MATAMEC

MANAGEMENT DISCUSSION AND ANALYSIS RESTATED

December 31, 2013

INTRODUCTION

This management's discussion and analysis provides an overview of the Company's operations, performance and financial condition for the year 2013, and compares the 2013 results to those of 2012 prepared in accordance with IFRS. It is intended to complement and supplement financial information included in the interim and annual consolidated financial statements restated, related notes, other financial information found elsewhere in the annual information form 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 February 17, 2015 and as at this date 136,687,063 shares and 7,176,800 options were issued and outstanding. Reference to "Matamec" or the "Company" includes Matamec Explorations Inc. All amounts are in Canadian dollars unless otherwise indicated.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

INCORPORATION AND NATURE OF OPERATIONS

Incorporation

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

Nature of Operations

The Company focuses on exploration of mineral properties for possible future commercial exploitation. The Company does not currently have any mines in production. The Company has 100% of six mineral properties in its portfolio, one of them is currently under option, one joint venture with 51%, two joint ventures of 50% and a royalty on another. Seven properties are located in Quebec and three in Ontario. These properties total 1,459 mining claims covering an area of 81,028 hectares in Quebec and 97 claims for 1,429 hectares in Ontario. It is exploring for precious metals, base metals, rare metals and rare earths. Its main focus is on the exploration and development of the REE-yttrium-zirconium Kipawa JV property, located in Temiscaming, south-western Quebec. The Kipawa JV deposit on the Kipawa JV property is enriched in heavy rare earth elements and can be considered one of the best potential sources in the world outside of China.

Going Concern

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

HIGHLIGHTS

- Filed the first feasibility study technical report for a heavy rare earth project outside of China which demonstrated the Kipawa JV project is both economically and technically positive;

- Feasibility study report was completed by the independent engineering firms Roche, Genivar, SGS Geostat and Golder Ass. Results were published September 4, 2013. The NI 43-101 report related to the feasibility study was filed October 21, 2013;

- Toyotsu Rare Earth Canada Inc. ("TRECan") acquired its remaining 24% undivided interest in the Kipawa JV property giving them a total of 49%;

- Variability study validated the robustness of Kipawa's Beneficiation and Hydrometallurgical process flowsheet for handling feed variations across the entire Kipawa deposit. The results add confidence in the flowsheet, and were fully incorporated in the Feasibility study;

- The development of the Purification circuit is near completion, for producing a high purity heavy and light rare earth product;

- Second pilot plant was initiated on September 30, 2013, with the expectations of achieving higher rare earths recovery rates which would be a first step toward building stronger economics for the project. The Beneficiation pilot plant was completed in November 2013, and will be followed by the Hydrometallurgical and Purification pilot plant in 2014;

- The Environmental and Social baseline study conducted by Golder Associates Ltd. initiated in May 2012 has been concluded with the completion of the report on October 31, 2013;

- Work to optimize the geochemistry knowledge of the rejects and residues of the Kipawa deposit is still in progress and during the first quarter of 2014, discussions with the Research Institute of Mine and Environment (Université du Québec de l'Abitibi-Témiscamingue (UQAT)-Polytechnique) to define an efficient program of research took place. Among other things, the research will cover the important aspect of the geochemical comportment prediction into the REE mining residue.

- Environmental and Social Impact Assessment is now necessary to be providing to both levels of government, provincial and federal. Matamec worked since 2012 to have all the informations to be able to build a complete (ESIA) and its preparation is still ongoing; and

- Important designs and concepts had been established during 2013. Tailings facility, infrastructures locations and water management are identified and the Restoration Plan is also completed and describes the necessary site reclamation after the mine life.

FINANCING

The Company did not enter into any common share placements or any other type of financing agreements in 2013.

PROJECTS AND NEW ACQUISITIONS

During the period, the Company focused its efforts on the Kipawa JV property in association with TRECan and on the Zeus property. However, it did conduct various exploration works to maintain its mining interests in the Matheson JV and Matheson-Pelangio in Ontario, and Tansim, Vulcain, Wachigabau, Valmont and Sakami properties in Quebec.

No new projects have been undertaken and no new acquisitions were made during the year ended December 31, 2013. One of the Québec properties of Matamec is under option by a junior mining company.

EXPLORATION ACTIVITIES (MINING PROPERTIES)

Exploration expenses for the year ending December 31, 2013, amounted to $5,176,546 as compared to $8,865,147 for the same period in 2012. The Kipawa JV, Zeus, Tansim, Matheson JV and Valmont showed the most activity with exploration expenditures totalling: $ 4,789,501 for Kipawa JV, $239,700 for Zeus, $45,480 for Tansim, $31,760 for Matheson JV and $33,167 for Valmont.

Exploration Activities (Mining Properties) (cont'd)

The allocation by properties of mining properties and deferred exploration costs of $1 663 385 expended during the period is as follow:

Mining Properties as of December 31, 2013											
	Ontario			Quebec							
	Matheson Pelangio	Matheson JV	Matheson -East	Valmont	Vulcain	Lespérance	Sakami	Kipawa JV	Zeus	Tansim	Total
	$	$	$	$	$	$	$		$	$	$
Balance - beginning	27,141	1,581,454	-	110,400	183,023	-	114,701	421 667	52,468	46,712	2,537,566
Variance for the year	-	-	-	1, 918	(7 336)	-	(2,091)	-	1 766	(2,344)	-
Total per province	-	-	-	-	-	-	-	-	-	(8, 087)	(8,087)
Balance – December 31, 2013	27,141	1,581,454	-	112,318	175,687	-	112,610	421 667	54,234	44,368	2,529,479

Mining Properties as of December 31, 2012											
	Ontario			Quebec							
	Matheson Pelangio	Matheson JV	Matheson -East	Valmont	Vulcain	Lesperance	Sakami	Kipawa JV	Zeus	Tansim	Total
	$	$	$	$	$	$	$	$	$	$	$
Balance - beginning	27,141	1,581,454	60,560	110,400	183,023	15,495	114,701	111,667	33,108	46,712	2,284,261
Variance for the year	-	-	(60,560)	-	-	(15,495)	-	310 000	19,360	-	-
Total per province	-	-	(60,560)	-	-	-	-	-	-	313 865	253 305
Balance – December 31, 2012	27,141	1,581,454	-	110,400	183,023	-	114,701	421 667	52,468	46,712	2,537,566

Deferred Exploration Costs December 31, 2013										
	Ontario		Quebec							
	Matheson Pelangio	Matheson JV	Valmont	Vulcain	Wachigabau	Sakami	Kipawa JV	Zeus	Tansim	Total
	$	$	$	$	$	$	$	$	$	$
Balance - beginning	304,971	840,487	332,147	1,510,341	-	2,216,093	-	1,496,007	226,772	6,926,818
Analyses	-	-	-	963	-	-	37,052	94,592	4,947	137,554
Drilling	-	-	-	-	-	-	-	-	-	-
Geology, geochemistry, geophysics and prospection	-	25,155	22,247	6,671	-	8,070	479,784	112,970	30,055	686,408
Line cutting	-	-	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	2,227	601	2,828
Travelling and lodging	-	1 ,494	3,600	1,936	-	100	53,044	12,633	11,211	84,018
Other exploration expenses	-	3,280	9,137	760	-	1,807	697,540	6,553	680	718,301
Permits	-	(454)	(1,817)	6,299	-	10,332	9,370	8,001	(2,014)	29,717
Amortization of fixed assets	-	2,285	-	-	-	-		2,724	-	5,009
Total	**-**	**31,760**	**33,167**	**16,629**	**-**	**20,309**	**1,276,790**	**239,700**	**45,480**	
Total per province	**-**	**31,760**	**-**	**-**	**-**	**-**	**-**	**-**	**1,632,075**	
Total Quebec/Ontario	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,663,835**
Write-off	-	-	-	(16,072)	-	(29,614)	-	-	(44,233)	(89,919)
Disposal of deferred costs	-	-	-	-	-	-	-	-	-	-
Governmental assistance	-	-	(13, 623)	1,132	-	81	(847,707)	(33,782)	(702)	(894,601)
Total including write-off and governmental assistance	**-** **-**	**31,760**	**19,544**	**1,689**	**-**	**(9,224)**	**429,083**	**205 918**	**545**	**679,315**
Balance – December 31, 2013	**304,971**	**872,247**	**351,691**	**1,512,030**	**-**	**2,206,869**	**429,083**	**1,701 925**	**227,317**	**7,606,133**

Exploration Activities (Mining Properties) (cont'd)

Deferred Exploration Costs December 31, 2012										
	Ontario		Quebec							
	Matheson Pelangio	Matheson JV	Valmont	Vulcain	Wachigabau	Sakami	Kipawa JV	Zeus	Tansim	Total
	$	$	$	$	$	$	$	$	$	$
Balance - beginning	73,089	812,814	320,632	1,474,900	328,505	2,205,615	2,560,782	748,010	185,020	8,709,367
Analyses	12,629	1,323	-	-	-	-	-	181,416	-	195,368
Drilling	-	-	-	-	-	-	-	19,533	-	19,533
Faisability study	-	-	-	-	-	-	-	-	-	-
Geology, geochemistry, geophysics and prospection	54,904	13,191	9,371	14,293	1,797	10,327	519,682	573,972	2,903	1,200,440
Line cutting	6,720	3,120	-	-	-	-	-	-	-	9,840
Materials	2,876	-	-	-	-	-	18,263	9,782	-	30,926
Travelling and lodging	8,291	200	700	700	50	100	110,185	65,946	50	186,222
Other exploration expenses	146,462	2,858	1,262	3,244	1,074	210	35,817	13,658	1,742	206,326
Permits	-	3,717	-	-	-	3,819	36,999	9,318	35,342	110,259
Amortization of fixed assets	-	3,264	-	-	-	-	2,340	1,551	-	7,155
Total	**231,882**	**27,673**	**13,718**	**36,915**	**2,921**	**14,456**	**723,286**	**875,176**	**40,036**	**-**
Total per province	**-**	**259,555**	**-**	**-**	**-**	**-**	**-**	**-**	**1,706,508**	**-**
Total Quebec/Ontario	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,966,063**
Write-off	-	-	-	-	(335,342)	-	-	-	-	(335,342)
Disposal of deferred costs	-	-	-	-	-	-	(1,500,000)	-	-	(1,500,000)
Governmental assistance	-	-	(2,203)	(1,474)	3,916	(3,978)	(1,784,068)	(127,179)	1,716	(1,913,270)
Total including write-off and governmental assistance	**231,882**	**27,673**	**11,515**	**35,441**	**(328,205)**	**10,478**	**-**	**747,997**	**41,752**	**(1,782,549)**
Balance – December 31, 2012	**304,971**	**840,487**	**322,147**	**1,510,341**	**-**	**2,216,093**	**-**	**1,496,007**	**226,772**	**6,926,818**

Exploration

In 2013, the Company incurred $1,632,075 in deferred exploration costs in Quebec (99.5% of DEC incurred) and $31,760 in deferred exploration costs in Ontario (0.5% of DEC incurred). Here is an outline of the main exploration work done during the year on the Zeus, Valmont, Vulcain, Lesperance, Tansim, Sakami and Matheson-JV/Matheson-Pelangio properties.

The highlight of the year is the filing of the first feasibility study technical report for a heavy rare earth project outside of China which demonstrated the Kipawa JV project is both economically and technically positive.

Québec

Kipawa JV (51%) and Zeus (100%) (REE-Y-Zr)

During the year 2013, Matamec spent $1,516,490 on the Kipawa JV deposit and on the surrounding Zeus property. On the deposit itself, expenses of $1,276,790 included: costs for drafting of a report of all drilling campaigns since 2009, further metallurgical tests and tests on samples of variability carried out by SGS Lakefield, the continuation of the environmental and social baseline study by Golder and Matamec, the maintenance of relations between Matamec and the local aboriginal and regional white communities and the continuity of the feasibility study conducted by Roche and Matamec.

A 49% undivided interest in the Kipawa deposit was transferred to TRECan. The remaining 24% interest was transferred to TRECan for the completion of a definitive feasibility study on the Kipawa HREE.

For the Zeus property $239,700 was invested for: writing all reports of the drilling program, prospecting, stripping and sampling done all over the property and especially the discovery of new showings in 2012.

A new resources estimate was made at SGS Geostat and was used for the feasibility study. Total measured and indicated resource now stands at 23.857 million tonnes at 0.407% Total Rare Earth Oxide (TREO) representing 88% of total resource. From this tonnage, 19.8 million tonnes with a TREO diluted grade of 0.4105% was considered as mineral reserve.

Mining Lease

In 2011, a survey was done for the purpose of delineated a mining lease. All the paper work was done and sent to the MRN in 2012 and we are waiting the issuance of the mining lease.

Drilling Campaigns

In 2013, a complete report of all the drilling campaigns since 2009 on the deposit was finalized.

Variability samples and metallurgical tests

The exploration team prepared the variability samples from the core of the 22 HQ drilling holes. The variability samples were composed of 8 distinct mini-bulks weighing between 150 and 430 kg each (2.2t of material total). This material was assembled from half HQ-caliber core drilled especially for this purpose during the summer 2012 drilling campaign. Each mini-bulk sample was meant to test the effects of changes in grade, lithology or mineralogy on the process established by the first pilot plant in 2012. Specifically, variability sample C1 is high eudialyte, C2 is high mosandrite, C3 is mid-grade TREO, C4 is low grade TREO, C5 is high grade TREO, C6 is pure syenite, C7 is composed of high-calcite calc-silicate lithologies and C8 is composed of low-calcite calc-silicate lithologies. From these 8 samples, a global composite was made to represent as close as possible the average ore from the whole deposit.

In the first half of 2013, metallurgical testing on the global composite and the 8 mini-bulk variability samples were carried out at SGS mineral services. The intention of this variability testing is to validate the robustness of the existing beneficiation and hydrometallurgical process flowsheet in handling ore variations. Optimizations of the process flowsheet were made based on results from these testing, to improve on rare earth recoveries. These adjustments also led to a positive side-effect of substantially improving the material's filtration characteristics. Overall, the variability testing suggests that similarly good recoveries and extractions can be achieved with samples taken from across the Kipawa deposit. This result adds confidence in the Kipawa's process flowsheet, and was fully incorporated in the Feasibility study.

Purification of Rare Earth Carbonate

The focus of metallurgical testwork in the second to fourth quarter of 2013 was on the development of the purification circuit. Rare earth carbonates generated from the Hydrometallurgical process contained minor impurities that must be further removed in order to meet the stringent specifications defined by end-users. With collaborations from Matamec's metallurgical team, consultants and experts at SGS mineral services, numerous treatment routes were examined and tested. The current purification flowsheet includes steps to remove final impurities, then utilises solvent extraction to separate rare earths into high-purity heavies and lights products. Efforts were made to keep the treatment process simple and costs low within this purification circuit. The purification circuit development is now near completion, with the entire process tested sequentially and operating parameters well defined. Some final tests are planned for the first quarter of 2014 to finalize the process flowsheet. A continuous pilot plant operation is envisioned for this purification circuit following the Hydrometallurgical pilot plant in 2014.

Second Beneficiation Pilot Plant

From the 24-tonnes of trench blasted materials taken from Kipawa, a 14-tonnes Master composite sample was compiled. The composition of this Master Composite was carefully selected based on lithology, nature of mineralization and grade, and is expected to closely represent the ore feed in the first few years of mining operations. This 14-tonnes sample was crushed and grinded, and used as feed for the second pilot plant, which was initiated on September 30, 2013 at SGS Mineral Services in Lakefield. The main purpose of the second pilot plant is to validate, in a continuous basis, all the optimisations and improvements made to the rare earth treatment and recovery process since the first pilot plant operation in 2012, and with the expectations of achieving higher rare earths recovery rates which would be a first step toward building stronger economics for the project. Furthermore, it also can provide important operational data for the project's detailed engineering. The beneficiation pilot plant was completed as planned in November 2013. Mineral concentrates generated from the Beneficiation circuit will be further processed in the downstream Hydrometallurgical and Purification pilot plant, currently planned for 2014.

Feasibility Study

The Feasibility Study mandate was conducted mainly by a consortium of two engineering firms, Roche Ltd. and Genivar. However two other firms are also involved where SGS Geostat is performing the resource calculation update and Golder Associates is designing the tailings management facilities and is also looking at the environmental aspects of the project for the report.

The mandates for the Feasibility Study were awarded mostly in May 2012 and the engineers progressed on the Feasibility Study. At the end of 2012 most of the project's concepts were selected and were under optimization.

In early 2013 a variability testwork program was established and then was performed in order to have a metallurgical process that is representative of the entire ore deposit. Following the variability program then a few optimization testworks were performed as well.

At the end of June all the basic work for the Feasibility Study was completed. Then the engineering firms worked to complete the editing of the report and verifying everything before the report completion which was delivered to Matamec at the end of August 2013.

The NI 43-101 report related to the Feasibility Study is the official technical report which was filed on SEDAR October 21, 2013.

Environment

2013 has been mainly dedicated to the elaboration of the completed environmental and social baseline study. That big part of the environmental work initiated with the help of Golder Associates Ltd. in May 2012 has been concluded with the end of the report prepared on October 31, 2013. With that first step of the critical environmental items done and all the pieces of information collected during that process, even if some additional work can be necessary to be added, Matamec has everything in hands to build an appropriate Environmental and Social Impact Assessment. The baseline study includes all the usual parts of the physical environment, the biological environment and the human environment.

In concern of the federal regulation, following the project's notice submission, the Canadian Environmental Assessment Agency (CEAA) issued the final guidelines for the complete Environmental and Social Impact Assessment on May 31, 2013. Since the new Quebec Mining Act was accepted and approved by the Quebec government in December 2013, the new regulation stated on the needs for any rare earth element project to produce an Environmental and Social Impact Assessment. Also those projects are now systematically subjected to the public hearings organized and conducted by the "BAPE" (Bureau d'audiences publiques sur l'environnement). The first quarter of 2014 is devoted to the preparation and the organization to pass through the new regulation including the public hearing. Matamec worked as if the project is subject to that process since 2012 and is regarding now to combine the work to build the complete ESIA imposing by both levels of governments.

On the engineering side related to the environment, main concept and design had been concluded and worked. Tailings facility, infrastructure locations and water management are identified and most of the reports are completed. The Restoration Plan is also completed and describes the necessary site reclamation after the mine life.

Beginning in fall 2012 and ending in May 2013, a radioactivity baseline study had been conducted to measure the natural radon and gamma background levels in the area of the potential mining infrastructure locations and also in three local communities (Temiscaming, Kipawa and Eagle Village). This study yielded the background noise level of radioactivity and radon and serves as a reference for the duration of the project. Also Matamec mandated SENES Consultants to make a screening-level dose assessment and define the potential radioactive exposure for people and the environment during the operation. The conclusion of the study with the actual data is that the potential doses were estimated to be small fractions of recommended NORM dose guidelines (Health Canada 2000) for both workers and members of the public. The potential health impacts (if any) of the estimated exposures would be very low and immeasurable. The report is made with the actual geochemistry's data and an update will be necessary when all the geochemistry testing will be completed.

Since 2012, Matamec worked with the help of Golder Associates and also the Research Institute of Mine and Environment (Université du Québec de l'Abitibi-Témiscamingue (UQAT)-Polytechnique) to increase the knowledge of the geochemistry related of the Kipawa project. In February 2014, discussions started with the RIME to define a complete and efficient program of research to, among other things, cover the important aspect of the geochemical comportment prediction into the rare earth element mining residue. Also during the fall 2013, we installed field cellules to learn and have a better understanding of the potential lixiviation from the different residues (waste rock, magnetic separation reject and hydromet residue). This program will be extended for a few months and even a few years to possess all the information needs in concern of possible lixiviation of the different material on the short and long term.

Social acceptability

Recent events have shown that social acceptability is a key component to obtain necessary authorisations for any mining project. Matamec is aware of that fact and is taking all the necessary steps to work on this subject. We have from the start, showed our commitment to share all available information with the stakeholders involved in the process.

We also understand that there will always be a number of parties that will refuse the proposed project, as it is the case in any important development project. Our actions are based on this understanding; nevertheless, we are trying to make it so that a vast majority of the local population and key stakeholders understand well the project and are therefore in a better position to accept that it moves ahead.

Many actions were done in 2013 regarding social acceptability. They ranged from concrete actions, to one to one meetings, to full public presentations. We think that understanding a project is a big part of the acceptation process, so every effort has been made to achieve this goal.

The Matamec staff managed to speak directly to 1,636 people in 2013 through a total of 182 meetings. Even with such numbers, it was impossible to reach everyone, so 2014 will be focused on developing better communication strategies.

Our relations with the First Nation communities remain a priority and we are proud of our accomplishments in this regards. Numerous meetings took place with the Chiefs and council of the communities, in addition to a public presentation in May. The purposes of those meetings were to provide regular updates of the project and the opportunity to hear mutual concerns. A Confidential agreement was signed and we are now discussing the exploration protocol, with an anticipated signature in 2014.

The two communities were also responsible in providing a social and cultural baseline and impact study regarding the project. These studies were funded by Matamec and sums were also provided for the communities to hire specialists to follow our baseline and impact studies of the project.

A key element of our acceptability process is the Harmonization and follow up table for the project. It is composed of elected officials from the region, ministry leaders and key economic stakeholders. A total of 6 meetings with this working group were held in the covered period.

Three sub-committees were formed in order to address key specific aspects of the project, such as: environment, training and economic. These committees under the supervision of the Harmonization and follow up table, met on 13 occasions in 2013.

In its 2013 strategy to reach out to as many people as possible, Matamec held a total of six public meetings. These meetings were held in different communities and in both official languages.

One important action from the economic committee has been the completion on a document mandated to KPMG-SECOR, to study the economic impacts and spin-offs of the project. The positive conclusions of the project were made public. This study partly funded by FADET (Fonds d'Aide au Développement Économique du Témiscamingue) was highly anticipated by many stakeholders as it included the impacts and spin-offs at many levels including, local, regional, provincial and federal.

The training committee worked on informing the communities about the employment opportunities that would be available if the Matamec project becomes reality. Representatives from Matamec were amongst the participants of three job fairs set up by Emploi Quebec.

Another key element of our work is to make our project known to elected officials from the different government levels, such as municipal, regional, provincial and federal. A total of 50 meetings were held with these important stakeholders. Representatives from every level of government were met and more meetings are planned since the elections on the municipal and regional levels have brought new representatives in some cases.

Matamec was also involved in different important events as a participant or sponsor. It was involved in the Half Marathon of Lots for Tots as members of the team that ran the distance and Matamec sponsored this event. Another important sponsorship from Matamec was provided to the Eagle Village Countryfest.

Two presentations were also delivered at ICM (Institut Canadien des Mines) meetings held in Val d'Or and Amos. The President and the Director of Regional Relations also presented the Kipawa project during a Journal les Affaires conference on Social Acceptability held in Montreal in December.

A lot still remains to be done as social acceptability is an ongoing process. 2014 will also be rich in activities and meetings in our efforts to inform as many people as possible about the project.

The first months of 2014 allowed us to work on preparing the next plan of actions in regards to social acceptability. It was understood in 2013 that we needed to explore new methods of communications to reach out to individuals who do not attend public presentations.

The team dedicated to social acceptability at Matamec is now working in developing a communication campaign that would allow the more difficult clientele to be reached by the more traditional methods such as newspapers, mailings, radio and electronic medias.

Our local office in Témiscaming continues to be accessible to individuals who desire information on the project. We have a representative present who answers questions, hear concerns and provides information. We are also collecting resumes to fill our talent bank and are receiving information for entrepreneurs interested in doing business with us.

At this time, we have maximized our public meetings, as best practices indicate that we require more substantial information to hold such meetings. Without more information, the public meetings could become counterproductive.

The social implication of the personnel devoted to social acceptability has allowed us to realize many actions in regards to different important community and regional groups including the Société de développement du Témiscamingue, Chambre of Commerce of Témiscaming-Kipawa, Habitémis and other groups. Our Manager of regional relations is an active member and sits on the board of all of these committees.

The VP of Exploration and the Manager of Regional Relations have both participated in February to the first economic forum of the Abitibi-Témiscamingue. This activity allowed us to expose our project to different entrepreneurs and subcontractors extending the awareness to entrepreneurs from Ontario, the Témiscamingue region as well as the North west of Québec. This has been an excellent exchange of business opportunities for all parties involved.

Elected members have been met in an effort to inform them that the slower pace of activities at the local level is necessary in order to focus on other developmental portions of the project.

Other meetings have taken place with the federal representative of the Abitibi-Témiscaming region as well as the federal representative of the Nipissing region in Ontario. We continue to meet with the different representatives at the provincial, regional and municipal levels to keep them informed.

Finally, it is important to highlight that an interesting number of members from the Matamec team attended the annual conference of the PDAC (Prospector Developer Association of Canada). We had set up a booth to inform interested parties on the project.

The next months will allow us to continue to execute our action plans in an effort to help people better understand our project.

Acquisition by TRECan of a 49% interest in Kipawa JV property on July 31, 2012

On July 11, 2012, Matamec and TRECan, a Canadian subsidiary of Toyota-Tsusho Corp. (“TTC”), signed a sale and purchase agreement (“SPA”) and a joint venture agreement (“JVA”) in connection with the Kipawa JV property. On July 31, 2013, TRECan acquired from Matamec an undivided interest of 49% in the Kipawa JV Property for a total consideration of $16,000,817 which has been used to fund the expenses related to the feasibility study, including an amount of $163,660 paid by TTC for lab test work.

Under the terms of the JVA, a management committee was created and is composed of a representative of both parties. The decisions will be taken by simple majority and the party who holds an interest of more than 50% has a casting vote. Any decision to add additional expenditures to the program and the initial budgets of $16,000,817, amongst others, has to be unanimous. Matamec will be acting as operator of the joint venture so long as it holds more than a 50% interest.

In the event of a change in the control of a party or its affiliate without the consent of the other participant, the party having a change of control is reputed having offered to sell its interest in the Kipawa JV Property to the other participant in accordance with the method of the fair market value determined in the agreement; the other participant will have sixty days to accept the offer. This mechanism provides that the fair market value will be determined by three qualified and independent evaluators. Matamec and TRECan will choose one independent evaluator each and the third independent evaluator will be chosen by the two parties, or should they fail to agree, they will be chosen by one of the major Japanese or Canadian firm of auditors who will have been agreed to by the parties.

Change of control is defined in the JVA as the date when one of the participating corporations would be controlled by one person or a different group of persons other than another participant or, when the board of directors of the corporation has determined that there has been a change of control. As to the control of a corporation, it is defined as a person or group of persons holding more than 50% of the voting rights at an annual meeting of the shareholders and/or have the power to control directly or indirectly the board of directors or to be able to vote more than 50% of the voting rights at an annual meeting of the shareholders.

Under the JVA, the parties agree to begin the search for financing opportunities, and determine a method to calculate the fair market price of the product which will be bought by TTC and other by-products contained in the Kipawa JV Property on a best efforts basis.

If the Kipawa JV Property is put into production, mixed rare earths concentrates will be produced. The parties will negotiate an off-take agreement and TTC will buy these mixed concentrate for a fair market price. Moreover, the parties agree that they will negotiate another agreement for TTC to market other by-products contained in the Kipawa HREE Property at the fair market price.

With respect to the Zeus rare earths property, the parties have agreed to use their best efforts to negotiate in good faith the participation of TRECan in the exploration of various discoveries made outside the Kipawa Property.

TRECan is a reputable partner giving Matamec both the financial and technical support to allow it to catapult to the forefront in the race to production of HREEs outside of China. Matamec is the first rare earth exploration company to sign a JVA with a reputable and experienced end-user company with a substantive international rare earth network. It is also the only rare earth exploration company to have received funds to accelerate and complete a feasibility study and an environmental and social impact assessment study of a HREE deposit. Having TRECan as a strategic partner and providing funds and expertise further validates the possibility of a future

Kipawa Mine. It also shows that the project is, at the moment, one of the most advanced and credible HREE projects in the market.

The JVA has many tangibles, but also many valuable intangibles. For the tangibles, TRECan is a strategic partner and the JVA is only for the Kipawa HREE property. With the JVA signed July 2012 between TRECan (49%) and Matamec (51%), TRECan provided $16 million for a NI 43-101 independent bankable feasibility study. Matamec is operator of the JV. TTC will sign an off-take agreement to buy 100% of a mixed rare earths concentrate and TRECan will arrange with Matamec the financing through to production. For the intangibles, the JVA includes mutual collaboration to accelerate the development of the Kipawa HREE Deposit and technical assistance from the Worldwide Toyota Network (critical to fast track the project). This agreement secures a heavy REE supply for the production and marketing of hybrid and electric vehicles.

The Zeus property

For 2013, $239,700 was spent on the Zeus property (surrounding claims of the Kipawa deposit). The team compiled data collected last year and published the results through press releases and reports on the drilling of the PS Zone and the new showings discovered last year through mapping and trenching. The property now comprises twelve HREE showings, some of which contain niobium and tantalum.

PS Zone

The PS Zone was founded by Unocal in 1989 and was composed of a mineralized boulders field situated at two kilometers South-East of the Kipawa deposit. No outcrop is present in that area. With all anterior Matamec exploration campaigns consisting of mapping, prospecting and soil geochemistry showed clearly that the Kipawa deposit and the PS Zone are situated along the same structure. The 2012 drilling was planned to verify this hypothesis.

In October 2012, a drilling campaign of 15 short holes was performed on the PS Zone. All holes intercept the typical syenitic body of the Kipawa deposit with a minimal thickness of 100 meters. The majority of these holes show mineralization similar to the Kipawa deposit as eudialyte, mosandrite and britholite. In the first quarter of 2013, complete results have been received on the totality of analyzed intersects. Each holes show one to three mineralized zones similar to Kipawa deposit mineralization. The thicker mineralized zones have a thickness of 17.25 meters at 0.52% TREO and 15.00 meters at 0.57% TREO. The highest grades are 1.13% TREO on 3.70 meters and 1.1% TREO on 5.00 meters.

In February to March 2014, the geological team plans to connect the eastern extension of the Kipawa deposit to the western part of the PS Zone by drilling 2 or 3 holes per sections with 300 to 500 meters from each other on this two kilometer structure.

New Showings

In 2012, the discovery of 3 new showings was made during the summer mapping and prospecting campaign. The first two are named Makwa and Certitude Nord, and they are located in the Eastern part of the property, at 14 and 16 kilometers to the NE of the Kipawa deposit respectively. The third is named Pakwa, and it is located on the western shore of Lac Sairs, at 4 kilometers to the North-East of the Kipawa deposit. These showings show very high grades of rare earths on chosen samples from outcrops and boulders. The grade and the possible lateral extension of these discoveries show the potential to perhaps find other deposits on the Zeus property. In November-December 2012, three mechanically strips have been done on Pakwa showings and two others, on Surprise Ouest. In 2013, channel sampling and mapping of these showings was performed and a report was done.

Tansim (Li, Be, Ta)

The Company spent $45,480 on the Tansim property during the third quarter of 2013. This property was enlarged last year by adding new claims in the west side of the previous one. Now the property covers all the favourable rocks of the sector north of Simard Lake. This property is strategic for Matamec as it contains high technology metals as Li, Be, and Ta. In June, the geological team of Matamec made the first 10 days of prospection and mapping campaign of these new claims and some channelling on an old showing. During the last quarter we wrote the report of this small 10 days campaign. Stripping and bulk sampling of the known showing are recommended with prospection of all the property to find extension of the mineralization.

Vulcain (Ni-Cu, Co and PGM)

$16,629 was spent on the Vulcain property during the period ending on December 31, 2013. In 2011, a geophysical radiometric, magnetic and electromagnetic airborne survey was flown over the entire property. This survey identified eight electromagnetic targets on the Gale block. In the fall 2012, these targets were explored on the ground with the help of the Beep Mat and VLF. Three targets were found that merit further work by trenching or drilling. Unfortunately, we were not able to perform any field works on that property in 2012 due to the lack of personnel and time. Matamec intends to drill these targets and we already met with the community of Kitigan Zibi in Maniwaki.

Valmont (Au – Zn-Cu-Pb-Au-Ag – Ni-Cu)

During the year, the Company spent $33,167 on exploration. The two last years were very quiet in field exploration on that property due to the lack of personnel and time. The past years exploration works saw a soil geochemical survey in 2010 of the B horizon which identified several targets. These targets were mapped and prospected during the summer 2011 with some preparatory work for trenching. In 2012, a compilation of all geochemical data, from 1997 to 2011 show the existence of numerous gold and polymetallic (Cu, Zn, Pb, Au, Ag) anomalies on the property. Also a surprising potential for Ni-Cu was identified. As the property is not entirely covered by soil, a geochemical survey would seem to be the best tool for exploring that property. The report recommends completing this all over the property and made the following-up by trenching the anomalous prospects of 2011.

Sakami (Au)

The Company spent $20,309 during the period ending on December 31, 2013.

Gold mineralization was found on the property at the end of the 1990s. Subsequent exploration of the area identified the "Sakami corridor" which occurs at the contact between the La Grande and Opinaca sub-provinces. The promising gold potential in the area is emphasized by the discoveries made by Matamec as well as those made by Virginia Mines along the extensions to the north and to the south (La Grande and Apple).

Two areas of interest are named "La Pointe" and "JR-Ile". Matamec's work has brought the "La Pointe" area to a more advanced stage of exploration where mineralized zones (24-25-26) were discovered by trenching and diamond drilling. We believe that with new exploration, Matamec may be able to define a resource with a grade in the order of 2 g/t Au. A drilling campaign first: on the zone 25 where there's gaps in the information to be able to find the economics on this zone: and second: drilling for the lateral extension of the stratigraphic host layer in the surrounding fold to increase the grade and tonnage.

The "JR-Ile" area has been relatively little explored despite significant gold grades having been found at the "9.6" and "43" showings. The potential to finding a gold deposit at this location remains positive considering that multiple showings have been defined in tectonic structures such as folds and shear zones, and several kilometers along strike are little explored.

More work needs to be done to fully evaluate these showings and to test the geological model that has been proposed for the area.

Presently the property is under option and since September, exploration work began on the property, specifically on the La Pointe sector (zones "24-25" and "26") and on the JR-Ile sector (zones "9.6" and "43").

On August 16, 2013, Matamec and Canada Strategic Metals Inc. announced that it has signed an option agreement where Canada Strategic Metals can acquire an interest of up to 70% in the Sakami project.

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

	Number of shares	**Exploration work**
Signature of a formal agreement	500,000	--
On the First Anniversary	500,000	$500,000
On the Second Anniversary	500,000	$750,000
On the Third Anniversary	500,000	$1,000,000
TOTAL	**2,000,000**	**$2,250,000**

A minimum of $500,000 must be spent by Canada Strategic Metals on exploration before the first anniversary of the agreement. In the event that Canada Strategic Metals renounces its option, the unspent portion of the $500,000 minimum in exploration expenses shall be paid in cash or in shares, at the sole discretion of Canada Strategic.

Canada Strategic Metals will have acquired an interest of 50% in Sakami after issuing a total of 2,000,000 common shares and carrying out exploration in the amount of $2,250,000 before August 16, 2016.

Once Canada Strategic Metals has earned a 50% interest, the parties will form a full joint venture and will enter into a formal agreement with the standard clauses.

The property is subject to a 1% Net Smelter Return royalty on certain claims.

Within 180 days of acquiring its 50% interest in the property, Canada Strategic Metals 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.

Ontario

Matheson JV/Matheson-Pelangio (Gold)

The Company spent $31,760 on the Matheson JV/Matheson-Pelangio properties in the period ending December 31, 2013.

This property lies along the stratigraphic rock assemblages which contain most of the gold deposits in the Timmins mining camp. This large property show several targets defined by old till drilling campaigns not enough followed by drilling. The entire property deserves further exploration.

FUTURE CORPORATE STRATEGY FOR MINERAL DEVELOPMENT

With the feasibility study now completed for the Kipawa JV, the Company still intends to concentrate on developing its strategic and green energy metal properties namely the Kipawa JV, Zeus, Tansim, and Vulcain properties. The Company will not yet transfer its gold properties into a 100% owned subsidiary but will wait to further develop them and for stock market conditions to become more favourable for financing. The gold properties are Matheson JV/Matheson-Pelangio, Montclerg, Sakami, Wachigabau, and Valmont.

The main corporate goal in 2013 was achieved by the completion of the feasibility study for the Kipawa JV. The feasibility study cost $16 million to complete. With the feasibility study now completed, we plan to spend approximately $5-$6 million for additional environmental assessments, social acceptability, metallurgical optimization including a second series of pilot plant tests beginning fall 2013 and ending in the third quarter of 2014 and detailed engineering.

Continuing exploration on the Zeus property will concentrate to evaluate by drilling the lateral extension of the deposit on the claims outside of the Matamec-TRECan joint venture and on the Makwa, Certitude, Surprise and Pakwa showings. These showings show the potential of becoming future deposits and are also located in the Kipawa Alkalic Complex. Dr. Mariano and Tony Mariano Jr. are world experts in rare earth exploration. They will be studying the mineralization of all these showings. Additional work will include ground traverses, mechanical trenching, channel sampling, line cutting, and geophysical and geochemical surveys in order to define future drill targets and determine the relationship between the parallel mineralization trends.

The Company holds several other properties located in Quebec and Ontario unrelated to the rare earth properties. The Company's focus is on strategic and rare metals and to fulfill this goal, the exploration teams are looking for acquiring other REE properties and are working on other types of strategic metals. On the Tansim property, located to the north of Belleterre, Quebec, strategic metals such as lithium, niobium, and tantalum were found. Copper, nickel, cobalt and platinum group metals were found on the Vulcain property, located in the region of Maniwaki. Five properties are gold projects, some associated with base metal mineralization.

MARKETING OF RARE EARTHS & SPECIALTY METALS

The Company hired on January 7, 2013 Michael Roche as Director of Marketing for Rare Earths and Speciality Metals. Mr. Roche, a chemist by profession, has significant rare earth commercial experience and is responsible for developing and implementing Matamec's marketing strategy.

The Company completed a number of areas in the marketing of the Company, including:

- Assisted in the writing and development of the marketing sections of the Kipawa feasibility study and the NI 43-101 reports; and
- The marketing of its other properties, namely Vulcain and Tansim, which have specialty metals for which the Company is creating visibility for these properties.

Through 2013 and into the first quarter of 2014, Mr. Roche has attended a number of industry trade shows, included among these were:

- Magnetics, Orlando, Florida;
- SAE Hybrid & Electric Vehicles, Anaheim, California;
- PDAC 2013 & 2014, Toronto;
- Technology Metals Summit, Toronto;
- Metal Pages Conference in Shanghai, China; and
- 9th International Rare Earth Conference in Hong Kong, China.

Mr. Roche has also maintained many contacts with various industry end-users for the purpose of acquiring market intelligence and able to provide them with the most current information on the Kipawa Project. The Company will be increasing its marketing activities for the Kipawa JV rare earth project as it progresses towards commercialization.

Comments on the Rare Earth Markets:

The rare earths market faced a most challenging 2013, after falling consistently through the year, for example, at the start of the year, Samarium was at $25/kg FOB China and has hit the low of $7.50/kg as of mid-summer; likewise Dysprosium was at $775/kg FOB China and fell to the low of $475/kg at around the same time that Samarium was bottoming out. Rare earth pricing have since rebounded off of the year lows that were observed in June and July. Through August and September, we have seen Dysprosium come back to the $535/kg level. With additional purchases from end users, Dysprosium is likely to break back above the $600 level in 2014.

The company feels very strong in the fact that the REO pricing will continue to slowly rebound off the July 2013 lows, with several factors listed below that will help drive this:

1) Replenishment of feedstock supplies for western and Japanese companies. Many companies will need to begin reacquiring feedstock to maintain their minimum stocking levels of rare earths.

2) Continuing the crackdown on illegal (unauthorized) exports by Chinese government authorities, which will require the trade to go through the normal quota system which further drives the pricing of the rare earths up.

3) Increasing environmental tariffs on rare earths will be passed on to the western and Japanese companies in the form of higher pricing.

4) The Chinese will begin to start to reinitiate their stock piling of heavy rare earths in the first half of 2014 which will begin putting price demands on the heavy rare earths for export.

Late in 2013, it was reported that the decision of the World Trade Organization (WTO) case against China had resulted in an outcome that ruled against the Chinese. The case was brought about when Japan, the United States and Europe claimed that there were unfair practices with the implementation of the quota systems for rare earths and the pricing controls that have been put into to place on the rare earths. China will exercise the opportunity to appeal the decision; but, it will most likely be unsuccessful. What impact does this have on the market is yet to be determined. There is the possibility that the Chinese Ministry responsible for the exportation of the rare earths will change the quota system by removing Cerium and/or Lanthanum from the quota, thus leaving a quota system in place that would just have the higher priced rare earth materials included. This remains to be seen.

INVESTOR RELATIONS

2013 has been a very busy year for the investor relations department, creating awareness about Matamec globally.

The Company has been active in introducing itself to analysts, shareholders and prospective shareholders in cities abroad. In addition, the Company attended the following conferences in 2013:

- Cambridge House Resource Investment Conference in January – Vancouver
- PDAC in March – Toronto
- Mines and Money in March – Hong Kong
- Technology Metals Summit in April – Toronto;
- Asian Metal 5th International Rare Earth Summit in May - New York City;
- Cambridge House Resource Investment Conference in May – Vancouver;
- Mines and Money Beijing in June – Beijing
- Cambridge House Resource Investment Conference in September – Toronto;
- 15th China Mining Conference 2013 in November -Tianjin Meijiang, China;
- Canada Mineral Forum in November – Beijing, China;
- 9th International Rare Earth Conference in November – Hong Kong, China;
- Tokyo Investment Mining Seminar in November – Tokyo, Japan.

Subsequent to the new-year, the Company attended the following conferences:

- Cambridge House Resource Investment Conference in January – Vancouver
- PDAC in March – Toronto
- Swiss Mining Institute in March – Switzerland

The Company completed two major milestones in 2013 with the announcement of the Kipawa Feasibility Study results on September 4th and the depositing on SEDAR October 21st of the first NI 43-101 for a heavy rare earth company outside of China. The Company hosted an analyst webcast on September 4th where we had a record number of callers who participated both by phone and online.

Matamec took a very conservative approach in communicating the results of the Feasibility Study with the goal going forward of building stronger economics for the project. The Company is aggressively communicating the story to the markets with the goal of increased understanding of the future potential of the project economics. In particular, we are working close with the financial analysts to ensure they have a meaningful understanding of the project economics and understand the upcoming milestones and their impact to the success of the project. Having filed the first NI 43-101 positions Matamec in a very favourable place to become the leading heavy rare earth company outside of China.

SELECTED ANNUAL INFORMATION

Financial statements restatement

The agreement between TREcan and the Company, in accordance with the practices most commonly used in the industry, has been accounted for as a farm-out agreement without consideration for the legal 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 as been accounted for as a farm-out agreement, the company uses the carrying amount of the interest before the conclusion of the agreement as the carrying amount for the portion of the interest retained. The company has not recorded the exploration expenditures made with the funds supplied par TREcan, consequently the deferred exploration and evaluation expenditures of the Kipawa property do not include the $ 16,000,817 costs of the feasibility study.

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

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

Acording to this method :

- The Comany uses the book value of it's participation before the conclusion of the farmout agreement as the book value of the remaining participation

- The Company deducts the cash consideration received, if any, of the book value of the book value of the remaining participation, any surplus being recorded as profit in net resuts.

- The Company does not record the prospection expenses made with the funds supplied by TREcan for the feasibility study

The following table includes selected consolidated financial data, prepared in accordance with International Financial Reporting Standards ("IFRS"), for the years 2013 and 2012. All amounts in this Management Discussion and Analysis ("MD&A") are in thousands of Canadian dollars, except where otherwise noted.

	Fourth Quarter		**Years end**		
	Results as of December 31, 2013 (Restated)	**Results as of December 31, 2012 (Restated)**	**Results as of December 31, 2013 (Restated)**	**Results as of December 31, 2012 (Restated)**	**Results as of December 31, 2011**
	$	$	$	$	$
Others income					
Interest income	5,661	11,219	40,927	41,097	59,531
Expenses					
Administrative expenses	(180,522)	(1,054,973)	(1,753,762)	(2,446,625)	(1,640,115)
Stock-based compensation	(18,793)	(141,300)	(205,462)	(588,927)	(426,343)
Income tax Expenses (recovery)	(494,001)	(603,827)	737,949	1,106,173	(1,108,166)
Net loss	(697,466)	(929,478)	(2,667,580)	(4,105,010)	(900,019)
Basic and diluted net loss per share	(0,006)	(0.007)	(0.072)	(0.034)	(0.008)

Statements of Financial Position	December 31, 2013 (Restated)	December 31, 2012 (Restated)	December 31, 2011
	$	$	$
Total assets	12,923,900	15,085,285	16,187,317
Cash and cash equivalents	783,400	609,466	3,104,058
Equity	9,423,302	11,928,320	15,448,303

Results of operations

During the year ended December 31, 2013, the Company had a net loss of $2,667,580 compared to a net loss of $4,105,010 for the same period in 2012.

As of December 31, 2013 a stock-based compensation in the amount of $205,462 was attributed in earnings ($588,927 as of December 31, 2012).

The diminution in administrative expenses for the year or an amount of $692,863 is primarily attributable to the following elements:

- Decrease of salary for $68,608;
- Decrease of consulting fees for $17,529;
- Decrease of professional fees for $96,846;
- Decrease of rent office expenses for $74,090;
- Decrease of write-off of exploration and evaluation assets for $339,706;

CASH ASSETS AND SOURCES OF FINANCING

As of December 31, 2013, the Corporation had a working capital of $1,311,383 ($3,778,624 on December 31, 2012) including cash and cash equivalents of $783.400 ($609.466 on December 31, 2012). The working capital includes $1,397,897 in tax credits receivable on December 31, 2013 ($3,640,379 on December 31, 2012).

Management estimates that these funds will not be sufficient to meet the Corporation's obligations and budgeted expenditures through December 31, 2013. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If Management is unable to obtain new funding, the

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

The Company's operating activities utilized $1.346.628 in the year ended December 31, 2013 ($1,579,315 for the same period in 2012). The increase in cash flow used resulted from a marked improvement in 2012 in non-cash working capital items.

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

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

During the year ended December 31, 2012, the Company received $56,807 in tax credits relating to resources ($585,981 in 2011). In February 2013, the Company received $984,977 for tax credits for the year 2011.

Investment activities of the Company are mainly used to fund exploration and evaluation details of which are disclosed in the table on page 7, the addition of mineral properties and the acquisition of property.

The increase in cash flow is caused by proceeds on disposal of $8.5 million from the sale of 25% of the Kipawa HREE Deposit to TRECan.

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

Divided policy

The Company has not declared any cash dividend on its outstanding common shares since incorporation. Any dividend payment will depend on the Company's financial requirements for its exploration and evaluation programs, its level of growth and other factors deemed pertinent by the Board of Directors under the circumstances. It is unlikely that a dividend will be paid in the foreseeable future.

Quarterly Financial Information

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

	2013			
	1st Quarter (Restated)	2nd Quarter (Restated)	3rd Quarter (*i*) (Restated)	4th Quarter (Restated)

Interest income	14,845	5,799	14,622	5,661
Administrative expenses	494,282	595,649	653 674	180,522
Net income (loss)	274,336	633,495	1,062,285	697,466
Basic and diluted net income (loss) per share	0,002	0,005	0,009	0,006
Current assets	6, 297,650	5, 573,929	4, 013,354	2,477,481
Total Assets	18,813,841	19,375,279	13,261,002	12,923,900
Current liabilities	1,675,616	1,594,441	1,231,628	1,166,098
Working capital	4,622,034	3,979,488	2,781,726	1,311,383
Shareholder's equity	11,653,984	12,292,479	10,154,874	9,423,302

	2012			
	1st Quarter	2nd Quarter	3rd Quarter (*ii*)	4th Quarter (*i*) (Restated)
Interest income	8,470	7,026	14,382	11,219
Administrative expenses	494,282	876,958	262,472	1,054,973
Net loss	691,704	870,551	1,959,147	929,478
Basic and diluted net income (loss) per share	0,006	0,007	0,016	0,007
Current assets	5,027,104	3,301,625	6,963,247	5,049,150
Total Assets	17,046,367	17,077,267	16,395,300	15,085,285
Current liabilities	568,631	1,366,361	2,275,818	1,270,526
Working capital	4,458,473	1,935,265	4,687,429	3,778,624
Shareholder's equity	14,977,736	14,210,906	15,299,555	11,928,320

Off Balance-Sheet Arrangements

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

Related-Party Transactions

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

	December 31, 2013	**December 31, 2012**
	$	**$**
Professional fees	81,584	160,515
Consultant fees	124,375	97,500
Traveling and entertainment expenses	17,949	-
Other expenses	73,023	22,678
Accommodation, transport, communication and lines cutting	44,403	269,848
Geology, geochemistry, geophysics and prospecting	218,448	919,132
Line cutting	-	19,631
Accounts payable and accrued liabilities	139,799	140,222
Other receivable	1,293	-

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Company's critical accounting policies, estimates, judgments, assumptions in the financial statements as at December 31, 2013, Notes 1, 2, 3, 4 and 5.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

There were no changes in accounting policies applied by the Company for each quarter of 2012 compared to annual financial statements for the year ended December 31, 2013.

Outstanding Share Data (when this report was produced)

	As at February 17, 2015
Share capital	136,687,063
Options	7,176,800
Warrants	-
Outstanding shares	143,863,863

(i) During the quarter that ended on September 30, 2014, 500,000 options to purchase were issued.

(ii) As per October 2rd, 2014, Ressources Québec inc. made a private placement of 16 666 666 common shares.

Risks and Uncertainties

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

New accounting policies in effect

The new accounting policies in effect for the year ended December 31, 2013 are set out in Note 2 to the Company’s unaudited condensed interim financial statements.

Financial instruments

FINANCIAL RISK FACTORS
The Company is exposed to various financial risks resulting from both its activities and investments. The Company manages the financial risks. The Company does not use transactions in financial instruments, including derivative financial instruments for speculative purposes. Exposure of the Company to key financial risks and financial policies in this area are described in the annual financial statements of December 31, 2013 in Note 19.

RISK AND UNCERTAINTIES

GOING CONCERN RISK
The Company and its mineral exploration and evaluation programs are at an early stage and the Company has no source of income. The Company relies upon its ability to secure significant additional financing to meet the minimum capital required to successfully complete the project and continue as a going concern. While the Company has been successful at raising funds through equity offerings in the past, there is no assurance that it will be able to do so in the future nor that adequate financing will be available to the Company or that the terms of such financing will be favourable. Should the Company not be able to obtain such financing, its ability to pursue its exploration and evaluation program and retain its mineral properties could be impaired.

OPERATIONAL RISKS FACING EXPLORATION AND EVALUATION MINING PROJECTS

The Company is at an exploration stage. Exploration and mining activities are subject to a high level of risk. Few exploration properties reach the production stage. Unusual or unexpected formations, fires, power failures, labour conflicts, floods, rockbursts, subsidence, landslides and the inability to locate the appropriate or adequate manpower, machinery or equipment are all risks associated with mining activities and the execution of exploration programs. Failure to address these risks may reduce the profitability of the operation or altogether prevent the property from being developed.

RESOURCE DEVELOPMENT RISKS

The development of resource properties is subject to many factors, including the cost of mining, variations in the material mined, fluctuations in the commodities and exchange markets, the cost of processing equipment and other factors such as aboriginal claims, government regulations including, in particular, regulations on royalties, authorized production, importation and exportation of natural resources and environmental protection. Depending on the price of the natural resources produced, the Company may decide not to undertake or continue commercial production. Failure to address these risks may reduce the profitability of the operation or altogether prevent the property from being developed.

EXPLORATION (GEOLOGICAL) RISK

The probability of an individual prospect ever having reserves that meet the requirements of *National Instrument 43-101, Standards of Disclosure for Mineral Projects* is extremely remote. Most exploration and evaluation projects do not result in the discovery of ore. In all probabilities, the majority of the properties do not contain any reserves and any funds spent on exploration and evaluation will probably be lost.

COMMODITY RISK

The market for Rare Earth oxide (TREO) in rare earths-enriched, can be affected by factors beyond the Company’s control. Commodity prices have fluctuated widely, particularly in recent years. The impact of these factors cannot be accurately predicted, however commodity prices may reduce the profitability of the operation or altogether prevent a property from being developed.

RISK UNTIL REGISTRATION OF TITLES ON PROPERTIES

Although Management has taken steps to verify title to mining properties in which the Company has an option to acquire an interest, in accordance with industry standards for the current stage of exploration of such properties, options to acquire interests and interests in properties may be subject to unregistered prior agreements and be non-compliant with regulatory requirements until interests in mining claims and titles are registered in Québec, Canada in the name of the Company and may jeopardize the Company’s option to acquire an interest in the property.

ENVIRONMENTAL AND OTHERS REGULATIONS

Current, possible or future environmental legislation, regulations and measures may entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. The requirements of the environmental regulations and standards are constantly re-evaluated and may be considerably increased, which could seriously hamper the Company or its ability to develop its properties economically. Before a property can enter into production, the

Company must obtain regulatory and environmental approvals. There can be no assurance that such approvals will be obtained or that they will be obtained in a timely manner. The cost related to assessing changes in government regulations may reduce the profitability of the operation or altogether prevent a property from being developed. The Company considers that it is in material compliance with the existing environmental legislation.

RISK AND UNCERTAINTIES (CONT'D)

OPTIONS AND JOINT-VENTURE AGREEMENTS
The Company enters into Option and Joint Venture Agreements in which 1) other parties may have interests in the same claims but for minerals other than rare earths elements; or 2) in which the Company must obtain consent from the parties to obtain the priority for the Company to explore and produce for the duration of the Option and Joint Venture Agreement; or 3) in which the royalties must sometimes be paid not by the Company but by the other party to a third party pursuant to a previous engagement with the other party to the Agreement; or 4) in which another party may manage the Option or the Joint Venture or 5) in which the Company's interest may be diluted if the Company fails to incur exploration expenditures. If the Company fails to pay the sums due or fail to issue the securities pursuant to the terms of the agreements, the option to acquire an interest or the interest in a property could be abandoned or lost and all sums invested by the Company in these claims could be lost.

FINANCING AND DEVELOPMENT
The Company has incurred losses to date and does not presently have the financial resources required to finance its planned exploration, evaluation and development programs. Development of the Company's properties therefore depends on its ability to obtain the additional financing required. There can be no assurance that the Company will succeed in obtaining the required funding. Failure to do so may lead to substantial dilution of its interests (existing or proposed) in its properties. The inability to attract sufficient financing and or experienced personnel may negatively affect the profitability or the viability of a project. Future financing may take a variety of forms, the nature and conditions of which cannot be reliably predicted. Debt financing may include restrictive covenants. Equity issuances may have a dilutive effect on current shareholders. Management is continually working to secure the necessary financing needed to achieve the objectives of Company.

PERSONNEL RISK
The Company has limited experience in developing a resource property, and its ability to do so will depend on the use of experienced people or in the signature of agreements with major resource companies that can produce such expertise.

Information Communication Controls and Procedures

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

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

Additional Information and Continuous Disclosure

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

(Signed) André Gauthier

(Signed) Marcel Bergeron

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(s) André Gauthier, President and Chief Executive Officer

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

Matamec Explorations Inc.

1010 Sherbrooke West #700
Montreal, Qc H3A 2R7
Tel: (514) 844-5252
Fax : (514) 844-0550
Email: info@matamec.com
Website: www.matamec.com

Directors and Officers
André Gauthier, President and CEO
Aline Leclerc, Vice-President Exploration and Director
Marcel Bergeron, Secretary-Treasurer and CFO
Laval St-Gelais, Director
Normand Tamaro, Director
Raynald Vézina, Director

Legal Counsel
Spiegel Sohmer Inc.
Fasken Martineau

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

Transfer Agent
Computershare Inc.

Exchanges Listings

TSX Exchange - MAT

OTCQX- MHREF