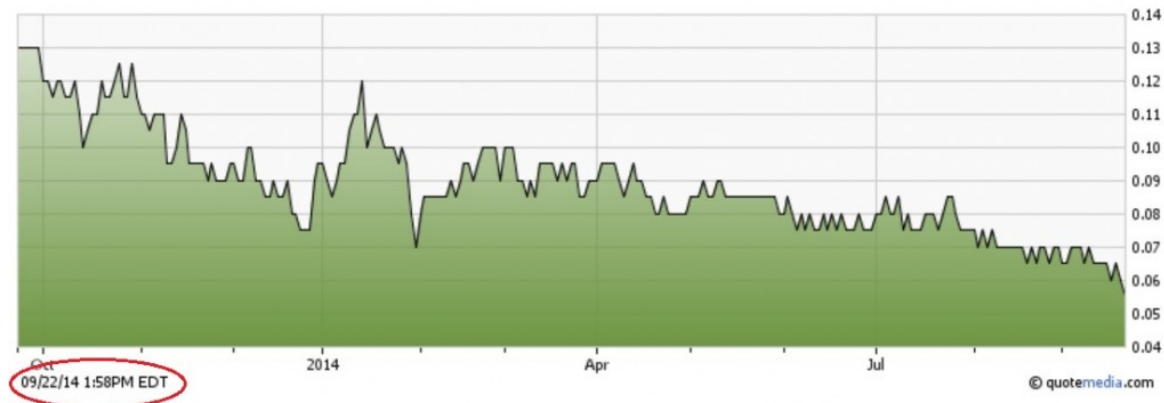


# Matamec converts Toyota partnership from joint venture to profit sharing

Matamec Explorations Inc. ("Matamec", TSXV: MAT | OTCQX: MHREF) has issued an update about the CAD\$ 4 million investment from CDA Resource Quebec ('RQ') in the HREE deposit at Kipawa, announced by the company on April 2. Last March, the Government of Quebec expressed the economic and technological importance of the Kipawa Project, warranting Resources Quebec inc to invest CAD\$ 1 million in equity capital and a minority equity of \$ 3M CAD in the Kipawa deposit, which is part of a total CAD\$ 6 million project (in which Matamec will invest CAD\$ 2 million). Matamec has also announced that it now holds a 100% interest in the Kipawa deposit. As of September 19, Matamec said that it is now in a position to explore various business opportunities and develop the rare earth mining project located in Témiscamingue thanks to the financial partnership with RQ and the support of the Government of Quebec. RQ's investment is now going through the various and normal stages of such a process, including due diligence. It also includes the negotiation of a corporate joint venture agreement between RQ and Matamec under which RQ will take a minority stake in the Kipawa deposit. Matamec's agreement with RQ, however, has come just as the Company has signed a 'termination and release' agreement between itself and Toyotsu Rare Earth Inc. (TRECAn) in the Kipawa heavy-rare-earth-element deposit. Matamec will pay TRECAn CAD\$ 280,000 while TRECAn will convert its 49% stake in Kipawa into a 10% net profits interest royalty, leaving Matamec as the sole owner of the HREE deposit. In its feasibility study published last fall, Matamec expected revenues of \$ 2.55 billion during the 15 years that will operate the mine. To start the mine investment of \$ 374 million will be needed. The company would

recover its investment in just four years. It is expected that the mine will engage 229 workers in a region hit hard economically.

Charting for Matamec Explorations Inc. One Year



Toyota Tsusho (through TRECan) is one of the Japanese companies that have been securing partnerships with North American and Australian miners such as MATAMEC, Molycorp or LYNAS to reduce Japan's dependence on Chinese rare earths. Nevertheless, TRECan's conversion of the partnership with Matamec from joint venture to royalty agreement reflects some concerns. The investment was a sign of confidence in Matamec's ability to exploit rare earths in Quebec. The publication of the feasibility study of the project in October 2013 confirmed the quality of the Kipawa deposit. However, construction of the mine has been contested by several environmental and indigenous groups, including the Témiscamingue, and the Protect Lake Kipawa Quebec group, concerned about the potential contamination resulting from the process to extract rare earths. In October 2013, an official public hearing on the environmental effects of the mine was held to challenge Matamec. The related protests may have played an important part in the decision by Toyota (represented by TRECan) to modify its relationship with Matamec. Toyota has positioned itself as the premier manufacturer of 'green' vehicles, epitomized by the Prius hybrid. Tesla Motors, while offering fully electric cars, has a higher and more exclusive market

position.

Toyota aims for mass market appeal and it may have felt that its image would suffer in the wake of environmental protests. Nevertheless, the partnership remains even if under a new mechanism. Matamec is unique in that it is the only rare earths company to have signed a major automotive manufacturer as a joint venture partner with a guaranteed sale of its products for the duration of the mine, estimated at 13 years. Clearly, this helped to reduce Matamec's economic risk as TRECan had agreed to buy all metals produced at the Kipawa property. Matamec has already started metallurgical tests, including the construction of a pilot test facility. The property includes HREE's and some niobium (Nb). Niobium has a number of applications but in the automotive sector it is especially desired for its steel strengthening qualities and used to make the future 'high strength low alloys' to enable manufacturers to reduce weight and, therefore, lower fuel consumption. The TRECan partnership had enabled Matamec to overcome the financial hurdle of funding the FS and the construction of the production plant in order to ensure that production would begin around the second half of 2016, turning Matamec into one of the few companies outside China able to supply high-quality rare metals.