



MANAGEMENT DISCUSSION AND ANALYSIS

September 30th, 2015

**MATAMEC EXPLORATIONS INC.**  
**Management Discussion and Analysis**  
**For the period of nine months ended September 30, 2015**

## **INTRODUCTION**

The following analysis should be read in conjunction with the financial statements of Matamec Explorations Inc. (“the Company”) for the years ended December 31, 2014 and 2013. The unaudited financial statements for the period of nine months ended September 30, 2015 have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Information*. The Management Discussion and Analysis is intended to complement and supplement financial information included in the interim and annual consolidated financial statements, related notes, other financial information found elsewhere or other documents filed on SEDAR at [www.sedar.com](http://www.sedar.com). As a result, it should be read in conjunction with such financial information. This management’s discussion and analysis is current as at November 30, 2015 and as at this date 136,966,852 shares and 5,796,800 options were issued and outstanding. Reference to “Matamec” or the “Company” includes Matamec Explorations Inc. All amounts are in Canadian dollars unless otherwise indicated.

## **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

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

## **INCORPORATION AND NATURE OF OPERATIONS**

### **Incorporation**

The Company was incorporated under section 1A of the Business Corporation Act (Quebec).

### **Nature of Operations**

The Company focuses on exploration of mineral properties for possible future commercial exploitation. The Company does not currently have any mines in production. The Company has 100% of six mineral properties in its portfolio, one of them is currently under option, one joint venture with 72%, two joint ventures of 50% and a royalty on another. Seven properties are located in Quebec and three in Ontario.

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

These properties total 438 mining claims covering an area of 24,641 hectares in Quebec and 27 claims for 1,429 hectares in Ontario. It is exploring for precious metals, base metals, rare metals and rare earths.

Its main focus is on the exploration and development of the REE-yttrium-zirconium Kipawa property, located in Temiscaming, south-western Quebec. The Kipawa deposit on the Kipawa property is enriched in heavy rare earth elements and can be considered one of the best potential sources in the world outside of China.

**Going Concern**

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

**HIGHLIGHTS FOR THE THIRD QUATERLY 2015**

- On August 27, 2015, 1,575,000 stock options were granted to the directors and employees of Matamec;
- On August 28, 2015, Mr. François Biron, senior professional mining engineer, was nominated director of the Company and 400,000 stocks options were granted to Mr. Biron;
- On September 30, Canada Strategics Metals and Matamec announced the discovery of a new gold zone located in the sector "de la Péninsule" on the Sakami property;
- Last summer, the 2015-2017 Program of works started on the Kipawa project.

**NEW INDEPENDENT DIRECTOR**

On August 28, Mr. François Biron, senior professional mining engineer has joined our Board of Directors as an independent director. Mr. Biron is a senior professional mining engineer with 40 years of experience in the mining industry. His extensive experience in mining operations has been developed through acting in several senior site-based positions with well-known international mining companies. Among others, he has acquired expertise in gold, base metals and industrial minerals sectors. Mr. Biron has an entrepreneurial vision oriented towards business development and a perspective of industry growth with respect to the environment.

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**NEW INDEPENDENT DIRECTOR (cont'd)**

He participated in the management of major open pit mines with the best operating standards to achieve goals and corporate objectives. Mr. Biron elaborate recently a new mining project in introducing the social acceptability concept and public consultations in the local communities where the project will be implement, based on the latest automation mining technologies and to improve the mining process.

According to the Company policies, the Board of Directors granted 400,000 stock options to Mr. Biron at an exercise price of \$0.10 per share for a period of 5 years. Terms as conditions of exercise are regulated by the Stock Option Plan to purchase shares of the Company.

**FINANCING**

The Company has not made any funding on common shares or other type of funding agreement during the period ended September 30, 2015. During the period, the Company created the Kipawa Rare Earth JV with Ressource Québec ("RQ ") and sold 28% undivided interest in the Kipawa property to RQ for a consideration of \$3 million paid into the joint account of the JV.

**PROJECTS AND NEW ACQUISITIONS**

During the period, the Company mainly focused its efforts on the Kipawa. No new projects have been undertaken and no new acquisitions were made during the period of nine months ended September 30, 2015.

**EXPLORATION ACTIVITIES (MINING PROPERTIES)**

Exploration expenses for the period ended September 30, 2015, amounted to \$1,230,474 as compared to \$674,339 for the same period in 2014. The Kipawa Rare Earth JV, Valmont and Matheson JV showed the most activity with exploration expenditures totalling: \$1,078,777 for Kipawa, \$87,326 for Matheson JV and \$53,707 for Valmont.

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

The allocation by properties of mining properties and deferred exploration costs of \$1,230,474 incurred during the period is as follow:

	<b>Mining properties as of September 30, 2015</b>								
	<b>Ontario</b>		<b>Quebec</b>						
	<b>Matheson Pelangio</b>	<b>Matheson JV</b>	<b>Valmont</b>	<b>Vulcain</b>	<b>Sakami</b>	<b>Kipawa JV</b>	<b>Zeus</b>	<b>Tansim</b>	<b>Total</b>
	\$	\$	\$	\$	\$		\$	\$	\$
<b>Balance – beginning</b>	27,141	1,581,455	-	-	45,110	701,808	-	-	<b>2,355,514</b>
<b>Variance for the year</b>	-	-	6,986	1,086	(15,000)-	(29,390)	14,061	-	<b>(22,257)</b>
<b>Total per province</b>	-	-	-	-	-	-	-	-	-
<b>Balance – September 30, 2015</b>	<b>27,141</b>	<b>1,581,455</b>	<b>6,986</b>	<b>1,086</b>	<b>30,110</b>	<b>672,418</b>	<b>14,061</b>	-	<b>2,333,257</b>

	<b>Mining properties as of September 30, 2014</b>								
	<b>Ontario</b>		<b>Quebec</b>						
	<b>Matheson Pelangio</b>	<b>Matheson JV</b>	<b>Valmont</b>	<b>Vulcain</b>	<b>Sakami</b>	<b>Kipawa JV</b>	<b>Zeus</b>	<b>Tansim</b>	<b>Total</b>
	\$	\$	\$	\$	\$		\$	\$	\$
<b>Balance – beginning</b>	27,141	1,581,454	112,318	175,687	112,610	421,667	54,234	44,368	<b>2,529,479</b>
<b>Variance for the year</b>	-	-	-	(7,332)	-	280,142	(18,908)	-	253,902
<b>Total per province</b>	-	-	-	-	-	-	-	-	-
<b>Balance – September 30, 2014</b>	<b>27,141</b>	<b>1,581,454</b>	<b>112,318</b>	<b>168,355</b>	<b>112,610</b>	<b>701,809</b>	<b>35,326</b>	<b>44,368</b>	<b>2,783,381</b>

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

<b>Deferred Exploration Costs September 30, 2015</b>									
	Ontario		Quebec						
	Matheson Pelangio	Matheson JV	Valmont	Vulcain	Sakami	Kipawa	Zeus	Tansim	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance - beginning</b>	304,971	960,248	-	-	2,213,091	2,086,321	-	-	5,564,631
Analysis	-	-	-	-	-	250,569	-	-	250,569
Drilling	-	-	-	-	-	-	-	-	-
Geology, geochemistry, geophysics and prospection	-	-	-	-	-	51,060	-	-	51,060
Line cutting	-	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-	-
Travelling and lodging	-	-	-	-	-	43,102	-	-	43,102
Other exploration expenses	-	85,426	-	-	-	734,046	-	-	734,046
Permits	-	1,072	53,707	6,741	-	-	3,812	111	65,443
Amortization of property and equipment	-	828	-	-	-	-	-	-	828
<b>Total</b>	-	<b>87,326</b>	<b>53,707</b>	<b>6,741</b>	-	<b>1,078,777</b>	<b>3,812</b>	<b>111</b>	<b>1,230,474</b>
<b>Total per province</b>	-	<b>87,326</b>	-	-	-	-	-	<b>1,143,148</b>	
<b>Total Quebec/Ontario</b>	-	-	-	-	-	-	-	-	<b>1,230,474</b>
Write-off	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	(2,970,610)	-	-	(2,970,610)
Tax credits	-	-	-	-	-	(194,488)	-	-	(194,488)
<b>Total including write-off and tax credits</b>	-	<b>87,326</b>	<b>53,707</b>	<b>6,741</b>	-	<b>(2,086,321)</b>	<b>3,812</b>	<b>111</b>	<b>(1,934,624)</b>
<b>Balance – September 30, 2015</b>	<b>304,971</b>	<b>1,047,574</b>	<b>53,707</b>	<b>6,741</b>	<b>2,213,091</b>	<b>-</b>	<b>3,812</b>	<b>111</b>	<b>3,630,007</b>

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

<b>Deferred Exploration Costs September 30, 2014</b>									
	Ontario		Quebec						
	Matheson Pelangio	Matheson JV	Valmont	Vulcain	Sakami	Kipawa JV	Zeus	Tansim	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance - beginning</b>	304,971	872,247	351,691	1,512,030	2,206,869	429,083	1,701,925	227,317	7,606,133
Analyses	-	-	-	-	-	-	7,747	-	7,747
Drilling	-	-	-	-	-	-	-	-	-
Geology, geochemistry, geophysics and prospection	-	-	-	-	135	201,355	504	-	201,994
Line cutting	-	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-	-
Travelling and lodging	-	-	-	-	18	1,614	695	-	2,327
Other exploration expenses	-	42,393	-	-	7,203	401,762	713	-	452,071
Permits	-	4,287	-	-	-	-	3,285	-	7,572
Amortization of fixed assets	-	1,197	-	-	-	-	1,431	-	2,628
<b>Total</b>	-	<b>47,877</b>	-	-	<b>7,356</b>	<b>604,731</b>	<b>14,375</b>	-	<b>674,339</b>
<b>Total per province</b>	-	<b>47,877</b>	-	-	-	-	-	<b>626,462</b>	
<b>Total Quebec/Ontario</b>	-	-	-	-	-	-	-	-	<b>674,339</b>
Write-off	-	-	(4,828)	(145,917)	-	-	(190,591)	(2,116)	(343,452)
Governmental assistance	-	-	(4,971)	-	(54)	299,161	(35,879)	(464)	257,793
<b>Total including write-off and governmental assistance</b>	-	<b>47,877</b>	<b>(9,799)</b>	<b>(145,917)</b>	<b>7,302</b>	<b>903,892</b>	<b>(226,470)</b>	<b>(2,580)</b>	<b>588,680</b>
<b>Balance – September 30, 2014</b>	<b>304,971</b>	<b>920,124</b>	<b>34,892</b>	<b>1,366,113</b>	<b>2,214,171</b>	<b>1,332,975</b>	<b>1,489,830</b>	<b>224,737</b>	<b>8,194,813</b>

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**Exploration work**

Since the beginning of the year 2015, \$1,230,474 were engaged in deferred exploration costs. From this amount, \$1,143,148 was incurred in deferred exploration costs in Quebec (94% of DEC incurred) and \$87,326 in deferred exploration costs in Ontario (6% of DEC incurred). Here is an outline of the main exploration work done during 2015 on the Kipawa property and Sakami property currently under option:

**Québec**

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

During the period, the Corporation spent \$1,078,777 on the Kipawa property. The expenses for the Kipawa property include mainly the planning of the 2015-2017 work program and budget, expenses related to metallurgical tests and the continuity of the relations with the impacted communities.

**Adding a strategic partner**

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

The Joint Venture created contributes towards positioning Québec, Témiscamingue and Matamec at the forefront of the quest for heavy rare earth production outside of China. It allows for the continued development of the Kipawa heavy rare earths deposit and to achieve the following objectives forecasted for 2015-2017 as:

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



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

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

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

The involvement of the Government of Québec through Ressources Québec, a subsidiary of Investissement Québec, in the development of the HREE Kipawa Deposit, demonstrates the importance of this project for the Québec economy and especially for the Abitibi-Témiscamingue region.

**Future 10 % royalty on profit net held by TRECan**

On August 6, 2015, the Company has been informed that the future 10 % royalty on profit net held by TRECan in the Kipawa property was now held by Toyota Tshsho Corp (Nagoya, Japon) since July 30, 2015.

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

For the reader of the feasibility study ("FS") dated October 17, 2013, risk assessment and management is a very important factor to consider. In Section 24.3 "Risk Assessment and Management" and in Section 1.16 "Summary", several risks were identified regarding all the information presented in the FS. For example, the importance of the changes in value of the products ("2 mixed concentrates of light and heavy rare earths") was emphasized. Risk COM03 is the risk of change in the realizable value of the products established during the financial appraisal of the FS for the life cycle of the mine and is ranked under high commercial risks.

In addition to the risk analysis, the reader may consult the sensitivity analysis of the FS in Section 22.7 and Section 1.19.2 "Summary". The sensitivity analysis shows that the rare earth price forecasts for the Kipawa project may decline by approximately 24%. At this level, the net present value (NPV) reaches the minimum profitability threshold.

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

As described in Section 19.0 "Market Studies and Contracts" of FS, and particularly in Section 19.5 "Price Outlooks", the rare earth revenue model forecasts for the year 2016-2017 and subsequent years used in the FS are based on a market study commissioned by the Company from the London firm Asian Metals, concomitantly with the surveys of industrial buyers of rare earths.

This information from industrial buyers is essential in setting the final price of each rare earth oxide. Other information sources were consulted for the review of the historical price data, such as the websites and reports of Metals Pages, Roskill Information Service Ltd. and Industrial Minerals.

In the revenue model forecasts for rare earth products, other factors are to be considered, in particular, the exchange rate of the Canadian dollar against the US dollar. In the FS Section 22.3.1 - Table 22.1 - Economic Assumptions, the assumption adopted concerning the exchange rate of the Canadian dollar is parity with the US dollar. The international prices paid for rare earth products and oxides are expressed in US dollars. In November 2014, the Canadian dollar trades for approximately \$0.88 against the US dollar. Now, it trades for approximately \$0.75 against the US dollar.

On September 2014, several economists with major Canadian financial institutions predicted the Canadian dollar would close between \$0.85 and \$0.92 at the end of 2015 (Les Affaires - Le dollar à un creux de quatre mois (09/11/2014). For 2015 and 2016, three major Canadian financial institutions predict the Canadian dollar will fluctuate between \$0.74 and \$0.84 (Scotiabank - Global Economics - 07/30/2015, National Bank of Canada - Financial Markets – Foreign Exchange – July/August 2015; Desjardins - Economic Studies - FX Forecasts -07/02/2015). In November 2015, these financial institutions predicted the Canadian dollar would close between \$0.72 and \$0.79 in 2016.

Despite this information, the Company must point out that the annual growth of demand for rare earth oxides is slower than forecast and the prices of most rare earth oxides are lower than those that could be obtained in 2013. The main causes are: 1) the decrease in the use of rare earths in terms of quantity per unit produced, following the research regarding their reduction triggered by the astronomical price increase between 2010 and 2012, 2) the accumulation of large inventories of rare earths during this period by industrial and speculative buyers, and the slow reduction of these inventories, and 3) smuggling of rare earths from China.

However, Y. Zhou, Y. Shi and A. Torrisi in an article entitled: "China's action to reform the rare earths market", in the August 2014 issue (pp. 35-38) of Industrial Minerals, point out that the Chinese government has developed different strategies to attack pollution in general,

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

and specifically the pollution caused by rare earths, as well as smuggling of rare earths. These authors consider that the deployment of these strategies should have a positive impact on future rare earth prices.

In addition, regarding the changes in global demand for rare earths, Kerry Satterthwaite of Roskill Information Services Ltd. gave a presentation at the 10th International Rare Earths Conference organized by Metal Events Ltd. in Singapore from November 10-13, 2014, entitled "Global rare earths market - Roskill outlook to 2018". In this presentation, she observed that the global rare earths market had declined from 120,000 t. to 110,000 t. between 2010 and 2012. However, she estimated that the rare earths market should increase by 5.9% per year between 2013 and 2018. Ms. Satterthwaite pointed out that the predictions concerning the markets for different rare earths require a very good understanding of their trends. According to this author, the Roskill firm has shown, for over 30 years, that it has developed recognized expertise in industrial minerals, both in the rare earths sector and in several others.

Regarding the prices of rare earth oxides, Argus Consulting Services in its monthly report dated June 1, 2015, forecasts that the prices of the principal rare earth oxides should increase by more than 50% by May 2016.

In its most recent presentation entitled "The Global Rare Earths Industry Today- plagued by Illegal Production in China" at the 11th International Rare Earths Conference held in Singapore, last November 9th-12th, Dudley J. Kingsnorth, world expert on the market of rare earths for the last 25 years, is forecasting that the global demand for rare earths should increase to 200 000t between 2015 and 2020 and at 280 000t between 2020 and 2025, with an annual growth rate of 7%. As an example for the forecast of one of rare earth oxide, the neodymium oxide prices on a sustainable perspective would be from \$60 to \$80/kg for the 2015 to 2020 period of time, and \$70 to \$90/kg for the 2020 and 2025 period.

At present, the Company is no longer able to quantify the impact of the changes in the Kipawa JV project's internal and external environment on the assumptions of the FS. In the FS update Matamec intends to produce in 2016, it expects to be able to review all the information and assumptions it contains. Although the Company has no control over the variation of rare earth products, it has continued its efforts, since the publication of the FS, to optimize the metallurgical process in order to reduce the cost of the initial investment and the operating costs of the Kipawa JV project and to present a satisfactory internal rate of return.

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**Metallurgical tests\***

After a thorough evaluation by the metallurgical team to identify strengths and weaknesses of the Kipawa process flowsheet, a detailed plan for Metallurgical testing in 2015 – 2017 has been developed. The metallurgical testwork has restarted in accordance to the plan set forth.

The initial focus of the metallurgical work is to improve RE recovery in the Beneficiation circuit. Testing has initiated at various laboratories and research facilities on the Kipawa ore. Besides magnetic separation, other physical separation techniques such as flotation and ore sorting will also be tested in this phase of testwork to determine their effectiveness in recovering RE.

Metallurgical testing has also restarted for the downstream Hydromet and Purification circuits. The development work has led to the generation of a light rare earth concentrate and a heavy rare earth concentrate from Kipawa. Assays of these concentrates revealed their high purity levels. Matamec, as operator of the Kipawa JV, will continue to work to further optimise these circuits.

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

**Social acceptability of the Kipawa project**

Relations with the different actors of the community interested in the Kipawa rare earths joint venture project are of the uttermost importance for the project development.

It remains important to inform our key regional partners of the project evolution. It is evident that due to the fact that the vast majority of the actions made at the project development level occur outside the region, numerous partners are under the impression that the project is presently on hold.

Numerous meetings with partners like elected representatives, members of the business community and local population were held. Emphasis was made on development steps, instead of the project itself. It remains our responsibility to inform these partners of the advances regarding the project. It is also important to let them know that their implication and help is important and will become crucial when field activities resume. An activity calendar has been drawn and is part of the social acceptability section of the 2015-2017 strategic planning.

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

A working group, call the “Harmonization table” has been set up in 2011, in order to inform our partners, of the project advancement and collect their own comments and question or those of the persons they represent. This working group did not meet in 2015. The members have been met on a one on one mode by the regional relations Director in order for them to be kept in the loop regarding the development steps of the Kipawa project. The same has been done for the persons in charge of the environment, training and economic maximization committees.

A monthly visit at the Temiscaming office by the RRD has been accomplished, in order to say that our regional office is still operational.

The Aboriginal aspect of the relations with communities did not evolved during the period covered by this report. The Matamec team is working to put in place proper positive conditions, before trying to resume talks with these communities. Possible ways have been identified in order to re-establish the discussions and the exchanges climate that was existing before the pause. These communities have positioned themselves against rare earths project developments, including the Kipawa rare earths joint venture, during the BAPE on the uranium file. The Assembly of First nations of Quebec and Labrador, has adopted a resolution mentioning that it was opposing all rare earths project development on the traditional land of their members.

The final report of this important commission has been submitted to political authorities in May and rendered public at the end of June. An exhaustive reading of the report has been done and a summary of the elements needed for future references for the Kipawa project or rare earths has been accomplished. This exercises again allowed us to better define and comprehend the interrogations and fears mentioned by the general population. We are better prepared to target our work and studies to be accomplished in order to remain proactive and transparent during the information and diffusion stage of the Kipawa project.

It is also important to mention that social acceptability is a key component of all internal development steps of the project. In order to attain this goal, the regional relations Director is part of all multidisciplinary meetings in order to make sure sustainable development principles are known and applied.

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

An update of our internet site is underway in order to offer a better content and more complete information to our visitors. Completion of the refreshing should be done in a matter of a few months.

Matamec has set up an objective to attend major mining events in the region. Representatives of the company were present to meet investors at their booth during the XPLO 2015 event held in Montreal on October 7th and 8th. They were the same for the Quebec mines convention which took place in Quebec from November 23 to 26.

Finally, Matamec staff will attend training and networking activities regarding social acceptability. The RRD was present at the “Journal les Affaires Plan nord” activity, held in October. He and the President of Matamec also attended a social acceptability workshop, set up by the Quebec “Conseil du patronat” representing leaders of all the major industries of the province. Other activities are planned for the near future, targeting different aspects of social acceptance for mining projects in Quebec.

**Sakami (Gold)**

Presently the property is under option and Matamec still holds a 100% interest in the Sakami property. On August 16, 2013, Matamec and Canada Strategic Metals Inc. (“CSM”) announced that they have signed an option agreement where Canada Strategic Metals can acquire an interest of up to 70% in the Sakami project.

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

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

As of August 14, 2015, CSM made the second payment and had spent more than CAD\$1.2M on the Sakami property.

CSM will have acquired an interest of 50 % in Sakami after issuing a total of 2,000,000 common shares and carrying out exploration in the amount of \$2,250,000 before August 16, 2016. Once CSM has earned a 50 % interest, the parties will form a full joint venture and will enter into a formal agreement with the standard clauses. The property is subject to a 1 % Net Smelter Return royalty on certain claims.

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

Within 180 days of acquiring its 50 % interest in the property, CSM will have an option to acquire an additional 20 % property interest by issuing 1 million shares to Matamec and completing an independent bankable feasibility study within five years of the date of the share issuance. During the period that the additional option is valid, the Company must spend a minimum of \$2,000,000 on exploration by the end of each year until the feasibility study is completed.

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

In 2014, CSM and Matamec announced all results of exploration programs completed in December 2014, and in March and April 2014 on the Sakami gold property. Twenty drill holes have been completed for a total of 4,518 metres by CSM.

Located on the La Pointe sector of the Sakami property, the program was aimed at increasing the size of the main gold zone (Zone 25) to the west-northwest, as well as its extension at depth. The 2013-2014 drilling programs have confirmed and enhanced the potential of the northeast and depth extensions of Zone 25, which remains open in all directions. The Zone 25 is known over a strike length of more than 200 metres and to a depth of over 425 metres along its plunge. The holes were spaced at 50 metres.

The recent results also confirm that the contact corridor between the Opinaca-La Grande volcano-sedimentary sub-provinces is fertile for significantly-enriched gold mineralization.

(The technical data of the 2013-2014 exploration programs shown in this section come from the press releases issued by CSM and Matamec on March 31 and in July 23, 2014)

**Results of the March 2015 exploration program**

The program, which consisted of seven holes (PT-15-84 to PT-25-90) for a total of 2,049 metres of drilling, was aimed at increasing the size of the "25" Zone, the main gold zone, in the La Pointe sector of the Sakami property. The "25" Zone, which at the outset of the program had been traced more than 200 metres along strike, to a depth of over 425 metres along its plunge, has now been tested over a strike length of more than 250 metres and to a depth of over 500 metres along its plunge.

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

A detailed table of mineralized intersections from the seven (7) first drill holes of the March 2015 drilling program is shown below:

Hole #	From (m)	To (m)	Length* (m)	Au (g/t)
PT-15-84	169.00	217.50	<b>48.50</b>	<b>1.34</b>
Including	169.00	175.50	6.50	3.03
PT-15-85	148.50	194.00	<b>45.50</b>	<b>1.47</b>
Including	148.50	156.00	7.50	3.84
PT-15-86	112.10	125.75	13.75	0.94
Including	142.50	165.00	<b>22.50</b>	<b>1.41</b>
PT-15-87	219.40	229.00	<b>9.60</b>	<b>6.86</b>
Including	220.50	227.00	<b>6.50</b>	<b>9.49</b>
PT-15-88	322.50	346.50	<b>24.00</b>	<b>0.96</b>
Including	338.60	339.45	<b>0.85</b>	<b>10.65</b>
PT-15-89 (New Zone)	255.30	258.10	2.80	3.32
	334.50	387.00	<b>52.50</b>	<b>0.53</b>
PT-15-90	354.00	396.00	<b>42.00</b>	<b>0.63</b>

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

**The "25" Zone and Eleonore Mine mineralization: 6 similarities**

At Sakami, work done by Matamec in the southern Long Point claim area from 2000 to 2004 and more recently by Canada Strategic Metals (since early 2014) identified and delineated a number of proximal gold mineralized lenses linked to greywackes, paragneisses, sulphidized iron formations and felsic dykes. The "25" Zone has the most significant gold potential, having been drill-tested (by 62 holes for 13,280 metres) over a 250-metre strike length to a vertical depth of 500 metres. Here, gold is accompanied by finely disseminated 1% to 5% arsenopyrite and minor pyrrhotite, particularly in quartz-tourmaline veins. The higher grade gold is generally associated with a lower gold grade halo of 1 to 3 g/t gold material (EX-31: 10.02 g/t gold over 2.82 metres within an envelope of 2.47 g/t gold over 27.05 metres).



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**The "25" Zone and Eleonore Mine mineralization: 6 similarities (cont'd)**

The mineralization is accompanied by abundant silica-sericite-K feldspar alteration, with silica flooding being dominant. The mineralization averages 10 metres wide in a range of 8 metres to 50 metres.

Sakami has a number of similarities to Eleonore: (i) it is located at the boundary between the La Grande and Opinaca subprovinces; (ii) it is hosted by metamorphosed sedimentary units; (iii) it has multiple lenses; (iv) it contains arsenopyrite; (v) it has an abundance of a wide alteration corridor with quartz-K feldspar; and (vi) its higher gold grades are accompanied by wider and lower gold grades. The focus at Sakami will be to delineate the size potential of the "25" Zone mineralization in order to produce a geological-resource model in the near term.

(The technical data of the March 2015 exploration programs shown in this section, come from the press releases issued by CSM and Matamec on April 15 and 20, and June 9, 2015)

**Results of the summer 2015 exploration program**

The program consisted of geological and geophysical surface work in two separate areas, JR and Peninsula areas.

The first area worked on was the JR area, where detailed mapping and sampling were carried out. This was followed by geochemical and magnetic-electromagnetic geophysics surveying on the Peninsula area. A total of 303 grab samples of rock were collected from the two areas and sent to the ALS laboratory in Val-d'Or to be assayed for gold. This work resulted in the discovery of a new gold zone in the Peninsula area that returned up to 45.9 g/t Au in grab samples\*\* (see map on the website at: [www.csmetals.ca](http://www.csmetals.ca)). The new showing coincides with a geophysical anomaly demonstrating a strong magnetic low, as well as being at the junction of several faults. The new gold zone is also located on the contact between the Laguiche (Opinaca) sediments and the La Grande volcanic belt, similar to the Zone 25 gold zone in the La Point area.

Work will be needed to fully assess the size of the showing, but the initial work appears to indicate a zone of several tens of metres. The magnetic and electromagnetic geophysical survey in the Peninsula area also highlighted several other magnetic anomalies associated with conductors. Some of these anomalies are considered priorities and will be followed up in future work programs. The results of the geochemical soil survey (B horizon) across the Peninsula area with systematic sampling at 50 metre intervals on lines spaced at 100 metres apart will be released as soon as they have been received and compiled. A total of 728 samples were collected and sent to the ALS laboratory to be assayed for gold and indicator minerals.

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

*\*\* The grab samples are selective by nature and are unlikely to represent the average grade of the deposit.*

The goal of the summer program was to follow up on the various gold showings identified in the past in the JR area, which returned grades of up to 61.37 g/t Au (see press release dated 24 October 2013). The program was also aimed at the planning of future drilling work in this area. Work on the Peninsula area was aimed at generating new targets and possibly identifying new showings.

**Ontario**

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

The Company spent \$87,326 on the Matheson JV/Matheson property in the period ending September 30, 2015.

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

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

**STRATEGY AND ACTION PLAN**

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

The first stage of the work program that should be undertaken by the Kipawa Rare Earths Joint Venture, held by Matamec (72% interest) and by RQ (28% interest), has largely devolved to metallurgical work. This will begin in spring/summer 2015.

## **STRATEGY AND ACTION PLAN (cont'd)**

It will mainly include optimization of metallurgical processes (including individual separation of rare earths); in the second stage, this will be followed by development of the second pilot plant.

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

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

## **MARKETING OF RARE EARTHS & SPECIALTY METALS**

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

- “Argus Americas Rare Earths Summit” in Las Vegas from June 29 to July 1<sup>st</sup>, 2015;
- “2nd International Mineral Conference » in Berlin from September 21 to 22;
- « Technology Metals Market Summit » in Toronto October 16;
- « 11th International Rare Earths Conference » in Singapore from November 9 to 12;
- “Québec Mines 2015” in Québec City from November 23 to 26.

## **SELECTED ANNUAL INFORMATION**

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.

## **SELECTED ANNUAL INFORMATION (cond't)**

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

## **FINANCIAL STATEMENTS RESTATEMENT**

The comparison amount of the financial statements of the company for the period ended September 30, 2014 have been restated to correct the accounting treatment of the taking of participation of Toyotsu Rare Earth Canada Inc. (« TRECan ») in the Kipawa property.

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

According to this method:

- The Company uses the book value of its participation before the conclusion of the farmout agreement as the book value of the remaining participation.
- The Company deducts the cash consideration received, if any, of the book value of the remaining participation, with any surplus being recorded as profit in net result.
- The Company does not record the prospection expenses made with the funds supplied by TRECan for the feasibility study

Selected financial information for the period of three and nine months ended September 30, 2015 and 2014 is shown in the following table:

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**FINANCIAL STATEMENTS RESTATEMENT (cont'd)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>Results as at September 30, 2015</b>	<b>Results as at September 30, 2014</b>	<b>Results as at September 30, 2015</b>	<b>Results as at September 30, 2014</b>
	\$	\$	\$	\$
<b>Income – Interest</b>	5,309	25,093	20,469	28,070
General and administrative expenses	209,472	256,051	473,418	1,088,130
Stock-based compensation	23,402	17,213	36,333	40,409
Write-off of exploration and evaluation assets	-	204,912	-	369,692
Administration fees	164,505	-	164,505	-
Income tax (recovery)	(95,390)	182,000	(187,021)	176,000
<b>Net loss</b>	<b>(55,857)</b>	<b>646,259</b>	<b>232,867</b>	<b>1,679,979</b>
<b>Basic and diluted net loss per share</b>	<b>0.000</b>	<b>0.005</b>	<b>0.002</b>	<b>0.014</b>

	<b>Balance sheet as of September 30, 2015</b>	<b>Balance sheet as of December 31, 2014</b>
	\$	\$
<b>Total assets</b>	9,031,192	9,568,774
<b>Cash and cash equivalents</b>	2,297,140	98,846
<b>Equity</b>	4,749,870	4,956,025

**RESULTS OF OPERATIONS**

During the period of nine months ended September 30, 2015, the Company had a net loss of \$232,867 compared to a net loss of \$1,679,979 for the same period in 2014.

As of September 30, 2015 a stock-based compensation of \$36,713 was recognized as the statement of operation (\$40,409 as of September 30, 2014).

The decrease in administrative expenses for the period, totalling \$858,621, is primarily attributable to the following elements:

- Decrease of salaries of \$198,754 due to staff reduction;
- Decrease of consulting fees of \$90,260 due to the reduction of activities;
- Decrease of professional fees \$150,767 due to the reduction of activities;
- Decrease of travel and representative expenses for \$64,103 due to reduction of outside travel and the reduction of the participation of mining events.

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**THIRD QUARTER**

For the third quarter ended September 30, 2015, the Corporation generated \$5,309 in interest income (\$25,093 for the third quarter ended September 30, 2014) and incurred in administrative expenses, excluding share-based compensation of \$209,472, compared to \$256,051 in 2014. The \$46,579 variation is due to the reduction of professional and consulting fees, and salaries and fringe benefits. During the quarter, the Corporation has recharged his expenses for the period of October 1<sup>st</sup>, 2014 to September 30<sup>th</sup>, 2015 for an amount of \$164 505, at the Kipawa rare earths joint venture with Ressources Québec. The Corporation incurred a net gain of \$55,857 for the third quarter ended September 30, 2015, compared to a net loss of \$646,259 in 2014.

**CASH ASSETS AND SOURCES OF FINANCING**

As of September 30, 2015, the Corporation had a working capital of \$1,320,437 (negative of \$382,017 on December 31, 2014) including cash and cash equivalents of \$2,297,140 (\$98,846 on December 31, 2014). An amount of \$2,293,074 in cash has restricted to the joint venture – Ressource Québec (Rares Earth / Kipawa). The working capital includes \$534,901 in tax credits receivable which is also reserved to the Kipawa rare earths joint venture with Ressources Québec on September 30, 2015 (\$1,287,552 on December 31, 2014). An amount of \$442,812 of the tax credits are restricted to the Kipawa Rare Earth JV.

The accompanying financial statements have been prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Corporation ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern, as described in the following paragraph.

These financial statements do not reflect the adjustment of the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption would not be appropriate. These adjustments could be material.

Management estimates that these funds will not be sufficient to meet the Corporation's obligations and budgeted expenditures through December, 2015. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do

**MATAMEC EXPLORATIONS INC.****Management Discussion and Analysis****For the period of nine months ended September 30, 2015****CASH ASSETS AND SOURCES OF FINANCING (cond't)**

so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If Management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements.

The Company's operating activities used \$672,313 in the period ended September 30, 2015 (\$520,966 for the same period in 2014).

The Company's investing activities consist primarily of exploration and evaluation work as detailed in tables' page 6 "Exploration Activities" of this MD&A. The Company is entitled to a refundable tax credit for resources up to 38.75% of qualifying expenditures, and a credit on mining duties refundable for losses of 16% of 50% of qualifying expenditures incurred using non-tax-renounced flow-through funds.

**QUARTERLY FINANCIAL INFORMATION**

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

	<b>2015</b>			
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Interest income	4,369	10,790	5,309	
Administrative expenses	232,647	139,803	209,472	
Net loss (Net gain)	161,729	126,996	(55,857)	
Basic and diluted net loss per share	0,001	0,001	0,000	
	<b>2014</b>			
	1 <sup>st</sup> Quarter (Restated)	2 <sup>nd</sup> Quarter (Restated)	3 <sup>rd</sup> Quarter (Restated)	4 <sup>th</sup> Quarter (Restated) (i)
Interest income	985	1,992	25,093	1,293
Administrative expenses	419,924	412,155	256,051	271,485
Net loss	443,945	589,773	646,259	3,711,082
Basic and diluted net loss per share	0,004	0,005	0,005	0,029
	<b>2013</b>			
	1 <sup>st</sup> Quarter (Restated)	2 <sup>nd</sup> Quarter (Restated)	3 <sup>rd</sup> Quarter (Restated)	4 <sup>th</sup> Quarter (Restated)
Interest income				5 661
Administrative expenses				180,522
Net loss				697,466
Basic and diluted net loss per share				0,006

**MATAMEC EXPLORATIONS INC.**  
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**QUARTERLY FINANCIAL INFORMATION (cont't)**

- i) The net loss was a result in impairment totalling \$3,784,375 of mining properties and deferred exploration and evaluation expenditures.

**OFF BALANCE-SHEET ARRANGEMENTS**

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

**RELATED-PARTY TRANSACTIONS**

As at September 30, 2015 and 2014, professional fees were billed by Laval St-Gelais, CPA, CA, director of the Company, and consulting fees were billed by Marcel Bergeron, CPA, CA, who is an officer and director of the Company. As at September 30, 2014, the Company had incurred expenses related to exploration of mining properties with Gestion Aline Leclerc Inc. That company's President, Aline Leclerc, was also an officer and director of the Company up to November 7, 2014:

	<b>September 30, 2015</b>	<b>September 30, 2014</b>
	<b>\$</b>	<b>\$</b>
Professional fees	5,566	36,254
Consulting fees	-	47,500
Traveling and entertainment expenses	-	1,945
Geology, geochemistry, geophysics and prospecting	-	45 702
Other expenses	-	34,279
Accounts payable and accrued liabilities	73,975	226,887
Other receivables	(12,190)	1,705

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



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**OUTSTANDING SHARE DATA (WHEN THIS REPORT WAS PRODUCED)**

	As at November 30, 2015
Share capital	136,966,852
Stock options	5,796,800
Warrants	-
Outstanding shares	142,763,652

- (i) On March 2, 2015, 400,000 stock options were issued to a director.
- (ii) 900,000 stock options have been cancelled during this period.
- (iii) On August 27, 2015, 1,575,000 stock options were issued to directors and employees.
- (iv) On August 28, 2015, 400,000 stock options were issued to a director.
- (v) On August 29, 2015, 210,000 stock options have been cancelled during this period.
- (vi) On October 25, 2015, 665,000 stock options have been cancelled during this period.

**RISKS AND UNCERTAINTIES**

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

**NEW ACCOUNTING POLICIES IN EFFECT**

The new accounting policies in effect for the period ended September 30, 2015 are set out in Note 2 to the Company's consolidated financial statements.

**INFORMATION COMMUNICATION CONTROLS AND PROCEDURES**

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

**MATAMEC EXPLORATIONS INC.**  
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**For the period of nine months ended September 30, 2015**

**INFORMATION COMMUNICATION CONTROLS AND PROCEDURES**(con d't)

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

**ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

This management discussion and analysis is dated November 30, 2015, and complies with Canadian Securities Administrators' *National Instrument 51-102* on continuous disclosure. The purpose of this management discussion and analysis is to help the reader understand and assess the material changes and trends in the Company's results and financial position. It presents Management's perspectives on the Company's current and past activities and financial results, as well as an outlook of activities planned for the coming months. The Company regularly discloses additional information through press releases and other reports filed on the Matamec ([www.matamec.com](http://www.matamec.com)) and SEDAR ([www.sedar.com](http://www.sedar.com)) websites.

(Signed) André Gauthier

(Signed) Marcel Bergeron

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(s) André Gauthier, President and Chief Executive Officer

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

**MATAMEC EXPLORATIONS INC.**  
**Management Discussion and Analysis**  
**For the period of nine months ended September 30, 2015**  
**Matamec Explorations Inc.**  
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**Directors and Officers**

André Gauthier, President and CEO  
Marcel Bergeron, Secretary-Treasurer and CFO  
Laval St-Gelais, Director  
Normand Tamaro, Independent Director  
David Guérette, Independent Director  
Pierre Leblanc, Independent Director  
François Biron, Independent Director

**Legal Counsel**

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

**Auditors**

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

**Transfer Agent**

Computershare Inc.  
Montréal (Québec)

**Exchanges Listings**

TSX Venture Exchange - MAT  
  
OTCQX- MHREF