legally enforceable right of set-off"

May that some gross settlement systems be considered equivalent to net settlement?

The Amendments are effective for annual periods beginning on or after January 1st. 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Group's consolidated financial statements restated from these Amendments.

## 6. Judgments, estimates and assumption

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

Areas of significant judgments and estimates affecting the amounts recognized in the consolidated statements include:

1) Exploration and evaluation assets

*Probability of cost recovery at initial recognition*

According to the significant accounting policies of the Company, once the legal rights of exploration and evaluation assets are obtained, the costs associated with the acquisition of mineral rights, expenditures on exploration and evaluation of mineral properties and that tax credits and credits on duties associated with such costs are charged to cost of exploration and evaluation assets if Management considers probable that the costs will be recovered through future development or sale of the property. Assessing the probability of recover capitalized costs related to exploration and evaluation assets requires the exercise of judgment in determining if the future economic benefits are probable, which may be based on assumptions and estimates made by management regarding future events. Assumptions and estimates may change if new information proves to be available.

If informations become available that give rise to uncertainty of the recovery of capitalized costs, the amounts capitalized will be written down to their recoverable amounts in the period when these informations become available (see the paragraph concerning critical accounting estimates, judgments and assumptions for impairment of property and equipment, intangible assets and exploration and evaluation assets).

2) Impairment of non-financial assets

The Company's evaluation of the recoverable amount with respect to the non-financial assets is based on numerous assumptions and may differ significantly from actual values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The Company's fair value estimates are based on numerous assumptions. The recoverable amount estimates may differ from actual values and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each consolidated statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in mineral prices.

(In Canadian dollars)

**6. Judgments, estimates and assumption (con'd)**

3) Valuation of share-based payments

The Company records all share-based payments using the fair value method. The Company uses the Black-Scholes options pricing model to determine the fair value of stock options and warrants. The main factor affecting the estimates of the fair value of stock options and warrants is the stock price expected volatility used. The Company currently estimates the expected volatility of its common shares based on its historical volatility for a period of one year before the options and warrants issuance.

4) The estimated useful lives and residual values of property and equipment and the measurement of depreciation expense

Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use.

5) Going concern

The Company's ability to achieve its strategy by financing its future needs in working capital requires exercising judgments. More information regarding going concern is presented in Note 1.

6) Mining duties

The accounting treatment of mining duties depends on the Management's intention to achieve production phase or to sell the property to another mining company when the technical feasibility and economical viability of properties are proven. This evaluation is made by property. The Company has determined that it intends to achieve production phase in a near future for Kipawa property only.

**7. Tax credits recoverable**

| | 2013 | 2012 |
|---|---|---|
| **Quebec refundable credit on mining duties at rate of 12%, 13,51%, 15% and 16%** | **$** | **$** |
| Property Kipawa | | |
| 2012 | **306,427** | 306,427 |
| 2013 | **91,651** | - |
| | **398,078** | 306,427 |
| Other properties | | |
| 2011 | **-** | 56,455 |
| 2012 | **55,985** | 55,985 |
| 2013 | **13,895** | - |
| | **69,880** | 112,440 |
| **Refundable credit for resources related to exploration at rates of 35% and 38,75%** | | |
| Property Kipawa | | |
| 2012 | **325,078** | 2,221,506 |
| 2013 | **616,880** | - |
| | **941,958** | 2,221,506 |
| Other properties | | |
| 2011 | **-** | 984,977 |
| 2012 | **-** | 377,441 |
| 2013 | **93,527** | - |
| | **93,527** | 1,362,418 |
| Total | **1,503,443** | 4,002,791 |
| Less: Non-current portion of tax credits recoverable | **(105,546)** | (362,412) |
| **Current portion of tax credits recoverable** | **1,397,897** | 3,640,379 |

(In Canadian dollars)

**8. Available-for-sale financial assets**

The Company owns 100,000 shares of Northern Superior Resources Inc. ("Northern"). Northern's shares were trading at $0.03 as at December 31, 2013 ($0.10 as at December 31, 2012). Consequently, the Company recorded an unrealized loss of $7,000 on changes of the fair value of the investment during the year.

On August 16, 2013, the Company has signed an agreement with Canada Strategic Metals Inc. This Company can acquire a 50% undivided interest in Sakami property by issuing 2 million common shares and by investing $2,250,000 in deferred exploration on the property, left on 3 years. At the date of the agreement 500,000 shares were issued for a consideration of $22,500. On December 31, 2013 the shares were trading at $0.04. Consequently, the Company recorded an unrealized loss of $2,500 on changes of the fair value of the investment.

**9. Property and equipment**

| | Buildings and land | Computer equipment | Office furniture | Exploration amenities and facilities | Total |
|---|---|---|---|---|---|
| **Net book value** | **$** | **$** | **$** | **$** | **$** |
| As at January 01, 2013 | 128,493 | 53,717 | 47,702 | 70,775 | **300,687** |
| Additions | - | 5,596 | 2,140 | - | **7,736** |
| As at December 31, 2013 | 128,493 | 59,313 | 49,842 | 70,775 | **308,423** |
| **Accumulated depreciation** | | | | | |
| As at January 01, 2013 | 4,719 | 29,077 | 16,144 | 51,409 | **101,349** |
| Depreciation | 4,849 | 7,309 | 6,846 | 5,810 | **24,814** |
| As at December 31, 2013 | 9,568 | 36,386 | 22,990 | 57,219 | **126,163** |
| **As at December 31, 2013** | **118,925** | **22,927** | **26,852** | **13,556** | **182,260** |
| | | | | | |
| **Net book value** | | | | | |
| As at January 01, 2012 | 85,000 | 29,870 | 31,958 | 70,775 | **217,603** |
| Additions | 43,493 | 23,847 | 15,744 | - | **83,084** |
| As at December 31, 2012 | 128,493 | 53,717 | 47,702 | 70,775 | **300,687** |
| **Accumulated depreciation** | | | | | |
| As at January 01, 2012 | 284 | 22,231 | 9,811 | 43,109 | **75,435** |
| Depreciation | 4,435 | 6,846 | 6,333 | 8,300 | **25,914** |
| As at December 31, 2012 | 4,719 | 29,077 | 16,144 | 51,409 | **101,349** |
| **As at December 31, 2012** | **123,774** | **24,640** | **31,558** | **19,366** | **199,338** |

All amortization and impairment charges (or reversals, if any) are included in Amortization of property and equipment, with the exception of amortization charges of property and equipment used for exploration and evaluation of specific projects which are capitalized as Exploration and evaluation assets. An amount of $5,009 ($7,156 in 2012) has been capitalized as Exploration and evaluation assets during the year.

(In Canadian dollars)

**10. Deferred exploration**

**Mining properties**

| | Interest | 2012 | Additions | Disposal | Write off | 2013 |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| Sakami | 100% | 114,701 | - | - | (2,091) | **112,610** |
| Zeus | 100% | 52,468 | 2,031 | - | (265) | **54,234** |
| Kipawa | 51% | 421,667 | - | - | - | **421,667** |
| Tansim | 100% | 46,712 | 2,136 | - | (4,480) | **44,368** |
| Valmont | 100% | 110,400 | 1,918 | - | - | **112,318** |
| Vulcain | 100% | 183,023 | - | - | (7,336) | **175,687** |
| Matheson Pelangio | 100% | 27,141 | - | - | - | **27,141** |
| Matheson | 50% | 1,581,454 | - | - | - | **1,581,454** |
| | | **2,537,566** | **6,085** | **-** | **(14,172)** | **2,529,479** |

**Deferred exploration and evaluation expenditures**

| | 2012 | Additions | Disposal | Tax credits | Write off | 2013 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Sakami | 2,216,093 | 20,309 | - | 81 | (29,614) | **2,206,869** |
| Zeus | 1,496,007 | 239,700 | - | (33,782) | - | **1,701,925** |
| Kipawa JV | - | 1,276,790 | - | (847,707) | - | **429,083** |
| Tansim | 226,772 | 45,480 | - | (702) | (44,233) | **227,317** |
| Valmont | 332,147 | 33,167 | - | (13,623) | - | **351,691** |
| Vulcain | 1,510,341 | 16,629 | - | 1,132 | (16,072) | **1,512,030** |
| Matheson Pelangio | 304,971 | - | - | - | - | **304,971** |
| Matheson JV | 840,487 | 31,760 | - | - | - | **872,247** |
| | 6,926,818 | 1,663,835 | - | (894,601) | **(89,919)** | **7,606,133** |
| Total | 9,464,384 | 1,669,920 | - | (894,601) | **(104,091)** | **10,135,612** |

**Mining properties**

| | Interest | 2011 | Additions | Disposal | Write off | 2012 |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| Sakami | 100% | 114,701 | - | - | - | **114,701** |
| Zeus | 100% | 33,108 | 19,360 | - | - | **52,468** |
| Kipawa JV | 75% | 111,667 | 310,000 | - | - | **421,667** |
| Tansim | 100% | 46,712 | - | - | - | **46,712** |
| Valmont | 100% | 110,400 | - | - | - | **110,400** |
| Vulcain | 100% | 183,023 | - | - | - | **183,023** |
| Wachigabau | 50% | 15,495 | - | - | (15,495) | **-** |
| Matheson Pelangio | 100% | 27,141 | - | - | - | **27,141** |
| Matheson JV | 50% | 1,581,454 | - | - | - | **1,581,454** |
| Matheson-Est | - | 60,560 | 32,400 | - | (92,960) | **-** |
| | | 2,284,261 | 361,760 | - | (108,455) | **2,537,566** |

(In Canadian dollars)

**10. Deferred exploration (cont'd)**

**Deferred exploration and evaluation expenditures**

| | 2011 | Additions | Disposal | Tax credits | Write off | 2012 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Sakami | 2,205,615 | 14,456 | - | (3,978) | - | 2,216,093 |
| Zeus | 748,010 | 875,176 | - | (127,179) | - | 1,496,007 |
| Kipawa JV | 2,560,782 | 723,286 | (1,500,000) | (1,784,068) | - | - |
| Tansim | 185,020 | 40,036 | - | 1,716 | - | 226,772 |
| Valmont | 320,632 | 13,718 | - | (2,203) | - | 332,147 |
| Vulcain | 1,474,900 | 36,915 | - | (1,474) | - | 1,510,341 |
| Wachigabau | 328,505 | 2,921 | - | 3,916 | (335,342) | - |
| Matheson Pelangio | 73,089 | 231,882 | - | - | - | 304,971 |
| Matheson JV | 812,814 | 27,673 | - | - | - | 840,487 |
| | 8,709,367 | 1,966,063 | (1,500,000) | (1,913,270) | (335,342) | 6,926,818 |
| **Total** | 10,993,628 | 2,327,823 | (1,500,000) | (1,913,270) | (443,797) | 9,464,384 |

***Sakami***

The Company holds a 100% interest in this property located 80 km southeast of Radisson and 30 km east of the Matagami-Radisson road in Mid-Northern Quebec. A portion of the mining claim is subject to a 1% net smelter return (NSR) royalty. On August 16, 2013, the Company has signed an agreement with Canada Strategic Metals. This Company can acquire a 50% undivided interest in Sakami property by issuing 2 million common shares and by investing $2,250,000 in deferred exploration on the property, left on 3 years.

***Zeus, Tansim, Valmont et Vulcain***

*The Company holds a 100% interest in the Zeus, Tansim, Valmont and Vulcain properties (Province of Quebec). These properties are subject to NSR royalties ranging from 1% to 2.25% and are redeemable at prices ranging from $250,000 to $500,000.*

***Kipawa JV***

*The Company holds a 51% (75% in 2012) interest in the Kipawa property (Province of Quebec).*

***Wachigabau***

*The Company holds a 50% interests in the Wachigabau property (Province of Quebec). The costs related to this property were written off in 2012 .*

***Matheson-Pelangio***

*The Company holds a 100% interest in the Matheson properties comprising the East and West Blocks located in the Matheson township in the East Timmins area (Province of Ontario). The property is subject to a 1% NSR royalty, 0.5% of which is redeemable for $1,000,000 and the issuance of 100,000 common shares of the Company.*

***Matheson JV***

***Colbert***

*The Company holds a 50% interest in two (2) claims in the Matheson-Colbert property (Province of Ontario). The property is subject to an NSR royalty of 1.5%, of which 0.75% is redeemable for $1,500,000.*

***Explorers***

*The Company holds a 50% interest in seventy-three (73) claims in the Matheson-Explorers property (Province of Ontario). The property is subject to NSR royalties of 3% to 4% which are applicable on certain claims of which 1.5% to 2% is redeemable for $2,750,000.*

(In Canadian dollars)

**11. Accounts payable and accrued liabilities**

| | 2013 | 2012 |
|---|---|---|
| Accounts payable | **518,416** | 323,000 |
| Accounts payable to Kipawa JV | **464,147** | 700,646 |
| Government remittances | **40,770** | 88,885 |
| Taxes on section XII.6 payable | **104,104** | 104,104 |
| Vacation payable | **38,661** | 53,891 |
| | **1,166,098** | 1,270,526 |

**12. Share capital**

a) The Company is authorized to issue an unlimited number of common shares of no par value.

b) The Company is subject to regulatory requirements related to the use of funds obtained by flow-through shares financing. These funds have to be incurred for eligible exploration expenses. During the year, the Company did not issue any flow-through shares.

Changes in the Company's issued share capital are as follows:

***2013***

None

***2012***

On January 24, 2012, 200,000 common shares were issued pursuant to the exercise of 200,000 stock options at $0.19 each for an amount of $38,000.

On March 6, 2012, 40,000 common shares were issued at $0.31 per share as third payment of the Matheson-Est property for an amount of $12,400.

On August 8, 2012, 50,000 common shares were issued pursuant to the exercise of 50,000 stock options at $0.10 each for an amount of $5,000.

**13. Stock options**

*Stock options*

The Company has established a stock option plan settled in equity instruments pursuant to which options to purchase common shares may be granted to officers, directors and employees of the Company as well as individuals providing ongoing services to the Company. During the year 2011, the Company changed the number of options that can be granted, increasing it to 12,000,000 options. The exercise price of options, established by the Board of directors, cannot be less than the market price of the Company's shares on the date preceding the date of grant. The options are vested gradually over a period of twelve to eighteen months.

A summary of the status of the Company's stock option plan is presented hereafter:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Number** | **Weighted average exercice price** | Number | Weighted average exercice price |
| | **#** | **$** | # | $ |
| Outstanding at beginning of year | **8,105,000** | **0.26** | 6,445,000 | 0.27 |
| Granted | **-** | | 4,220,000 | 0.25 |
| Expired and cancelled | **(240,000)** | **0.35** | (2,310,000) | 0.26 |
| Exercised | **-** | | (250,000) | 0.17 |
| Outstanding at end of year | **7,865,000** | **0.26** | 8,105,000 | 0.26 |
| Options exercisable at end of year | **7,262,000** | | 4,990,730 | 0.29 |

As at December 31, 2013, the balance of options available for grant under the plan is 4,135,000 (3,895,000 in 2012).

(In Canadian dollars)

### 13. Stock options (cont'd)

The exercise prices and the maturity dates of the options are shown in the following table:

| Maturity dates | Exercise price | 31 décembre 2013 Number of options outstanding | Number of options exercisable |
|---|---|---|---|
| May 13, 2014 | **0.110** | **218,200** | **218,200** |
| May 13, 2014 | **0.160** | **400,000** | **400,000** |
| June 29, 2014 | **0.100** | **150,000** | **150,000** |
| November 1, 2014 | **0.190** | **260,000** | **260,000** |
| November 15, 2014 | **0.190** | **400,000** | **400,000** |
| July 7, 2015 | **0.140** | **400,000** | **400,000** |
| August 29, 2015 | **0.019** | **210,000** | **210,000** |
| October 25, 2015 | **0.360** | **785,000** | **785,000** |
| August 17, 2016 | **0.430** | **1,021,800** | **1,021,800** |
| January 8, 2017 | **0.405** | **1,000,000** | **1,000,000** |
| August 6, 2017 | **0.200** | **2,020,000** | **1,717,000** |
| Octobre 22, 2017 | **0.160** | **400,000** | **280,000** |
| December 2, 2017 | **0.170** | **600,000** | **420,000** |
| | | **7,865,000** | **7,262,000** |

There were no stock options granted during the year. During the year 2012, in respect of stock options granted for this period, an amount of $424,236 was recognized in the consolidated statement of operations and credited to contributed surplus.

### 14. Capital disclosures

The Company's objective for capital management is to ensure that it can continue as a going concern in order to pursue the development of its mining properties and to the production of its mining assets.

The capital of the Company consists of equity for a total amount of $ 9,423,302 ($11,928,320 in 2012).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during the year ended December 31, 2012. The Company doesn't have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Company closes a flow-through private placement in which case the funds are restricted in use for exploration expenses.

### 15. Income taxes

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Current income taxes | | |
| Current Income taxes on net income for the year | **693,893** | 1,093,144 |
| Recoverable due to loss carryforwards from previous year | **(693,893)** | (1,093,144) |
| Quebec refundable credit for mining duties | **(91,651)** | (306,427) |
| Total current income taxes recovery | **(91,651)** | (306,427) |
| Deferred income taxes | | |
| Rise and reversal of temporary difference relating to: | | |
| Income taxes | 829,600 | 1,412,600 |
| Total deferred taxes | **829,600** | 1,412,600 |
| | **737,949** | 1,106,173 |

(In Canadian dollars)

**15. Income taxes (cont'd)**

The income tax provision differs from the amount resulting from the application of the combined Canadian statutory income tax rate. The combined statutory tax rate is the sum of the federal income taxes of 15% (15% in 2012) and Provincial of 11.9% (11.9% in 2012).

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | **(1,929,631)** | (2,998,887) |
| Combined Canadian statutory income tax rate | 26.90% | 26.90% |
| Income tax recovery at the combined statutory tax rate | **(519,071)** | (806,687) |
| Change in income tax rate | **-** | 4,500 |
| Share issue costs | **(33,400)** | (36,400) |
| Stock-based compensation | **55,269** | 158,400 |
| Exploration and evaluation assets | **-** | 440,900 |
| Previous year temporary differences recognized during the year | **-** | (301,000) |
| Utilization of prior years losses | **(693,893)** | (1,093,144) |
| Quebec mining duties refundable credit | **(91,651)** | (306,427) |
| Difference between the fiscal value and the cost of additions the exploration and evaluation assets | **573,329** | 1,071,687 |
| Disposal of exploration and evaluation assets | **1,441,782** | 1,944,400 |
| Non deductible expenses and other | **5,584** | 29,944 |
| Income tax expenses | **737,949** | 1,106,173 |

The following table shows an analysis of deferred tax assets and liabilities:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Deferred income tax assets | | |
| Deferred tax assets to be recovered in more than 12 months | **31,000** | 437,800 |
| Deferred tax liabilities | | |
| Deferred tax liabilities to be settled more than 12 months | **2,343,000** | 1,886,800 |
| Deferred tax liabilities to be settled less than 12 months | **-** | - |
| Deferred tax liabilities, net amount | **2,312,000** | 1,449,000 |

The following table shows an the evolution of deferred tax account:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| As at January 1st | **1,449,000** | - |
| Amount recognized in the operations | **829,600** | 1,412,600 |
| Amount recognized in the deficit | **33,400** | 36,400 |
| As at December 31 | **2,312,000** | 1,449,000 |

(In Canadian dollars)

**15. Income taxes (cont'd)**

The following table shows the changes in deferred tax assets and liabilites during the year, regardless of compensation balances relating to the same taxation authority:

| Deferred income tax assets | **Non-capital losses** | **Share issue costs** | **Total** |
|---|---|---|---|
| | $ | $ | $ |
| As at January 1st, 2012 | (1,157,100) | (100,800) | (1,257,900) |
| Amount credited in the operations | 783,700 | - | 783,700 |
| Amount credited in the deficit | - | 36,400 | 36,400 |
| As at December 31, 2012 | (373,400) | (64,400) | (437,800) |
| Amount debited in the operations | 373,400 | | 373,400 |
| Amount debited in the deficit | - | 33,400 | 33,400 |
| As at December 31, 2013 | - | (31,000) | (31,000) |

| **Deferred tax liabilities** | **Propery and equipment** | **Exploration and evaluation assets** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| As at January 1st, 2012 | 3,900 | 1,254,000 | 1,257,900 |
| Amount debited (credited) in the operations | (100) | 629,000 | 628,900 |
| As at December 31, 2012 | 3,800 | 1,883,000 | 1,886,800 |
| Amount debited in the operations | 1,200 | 455,000 | 456,200 |
| As at December 31, 2013 | 5,000 | 2,338,000 | 2,343,000 |

(In Canadian dollars)

**16. Commitments and contingencies**

a) On May 1st, 2013, the Company agreed to pay to its President, André Gauthier, a compensation sum corresponding of two months salaries plus two months salaries per year of services in case of separation and subject to additional conditions. As of December 31, 2013 the obligation represent an amount of $364,000.

b) In 2012 the Company entered a new three-year lease contract for larger premises. The commitments resulting from this new lease are $75,132, $75,132, and $18,783 respectively for years 2014 and 2015. The lease has a two years renewal option.

The rent expense for the year included in the net loss amounts to $90,475 ($62,238 in 2012).

c) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors

**17. Compensation of key management**

Key members of Management include directors (member of the Board of Directors or not) and senior executives. The compensation paid or payable to key management for their services as employees is presented hereafter:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Salaries and fringe benefits | **298,946** | 299,616 |
| Stock-based compensation | **60,792** | 177,745 |
| | **359,738** | 477,361 |

**18. Related party transactions**

During the year, the Company incurred expenditures related to exploration of mining properties as well as professional and consulting fees. These transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount established and agreed to by the parties.

***Company held by a director and officer***

| | 2013 | 2012 |
|---|---|---|
| **Expenses** | $ | $ |
| Professional fees | **55,860** | 108,908 |
| Travelling and entertainment expenses | **11,731** | - |
| **Deferred exploration and evaluation expenditures** | | |
| Geology, geophysics, geochemical and prospecting | **167,257** | 442,731 |
| Lines cutting | **-** | 19,631 |
| Lodging, transport and communications | **27,838** | 126,868 |
| Other expenses | **62,352** | - |
| **Trade accounts payable and accrued liabilites** | **119,489** | 138,452 |

| ***A second officer and director of the Company*** | 2013 | 2012 |
|---|---|---|
| ***Expenses*** | | |
| Professional fees | **20,724** | 22,074 |
| Travelling and entertainment expenses | **904** | - |
| **Trade accounts payable and accrued liabilites** | **560** | - |

(In Canadian dollars)

**18. Related party transactions (cont'd)**

| *A third officer and director of the Company* | 2013 | 2012 |
|---|---|---|
| **Expenses** | $ | $ |
| Consulting fees | **110,750** | 97,500 |
| Travelling and entertainment expenses | **1,055** | 3,942 |
| **Trade accounts payable and accrued liabilites** | **19,750** | - |

| *A fourth officer and director of the Company* | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Expenses** | | |
| Professional fees | **5,000** | 29,533 |
| **Deferred exploration and evaluation expenditures** | | |
| Other expenses | **-** | 74 |

| *A fifth officer and director of the Company* | 2013 | 2012 |
|---|---|---|
| **Expenses** | $ | $ |
| Consulting fees | **13,625** | - |
| Travelling and entertainment expenses | **4,259** | - |

| *A sixth officer and director of the Company* | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Other payables | **-** | 1,770 |
| Other receivables | **1,293** | - |

***Company held by a director and officer had theses expenses with - Kipawa JV jointly controlled asset***

| | 2013 | 2012 |
|---|---|---|
| **Deferred exploration and evaluation expenditures** | $ | $ |
| Geology, geophysics, geochemical and prospecting | **51,191** | 476,401 |
| Lodging, transport and communications | **16,565** | 142,980 |
| Other expenses | **10,671** | 22,604 |

(In Canadian dollars)

### 19. Supplemental Cash flow information

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Changes in non-cash working capital items** | | |
| Increase Mining duties receivable | **(91,651)** | (306,427) |
| Decrease (increase) of accounts recevable from a venturer | **45,492** | (45,492) |
| Decrease (increase) sales taxes recoverable | **389,867** | (364,426) |
| Decrease (increase) of other receivables | **(17,978)** | 3,042 |
| Decrease (increase) of prepaid expenses | **85,683** | 223,807 |
| Increase (decrease) of accounts payable and accrued liabilities | **(249,419)** | 551,109 |
| | **161,994** | 61,613 |

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Non-cash transactions** | | |
| Share issued to aquire mining properties | **-** | 12,400 |
| Mining properties costs included in trade accounts payable and accrued liabilities | **626,372** | 481,381 |
| Amortization expense included in exploration and evaluation assets | **5,009** | 7,156 |
| Acquisition of an investment in exchange for a deposit on sale of interest in a property | **22,500** | - |
| **Cash low supplemental data** | | |
| Mining duties received | **56,455** | 56,807 |
| Reduction of reported exploration and evaluation assets after recording the tax credits refundable | **407,747** | 2,498,033 |

(In Canadian dollars)

**20. Financial instruments and risk management**

*Financial risks factors*

The Company is exposed to various financial risks resulting from both its operations and its investing activities. The Company's Management manages financial risks. The Company does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risks exposure and its financial policies are as follows:

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and fair value. The Company is exposed to market risk in trading on its investment in Northern Superior Resources Inc. and Canada Strategic Metal, listed issuers whose activities are in the exploration field. As of December 31, 2013, a 10% decrease (increase) in the price on the stock market would not result in a significant change in Company's results.

*Credit risk*

The financial instruments which expose the Company to credit risk and concentration of credit risk include cash and cash equivalents, short-term deposit, funds restricted for exploration, other receivables and income tax credits receivable. The Company invests its cash and cash equivalents and short-term deposit in high quality instruments issued by Canadian financial institutions. The Company does not have any security on its financial instruments subject to credit risk, but mitigates such risk by only transacting with a diversified group of partners with strong financial conditions, and consequently does not anticipate any losses.

*Liquidity risk*

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its exploration programs. The Company also ensures that it has sufficient working capital available to meet its day-to-day commitments.

As at December 31, 2013, the Company has cash and cash equivalents of $ 783,400 ($609,466 as at December 31, 2012) and no funds restricted for exploration (none as at December 31, 2012) to settle its accounts payable and accrued liabilities of $1,166,098($1,270,526 as at December 31, 2012). As at December 31, 2013, Management estimates that funds available will not be sufficient to meet the Company's obligations and budgeted expenditures until December 31, 2014.

*Interest rate risk*

Part of cash and cash equivalents and short-term deposit bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company has a cash balance and the Company's current policy is to invest excess cash in term deposits of interest-bearing accounts of Canada'S major chartered bank. As of December 31, 2012, the Company had $100,259 ($100,316 as at December 31, 2012) invested in term deposits bearing interest at 0.9% (1.10% as at December 31, 2012). Sensitivity to a plus or minus 1% change in the rates would not significantly affect the reported net loss and reported shareholders' equity.

*Fair value*

Fair value of financial instruments is presented as follow:

| | **December 31, 2013** | | December 31, 2012 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| | **$** | **$** | $ | $ |
| **Financial assets** | | | | |
| **Loans and receivables** | | | | |
| Cash and cash equivalent | **783,400** | **783,400** | 609,466 | 609,466 |
| Short-term deposit | **100,259** | **100,259** | 100,316 | 100,316 |
| Account receivable from a venturer | **-** | **-** | 45,492 | 45,492 |
| Other receivables | **25,726** | **25,726** | 7,748 | 7,748 |
| Total | **909,385** | **909,385** | 763,022 | 763,022 |
| **Available-for-sale** | | | | |
| Investment in share of a private company | **1** | **-** | 1 | **-** |
| Investment in shares of a listed company | **23,000** | **23,000** | 10,000 | 10,000 |
| | **23,001** | **23,000** | 10,001 | 10,000 |
| **Financial liabilities, at amortized cost** | | | | |
| Trade payable and accrued liabilities | **1,166,098** | **1,166,098** | 1,270,526 | 1,270,526 |

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

**20. Financial instruments and risk management (cont'd)**

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

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

*Fair value hierarchy*

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level two includes inputs that are observable other than quoted prices included in level one;
- Level three includes inputs that are not based on observable market data.

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

**21. Joint-venture**

a) Following the signature of the SPA on July 11, 2012, the deposit on sale of interest in a property of $1,500,000 presented in the current liabilities was accounted for as a reduction of the deferred exploration and evaluation costs.

b) On July 11, 2012, TRECan and the Company, signed a sale and purchase agreement ("SPA") and a JVA agreement in connection with the Kipawa HREE Deposit. Through this transaction, the two companies intend to complete a feasibility study on the Kipawa HREE Deposit.

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

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

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

**22. Subsequent events**

On April 17, 2014, the Company has granted 100,000 stock options at a price of $0,12 to a consultant.

On September 18, 2014 the Company and TREcan signed a Termination and Release Agreement in the Kipawa Deposit. Upon signing of this agreement, Matamec paid $ 280,142 to TRECan and TRECan converted its 49% interest in the Kipawa property into a 10% NPI Royalty. Matamec then owned 100% interest of the Kipawa property.

On October 3, 2014, Ressources Québec subscribed to 16,666,666 common shares of the company at a price of $0.06 per share. As a result of this investment, Ressource Quebec held 12.17% of the common shares issued and outstanding of Matamec.

On January 26, 2015 the Company concluded a joint venture agreement with Ressources Québec inc. Pursuant to the Agreement, Ressources Québec, acting as agent for the Québec government, has acquired a 28% undivided interest in the Kipawa property for a consideration of $3 million paid into the joint account of the Joint Venture.