

**FORM 51-102F1**

**PELE MOUNTAIN RESOURCES INC.**  
**(the “Company” or “Pele”)**

**MANAGEMENT DISCUSSION & ANALYSIS**  
**FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2015**  
**(the “Reporting Period”)**

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This Management Discussion and Analysis (“**MD&A**”) made as of May 21, 2015, should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the six month period ended March 31, 2015 and the related notes thereto. The Company’s unaudited condensed interim financial statements are presented on a consolidated basis with its four wholly-owned subsidiaries, First Canadian Uranium Inc. (“**First Canadian Uranium**”), Pele Gold Corporation (“**Pele Gold**”), Pele Diamond Corporation (“**Pele Diamond**”) and Mountain Pass Resources, Inc. (“**Mountain Pass**”). The Company’s reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars unless otherwise noted.

The Company’s fiscal 2014 and 2015 comparative information included in this MDA has been prepared in accordance with IFRS.

Additional information relating to the Company is also available on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). The Company’s common shares trade on the TSX Venture Exchange under the symbol “**GEM**” and on the OTCQX International in the United States under the symbol “**GOLDF**”.

**Description of Business**

The Company is a Canadian mineral exploration and development company that was formed to acquire mineral resource properties in Canada and to carry out mineral exploration and development activities thereon in search of economic deposits of metals and minerals and has focused its activities in Northern Ontario since 1996. The Company, either directly or through its wholly-owned subsidiaries, holds a diverse portfolio of mineral properties and is currently focused on sustainable development at its flagship Eco Ridge Mine Rare Earth and Uranium Project in Elliot Lake, where Pele has expanded its business model to include processing of high-grade rare earth bearing monazite and has entered into a memorandum of understanding relating to the proposed negotiation of a joint venture to develop a rare earth processing operation at its Eco Ridge Project.

The technical information included in this MD&A unless otherwise stated has been reviewed by Peter Dimmell, P.Geo. (NL, ON, SK), a Director of the Company and a Qualified Person under National Instrument 43-101.

**The Eco Ridge Mine Rare Earth and Uranium Project**

The Eco Ridge Mine Rare Earth and Uranium Project, owned 100% by First Canadian Uranium, a wholly owned subsidiary of the Company, is located in Elliot Lake, Ontario and is currently comprised of 394 mining claim units and two mining leases totalling approximately 18,000 acres. The Project is located near extensive existing infrastructure as a result of the fact that, historically, there has been large scale mining and processing operations within the City of Elliot Lake.

In May 2011, the Company was granted two mining leases by the Province of Ontario for its Eco Ridge Mine Rare Earth and Uranium Project. The Mining Leases give the Company the exclusive right to mine the near surface part of the Eco Ridge rare earth and uranium deposit and include surface rights that allow for siting of project infrastructure including processing facilities. The Mining Leases are for terms of 21 years (commencing on March 1, 2011) and are renewable. The Mining Leases cover an area of 3,831 acres and the total rent payable under the Mining Leases is \$4,652 annually. The Company has also entered into a 21-year renewable lease agreement with the City of Elliot Lake (the “City”), with an option to purchase the surface rights on certain surface patents owned by the City, where the Company owns the mineral rights.

During fiscal 2014, the Company acquired a key mining lease for mining rights on certain lands below small lakes located within the boundaries of the Eco Ridge Mine Project. This acquisition filled in a gap within the higher grade zone of the Main Conglomerate Bed. The Company now owns a 100% interest in the mineral rights throughout the more than 18,000 contiguous acres that comprise the Eco Ridge Mine Property. In conjunction with the Mining Lease acquisition, the Company entered into a NSR Royalty Agreement with the previous lessee, Rio Algom Limited on standard commercial terms. The Company has applied to the Ministry of Northern Development and Mines (MNDM) to renew the newly acquired Mining Lease for an additional 21-year term following the expiration of its current term on September 30, 2014.

In October 2014, the Company announced an expansion of its business model to include processing of high-grade rare earth bearing monazite, in Elliot Lake. Pele plans to source monazite from mineral sands mine tailings in countries that embrace sustainable mining practices and are allied trading partners with Canada. Pele’s objective is to process the monazite to produce mixed rare earth concentrates that will be separated into high-purity, individual rare earth oxides that can be used in downstream value added processing and manufacturing. Pele’s monazite processing strategy is predicated on collaboration and cooperation with industry leaders in the rare earth supply chain, all levels of government, local First Nations, and academia.

During the Reporting Period, the Company entered into a Memorandum of Understanding (the “MOU”) with Sheng Kang Ning (Shanghai) Mining Investment Co. Ltd. (“SKN”) to jointly pursue the opportunity of developing rare earth processing facilities at Pele’s Eco Ridge property in Elliot Lake. SKN is a 90-percent owned subsidiary of Shenghe Resources Holding Co. Ltd., a global leader in rare earth mining, processing and downstream value added processing. SKN & Shenghe possess proprietary technologies for environmentally sustainable, low cost, rare earth processing and have the expertise and experience to design, build, and operate integrated rare earth processing facilities. The MOU sets out terms under which Pele and SKN will work together, subject to approval from relevant Chinese and Canadian government authorities, to establish a joint venture for the sustainable development and operation of a monazite processing facility. The objective of the proposed joint venture would be to source, process, separate and market rare earths.

In April 2012, the Company announced the results of an updated NI 43-101 Preliminary Economic Assessment (the “**PEA**”) for the Eco Ridge Mine Project. The 2012 PEA was prepared by Roscoe Postle Associates (“RPA”) and demonstrates that Eco Ridge has potential to become a profitable producer of rare earth oxide (“REO”) and uranium oxide (“U<sub>3</sub>O<sub>8</sub>”). The PEA was the culmination of several years of exploration and pre-development work by Pele and its world-class technical team.

In June 2013, the Company announced a major increase in NI 43-101 REO and U<sub>3</sub>O<sub>8</sub> resources. The NI 43-101 Mineral Resource Estimate was prepared by RPA. The Resource Wireframe which contains both Indicated and Inferred REO and U<sub>3</sub>O<sub>8</sub> resources within the near surface portion of the MCB, increased by nearly 59-percent from 37.4-million to 59.3-million tonnes. The mineral resources at Eco Ridge continue

to have excellent potential for expansion with lower-than-normal exploration risk in the historically drilled areas outside of the resource wireframe. To-date, infill drilling at Eco Ridge has been 100-percent successful in upgrading Inferred resources to the Indicated category in the Main Conglomerate Bed (“MCB”).

### Mineral Resource Estimate – June 2013

Classification	Tonnes	Uranium Oxide		Total REO	
		Pounds	ppm	Pounds	ppm
Indicated	22,743,000	22,554,311	450	80,510,000	1,606
Inferred	36,560,000	37,622,835	470	125,248,000	1,554

Source: Mineral Resource Estimate by Roscoe Postle Associates, June 2013

#### Notes:

1. CIM definitions were followed for Mineral Resources.
2. This subset of Mineral Resources was estimated within a portion of the Main Conglomerate Bed (MCB) at a cut-off value of \$90 per tonne. Values were calculated based on prices and recoveries of uranium and rare earths, net of rare earth separation costs.
3. Mineral Resources are estimated using an average long-term uranium price of US\$70 per lb U<sub>3</sub>O<sub>8</sub>, a rare earth “basket price” of \$55 per kg (net of separation charges), and a C\$:US\$ exchange rate of 1.00:1.00.
4. U<sub>3</sub>O<sub>8</sub> Equivalents are calculated by converting rare earths values (net of prices, recoveries, and separation charges) to uranium values.
5. A minimum mining thickness of 1.8 metres was used.
6. Total Rare Earth Oxides include light oxides La<sub>2</sub>O<sub>3</sub>, CeO<sub>2</sub>, Pr<sub>6</sub>O<sub>11</sub>, and Nd<sub>2</sub>O<sub>3</sub>, and heavy oxides Sm<sub>2</sub>O<sub>3</sub>, Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>4</sub>O<sub>7</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, Y<sub>2</sub>O<sub>3</sub>, and Lu<sub>2</sub>O<sub>3</sub>. Sc<sub>2</sub>O<sub>3</sub> is also included, as it occurs in low concentrations and carries high unit values like a heavy rare earth oxide.

### Mineral Resource Estimate – June 2013 - Rare Earth Oxides

Rare Earth Oxides	Indicated		Inferred	
	Grade (ppm)	Contained Oxides (tonnes)	Grade (ppm)	Contained Oxides (tonnes)
La <sub>2</sub> O <sub>3</sub>	383	8,719	370	13,513
CeO <sub>2</sub>	726	16,520	699	25,541
Pr <sub>6</sub> O <sub>11</sub>	73	1,649	70	2,563
Nd <sub>2</sub> O <sub>3</sub>	233	5,302	225	8,229
Sm <sub>2</sub> O <sub>3</sub>	40	909	39	1,440
Eu <sub>2</sub> O <sub>3</sub>	2	51	2	78
Gd <sub>2</sub> O <sub>3</sub>	27	604	26	963
Tb <sub>4</sub> O <sub>7</sub>	4	83	4	130
Dy <sub>2</sub> O <sub>3</sub>	17	384	17	611
Ho <sub>2</sub> O <sub>3</sub>	3	65	3	101
Er <sub>2</sub> O <sub>3</sub>	7	161	7	257
Tm <sub>2</sub> O <sub>3</sub>	1	21	1	34

Yb <sub>2</sub> O <sub>3</sub>	5	125	5	200
Lu <sub>2</sub> O <sub>3</sub>	1	17	1	28
Y <sub>2</sub> O <sub>3</sub>	78	1,769	77	2,812
Sc <sub>2</sub> O <sub>3</sub>	6	142	9	311
<b>LREO</b>	<b>1,415</b>	<b>32,190</b>	<b>1,363</b>	<b>49,846</b>
<b>HREO</b>	<b>190</b>	<b>4,329</b>	<b>191</b>	<b>6,965</b>
<b>TREO</b>	<b>1,606</b>	<b>36,519</b>	<b>1,554</b>	<b>56,811</b>

*Source: Mineral Resource Estimate by Roscoe Postle Associates, June 2013*

**Notes:**

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are estimated within the Main Conglomerate Bed (MCB) at a cut-off value of \$90 per tonne. Values were calculated based on prices and recoveries of uranium and rare earths, net of off-site rare earth separation costs.
3. Mineral Resources are estimated using an average long-term uranium price of US\$70 per lb U<sub>3</sub>O<sub>8</sub>, a rare earth “basket price” of \$55 per kg (net of separation charges), and a C\$:US\$ exchange rate of 1.00:1.00.
4. U<sub>3</sub>O<sub>8</sub> Equivalents are calculated by converting rare earths values (net of prices, recoveries, and separation charges) to uranium values.
5. A minimum mining thickness of 1.8 metres was used.
6. Light Rare Earth Oxides include La<sub>2</sub>O<sub>3</sub>, CeO<sub>2</sub>, Pr<sub>6</sub>O<sub>11</sub>, and Nd<sub>2</sub>O<sub>3</sub>.
7. Heavy Rare Earth Oxides include Sm<sub>2</sub>O<sub>3</sub>, Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>4</sub>O<sub>7</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, and Lu<sub>2</sub>O<sub>3</sub>. Y<sub>2</sub>O<sub>3</sub> and Sc<sub>2</sub>O<sub>3</sub> are also included in HREO.

In September 2013, an economic review was prepared by RPA, a sensitivity analysis on Pele’s 2012 PEA, which evaluates the impact of the increased NI 43-101 Mineral Resource Estimate for Eco Ridge, along with reduced rare earth price assumptions, while maintaining all unit operating costs and process recoveries unchanged from the PEA.

The economic review concluded that the increase in Mineral Resources extends mine life and improves project economics. While this improvement was offset by a reduction in rare earth price forecast the net result demonstrated that Eco Ridge economics remained positive.

*NI 43-101 required statement: The PEA and economic review are preliminary in nature. They include inferred mineral resources, which are considered too speculative geologically to have the economic considerations applied to them that would enable their categorization as mineral reserves. There is no certainty that the PEA or economic review forecast will be realized.*

Going forward, budgets and timelines will be determined and implemented according to the Company’s ability to raise additional funds for the Project.

### **The Mountain Pass Project**

During the year ended September 30, 2012, the Company, through Mountain Pass Resources Inc., a wholly-owned subsidiary of the Company incorporated in Nevada, USA, acquired mining claims comprising 186 contiguous acres located in Mountain Pass, California in exchange for 4,000,000 common shares of the Company. The seller has retained a 2% production royalty (the “Production Royalty”) on all minerals mined on the property, subject to the right of the Company to buy back 1% of the Production Royalty for 2,000,000 United States Dollars, escalated annually by a factor equal to the Producer Price Index.

The Company is required to complete a total of \$2,000,000 United States Dollars of exploration work on the property by September 26, 2017 which includes a Phase 1 Exploration Program. The Phase 1 Exploration Program which included compilation of historic data, geological mapping, radiometric survey, sampling of pits and trenches, surface sampling, petrological analysis, mineralogical analysis and drill program planning was completed, on schedule, during fiscal 2014.

If the Company sells the mining claims to an arm's length third party, the original vendor will receive 10% of the proceeds from the sale and a minimum royalty (the "Minimum Royalty") of \$12,000 per year will become payable to the seller, increasing by \$12,000 per year until it reaches a maximum of \$120,000 per year. The Minimum Royalty shall not apply in the case of an earn-in agreement with a third party while work on the property is advancing.

The seller has been granted a security interest in the mining claims to secure performance of certain terms in the Agreement. The Company issued a total of 200,000 common shares to two arm's length individuals as a fee for services related to the introduction of the Company to the seller.

### **Non-Core Projects**

Three of the Company's non-core projects are currently funded through option or joint venture agreements with strategic partners including the Ardeen Project, which is the site of Northern Ontario's first producing gold mine, which is subject to a joint venture agreement with Coventry Resources Limited ("**Coventry**") where Coventry is the operator of the project; the Sudbury Project, which is targeting base metals (nickel and copper) and platinum group elements and is currently being funded and operated by the Company's joint venture partner, Wallbridge Mining Company Limited ("**Wallbridge**"); and the Festival Project joint venture, which is being operated and funded by Goldcorp. The Company's other non-core project is the Timmins Project, which is owned 100% by the Company and more particularly described below.

### **The Ardeen Project**

The Ardeen Project, owned 49% by Pele Gold Corporation, a wholly owned subsidiary of the Company, is comprised of 290 mining claim units and 4 patented mining claims located within Moss Township in the district of Thunder Bay, Ontario. The Ardeen Project hosts Northern Ontario's first producing gold mine. The Company acquired 41 mining claim units and 2 patented mining claims from a group of vendors pursuant to a purchase and sale agreement dated June 3, 1997, pursuant to which the Company is also required to issue an aggregate of 240,000 of its common shares to the vendors contingent on the property going into commercial production.

In 2009, the Company entered into an option and joint venture agreement in respect of the Ardeen Project with Coventry Resources Limited ("**Coventry**"), pursuant to which, Coventry has funded enough exploration expenditures to earn its 51% interest in the project.

Coventry is the operator of the project and has not proposed a current budget for new work at Ardeen. Accordingly, the Company does not anticipate requiring funds from its treasury for Ardeen in the immediately foreseeable future.

## **The Sudbury Project**

The Sudbury Project is comprised of 270 mining claim units covering approximately 11,000 acres of mining claims in Harty and Foy Townships, which extend from the northern boundary of Levack Township, located about 40 km northwest of the City of Greater Sudbury, Ontario.

Wallbridge has incurred exploration expenditures to increase its ownership interest in the Joint Venture to approximately 63% as of March 31, 2015, and accordingly, the Company owns an approximately 37% interest.

## **The Festival Project**

In 2004, Goldcorp and Pele began exploring the Festival Project, north of Wawa. The Festival Project is owned by Pele Mountain and Goldcorp Inc. under a joint venture that was entered into in 2006 with each company owning 50-percent. In 2010 the original 101 square kilometre exploration license for the Festival Project expired and the Project was consequently written off by Pele due to inactivity.

In 2013, the Company and Goldcorp Inc. reactivated the joint venture on the Festival Project. Goldcorp entered into a License Agreement on behalf of the joint venture for a Licensed Area covering a total area of 52km. The Licensed Area straddles the interpreted western extension of the Goudreau Localsh Deformation Zone (“GLDZ”), host to Richmond’s Island Gold Mine as well as several past-producing gold mines including Argonaut’s Magino Mine. The term of the License is for five years commencing on January 1, 2013 and may be extended for an additional 5-year term. All minerals produced and marketed from the Licensed Area are subject to a 3% royalty payable to the Licensor.

Goldcorp is funding and operating the Festival Project Joint Venture with Pele electing not to contribute its pro rata share so far. Accordingly, Goldcorp’s interest has increased to approximately 51-percent of the joint venture and Pele’s interest is approximately 49-percent. New work on the property will impact the relative percentage ownership of each party in the joint venture.

## **The Timmins Project**

The Timmins Project consists of 61 mining claim units located 35 kilometres south of Timmins in northern Ontario. The project ties on to the southern and eastern property boundaries of the past producing Texmont Nickel Mine and encompasses nearly half of the original Texmont Mine property.

There are no plans to start up a new work program at the Timmins Project in the foreseeable future.

## **Economic Outlook**

The Company’s management believes that there are considerable uncertainties relating to the macro economy, which could impact on commodity pricing. Capital markets for junior resource companies continue to be very challenging and further short term volatility is to be expected. Management also believes that prices for uranium and certain rare earth oxides should improve in the long term due to global supply and demand fundamentals. The Company has considered the relevant facts and has concluded that under the current circumstances, there should not be any material impairment of the carrying value of its resource properties at this time.

## Overall Performance

The Company is currently self-funding development at its Eco Ridge Project. At this time the Company does not own or operate any revenue producing mineral properties and, accordingly, does not have cash flow from operations. The Company has raised funds for development and general overhead and other expenses primarily through the issuance of shares from treasury. This method of financing has been the principal source of funding for the Company's on-going operations since it was founded over 19 years ago. Funding for exploration at the Ardeen Project, Sudbury Project and Festival Project is provided under option and joint venture agreements at each respective Project.

The Company intends to continue raising funds for future exploration, development and on-going overhead and other working capital expenses through the issuance of shares from treasury and/or through option and/or joint venture agreements or other agreements with junior or senior mineral exploration and mining companies or strategic partners. The Company is also looking into the possibility of attracting investment in its monazite processing project from potential partners including a proposed joint venture with SKN as well the possibility of entering into future off-take agreements for products from the project.

## Going Concern

The Company's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to fund its development programs and general and administrative expenses, maintain its resource properties, discharge its liabilities as they become due and generate positive cash flows from operations. There is no certainty that the Company will be successful in raising financing given the current challenging condition of the junior resource financial markets, and as such there is significant uncertainty the Company will be able to continue as a going concern.

## Selected Annual Information

The following selected financial data for each of the three most recently completed financial years are derived from the audited annual financial statements of the Company.

Year Ended September 30	2014	2013	2012
	\$	\$	\$
Interest income	5,764	29,144	30,263
Net loss and comprehensive loss	1,397,801	1,288,609	3,379,912
Net loss, per share basic and diluted	0.008	0.008	0.023
Total assets	20,624,622	21,249,587	21,384,300
Total long term liabilities - deferred income taxes	1,277,881	1,472,952	1,343,891
Cash dividends	Nil	Nil	Nil

The Company has no resource properties in production and, consequently, has no current operating income or cash flow from its mineral property exploration and development operations. The Company's revenues relate primarily to interest earned on cash deposits and short-term investments.

The Company has recorded losses in all of the three most recently completed fiscal years and expects to continue to record losses unless and until such time as it is able to achieve commercial production of rare

earths from its monazite recycling strategy, or an economic resource is identified, developed and brought into profitable commercial operation on one or more of the Company's properties or otherwise disposed of at a profit. Since the Company has no revenue from operations, annual operating losses typically represent the sum of business expenses plus any write-offs of mineral properties abandoned during the period.

The Company's accounting policy is to capitalize all costs related to acquisition and exploration of resource properties as incurred. When a property interest is abandoned or lapses or is determined to be of no further economic interest, an appropriate write down or write off is taken to operations in the current period.

## **Results of Operations**

The Company had a net loss of \$315,076 or \$0.002 per share on a fully diluted basis for the Reporting Period, compared to a net loss of \$708,352 or \$0.005 per share on a fully diluted basis for the six months ended March 31, 2014. The decrease in net loss is primarily related to the debt settlement and the settlement of claims discussed below, as well as an overall reduction in expenses as the Company cuts back on expenditures in order to preserve its cash.

The Company's expenses (excluding share-based compensation, write down of resource properties and gain (loss) on portfolio investments) totalled \$409,329 for the three months ended March 31, 2015 compared with \$304,154 for the three months ended March 31, 2014. Total expenses for the Reporting Period were \$623,579 compared with total expenses of \$637,618 for the six months ended March 31, 2014. Areas of significantly decreased expenditures included publicity and investor relations, listing and filing fees, and administrative expenses. An area of significant increase was salaries and benefits.

Publicity and investor relations decreased by \$12,565 (59%) during the current quarter and \$48,534 (76%) during the Reporting Period. In an effort to conserve cash and due to challenging market conditions, the Company has cut back on PR campaigns and investor relations services. During the previous year's Reporting Period, the Company had engaged public relations consultants to promote the company and create market awareness. The Company has also reduced the number of conferences and tradeshows that they have participated in, resulting in reduction in printing costs and marketing costs.

Listing and filing fees decreased by \$12,198 (27%) during the current quarter and \$23,106 (35%) during the Reporting Period. The decrease was due to the Company utilizing the Notice and Access provision for annual mailing which resulted in reduced costs. The Company has also negotiated better pricing for news dissemination service.

There was a decrease of \$16,630 (27%) in administrative expenses for the three months ended March 31, 2015 compared to the same period in fiscal 2014. There was also a decrease of \$40,259 (31%) in administrative expenses between the current Reporting Period and the same period in the prior year. The decrease was due to management's efforts to reduce costs in order to preserve its cash. The Company has reduced its travel expenditures during the Reporting Period and there were also some one time consulting fees for assistance with sourcing and applying for certain project funding incurred in the prior period that were not incurred in the Reporting Period.

There was an increase of \$144,420 (124%) in salaries and benefits between the three months ended March 31, 2015 and March 31, 2014. There was also an increase of \$103,827 (40%) in salaries and benefits during the Reporting Period compared to the same period last fiscal year. The primary reason for the increase was the accrual of a retention bonus payable to the Company's Chief Executive Officer.



Other areas of the Company's general and administrative expenses during the current quarter and Reporting Period were consistent with those incurred during the same periods in fiscal 2014.

There was no interest income earned during the current quarter ended March 31, 2015 as there were no GICs outstanding during the quarter. For the Reporting Period, interest income was \$298 compared to \$4,060 for the same period in 2014. The interest was earned on term deposits and treasury bills derived from proceeds of private placements completed in prior periods.

During the Reporting Period, the Company received 940,900 common shares of Zara Resources as a dividend payment in kind. The dividend was payable on the Company's holdings of the Zara Preference Shares.

During the period ended March 31, 2015 the Company issued 3,680,922 shares at a deemed price of \$0.05 per share as settlement of debts owed to various creditors in the aggregate amount of \$195,058. As the debts were settled for an amount less than their carrying values, a gain of \$11,012 related to settlement of debt has been recognized in the statement of comprehensive loss for the period ended December 31, 2014. The Company also issued 120,000 shares during the current quarter as a result of a stock option exercise.

During the period ended March 31, 2015, the Company settled disputes with two different creditors related to services rendered by the creditors in a prior period. To settle the disputes, the creditors have agreed to waive payment of the amounts owed by the Company and in return the Company will not pursue a claim against the creditors.

During the Reporting Period, the Company granted a total of 4,550,000 incentive stock options to members of management and the directors of the Company, which are exercisable at \$0.05 per share and expire on December 31, 2019. The Company also granted an aggregate of 375,000 options to employees of the Company which are exercisable at \$0.05 per share and expire on December 31, 2019 and 455,000 incentive stock options to four consultants of Pele, which are exercisable at \$0.05 per share and expire on December 31, 2015. Share-based compensation decreased by \$96,622 (48%) during the current quarter compared to the prior period and \$127,726 (54%) during the Reporting Period when compared to the prior year.

The Company incurred net exploration and acquisition costs of \$121,846 during the Reporting Period, a 66% decrease in expenditure compared to the six months ended March 31, 2014. During the three months ended March 31, 2015, the Company incurred exploration and acquisition costs of \$79,229 compared with \$260,958 for three months ended March 31, 2014. The overall decrease is due to the challenging market conditions and the lack of available financing on favorable terms. The Company has managed to advance the Eco Ridge Mine project with a disciplined focus on prioritizing work that has added significant value. The current Reporting Period's expenditures were incurred almost exclusively on the Eco Ridge Mine Project.

Expenditures incurred on the Eco Ridge Project during the Reporting Period relate to the development of a Canadian rare earth supply chain which include consultation, Aboriginal engagement and project management, with the balance going towards general maintenance and overhead.

A quantitative breakdown of the property expenditures by category is included in the following table:

**Six months ended March 31, 2015**

	Eco Ridge Project	Mountain Pass Project	Ardeen Gold Project	Total
Acquisition	\$ 7,040	\$ 455	\$ Nil	\$ 7,495
Consulting	88,283	Nil	Nil	88,283
Exploration/Drilling	913	Nil	Nil	913
Processing Development	Nil	Nil	Nil	Nil
General Overhead	7,459	Nil	Nil	7,459
Project Management	23,250	Nil	Nil	23,250
Other	8,690	11	Nil	8,701
SR&ED Refund	(14,255)	Nil	Nil	(14,255)
Total expenditures	\$ 121,380	\$ 466	\$ Nil	\$ 121,846

**Six months ended March 31, 2014**

	Eco Ridge Project	Mountain Pass Project	Ardeen Gold Project	Total
Acquisition	\$ 7,040	\$ 1,270	\$ Nil	\$ 8,310
Consulting	76,927	Nil	Nil	76,927
Exploration/Drilling	120,091	Nil	Nil	120,091
Processing Development	76,165	Nil	Nil	76,165
General Overhead	46,003	76	Nil	46,079
Project Management	27,036	Nil	Nil	27,036
Other	1,723	Nil	Nil	1,723
Total expenditures	\$ 354,985	\$ 1,346	\$ Nil	\$ 356,331

**Summary of Quarterly Results**

The following table sets out selected quarterly results of the Corporation for the eight quarters ended on or before March 31, 2015. The information contained herein is drawn from the interim financial statements of the Corporation for each of the aforementioned eight quarters.

Fiscal Year	2015		2014				2013	
Quarter	Mar	Dec	Sep	Jun	Mar	Dec	Sep	Jun
	\$	\$	\$	\$	\$	\$	\$	\$
Interest income	0	298	792	912	1,651	2,409	12,954	2,825
Net income (loss)	(287,169)	(27,907)	(436,295)	(253,154)	(421,642)	(286,710)	(883,272)	(173,724)
Net income (loss), per share basic and diluted	(0.002)	(0.000)	(0.003)	(0.002)	(0.003)	(0.002)	(0.057)	(0.001)

The quarterly fluctuations in the Company's net income (loss) result primarily from mineral property write-downs, stock-based compensation expenses recognized on stock options granted to directors, officers, employees and consultants of the Company, general administrative expenses, realized gain or loss on sale of investments and deferred tax recoveries recognized on the Company's deferred income tax assets.

### **Liquidity and Capital Resources**

The Company's cash and cash equivalents position was \$16,457 as at March 31, 2015. The Company had a working capital deficiency of \$1,213,046 as at March 31, 2015 compared to a working capital deficiency of \$1,066,408 as at September 30, 2014. Management plans to raise financing to address the working capital deficiency (see Going Concern).

During the Reporting Period, the Company:

- a) Issued 1,757,029 units pursuant to a non-brokered private placement at a purchase price of \$0.05 per unit for gross proceeds \$87,852 of which \$20,381 was allocated to warrants and \$22,713 was allocated to other liabilities. Each unit is comprised of one flow-through common share and one share purchase warrant, where each whole warrant entitles the holder to purchase one additional non-flow-through common share of the Company at a price of \$0.07 per share until December 24, 2017. Four directors of the Company participated in the Offering, acquiring 757,029 units.
- b) Entered into shares-for-debt agreements with certain creditors, pursuant to which the Company issued 3,680,922 common shares, at a deemed price of \$0.05 per common share, to satisfy aggregate debts of \$196,490.
- c) Issued 120,000 shares as a result of a stock option exercise.

The flow-through proceeds from the private placement are used by the Company to incur qualified Canadian Exploration Expenses on the Company's mineral properties. The net proceeds from private placements of non-flow-through shares and from the exercise of options and warrants are used by the Company to fund its mineral exploration programs, as well as for general administrative and overhead expenses and working capital purposes.

The Company's current operating expenditures, excluding exploration expenditures on resource property work programs, are approximately \$70,000 per month. See Going Concern discussed earlier in this MD&A. The Company does not have any externally imposed capital requirements.

To date, the Company has not paid any dividends on its shares and it is unlikely that dividends will be payable in the foreseeable future. The Company anticipates that dividends would only be considered in the event it successfully brings one of its properties into commercial production.

The Company is committed under lease contracts for the rental of its office premises in Toronto and Elliot Lake, and a vehicle. The Company also has annual obligations for its Eco Ridge Mine Rare Earths and Uranium Project's mining lease with the Province of Ontario and the surface lease with the City of Elliot Lake.

The Company's capital requirements to maintain its properties and fund exploration and general overhead expenses have been met primarily through the completion of private placements. The Company is currently focused on the sustainable development of its monazite recycling strategy at its Eco Ridge project and is in discussions with potential strategic partners to assist in funding this work.

### Off-Balance Sheet Arrangements

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

### Outstanding Share Data

The Company's shares are traded on the TSX Venture Exchange under the symbol GEM. As of the date of this MD&A, there are a total of 187,093,749 shares issued and outstanding. As of the date of this MD&A, the Company has the following stock options outstanding:

Number of Options	Exercisable	Exercise Price	Expiry Date
3,000,000	3,000,000	\$0.25	September 30, 2015
335,000	335,000	\$0.05	December 31, 2015
900,000	900,000	\$0.12	December 31, 2015
675,000	675,000	\$0.17	December 31, 2015
500,000	500,000	\$0.10	October 4, 2016
500,000	500,000	\$0.10	November 27, 2016
800,000	800,000	\$0.12	December 31, 2016
800,000	800,000	\$0.17	December 31, 2016
800,000	800,000	\$0.22	December 31, 2016
4,500,000	4,500,000	\$0.10	December 31, 2018
4,925,000	4,925,000	\$0.05	December 31, 2019
<b><u>17,735,000</u></b>	<b><u>17,735,000</u></b>		

As of the date of this MD&A, the Company has the following warrants outstanding:

Number of Warrants	Series	Type of Share	Exercise Price	Expiry Date
4,559,562	ZZ	Common Shares	\$0.12	November 1, 2015
400,000	ZZ	Common Shares	\$0.12	November 9, 2015
700,000	AAA	Common Shares	\$0.12	December 24, 2015
1,757,029	BBB	Common Shares	\$0.07	December 24, 2017
8,012,200	CCC	Common Shares	\$0.07	April 13, 2018
28,000		Common Shares	\$0.05	April 13, 2016
<b><u>15,456,791</u></b>				

## Transactions with Related Parties

During the Reporting Period, the Company was involved in the following transactions with related parties:

- a) Consulting fees of \$41,000 were earned by Martin Cooper, a director and officer of the Company, \$41,000 of which were deferred as resource property costs. As at March 31, 2015, accounts payable and accrued liabilities included \$46,500 payable to this director and officer.
- b) Legal fees of \$37,500 were incurred with a law firm in which Steven Rukavina, a director and officer of the Company is a partner. As at March 31, 2015, accounts payable and accrued liabilities included \$125,442 payable to this law firm.
- c) Accounting fees of \$23,000 were incurred with an accounting firm in which Paul Andersen, an officer of the Company is a partner. As at March 31, 2015, accounts payable and accrued liabilities included \$98,145 accrued to this accounting firm.
- d) Consulting fees of \$Nil earned by Roger Payne, an officer of the Company. As at March 31, 2015, accounts payable and accrued liabilities included \$Nil payable to this officer.
- e) Consulting fees of \$40,000 were incurred with a company in which John Wilkinson, a director of the Company, is an officer, all of which have been deferred as resource property costs. As at March 31, 2015, accounts payable and accrued liabilities included \$42,760 payable to this director.
- f) Compensation earned by directors and other members of key management personnel for the six months ended March 31, 2015 were as follows:

Salaries and benefits	\$	151,500
Retention bonus		150,000
Directors' fees		22,400
Share-based compensation		100,532
		<hr/>
	\$	424,432
		<hr/>

As at March 31, 2015, accounts payable and accrued liabilities included \$25,800 of directors' fees, \$150,000 of retention bonus payable and \$147,500 of wages payable.

- g) Other related party transactions are disclosed in Liquidity and Capital Resources discussion of this MD&A.

## Critical Accounting Judgments and Estimation Uncertainties

The preparation of the consolidated financial statements in conformity with IFRS requires that the Company's management make critical judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates are accounted for prospectively.

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the consolidated financial statements.

#### *Recoverability of Resource Properties*

The Company assesses all exploration and evaluation assets, mine development assets and PPE at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long term commodity prices, discount rates, foreign exchange rates, future capital requirements, exploration potential and operating performance.

#### *Property, Plant and Equipment - Estimated Useful Lives*

Management estimates the useful lives of PPE based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of PPE for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's PPE in the future.

#### *Share-based Payment Transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10 of the consolidated financial statements.

#### *Deferred Taxes*

The Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

#### *Flow-Through Share Premium*

The Company estimates the premium paid for flow-through shares using the relative fair value method. The premium is recorded as a liability which is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded.

## **Recent Accounting Pronouncements**

IFRS 9, Financial instruments (“IFRS 9”) was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments: recognition and measurement” (“IAS 39”). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released in July 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

IFRS 15, Revenue from Contracts and Customers (“IFRS 15”) was issued by the IASB in May 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Corporation is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

## **Financial Instruments and Other Risk Factors**

The Company’s financial instruments consist of cash and equivalents, receivables from joint venture partners and accounts payable. It is management’s opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments and that the fair value of these instruments approximates their carrying value due to their short-term maturities. Investments available for sale are carried at fair market value. The Company is exposed to equity price risks related to its investments available for sale.

In conducting its business, the principal risks and uncertainties faced by the Company relate to exploration and development success, as well as metal and mineral prices and market sentiment to a lesser extent.

The prices of metals and other commodities are subject to market fluctuations and are affected by many factors outside of the Company’s control. The prices of metals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company’s ability to raise equity financing for its long term working capital requirements. To manage its risks the Company holds a diverse portfolio of uranium, gold, base metal, and diamond properties which provide exposure and leverage both to discovery and to the global demand for a variety of natural resources, and limits the Company’s overall risk exposure to the market fluctuations of a specific metal or commodity.

## **Forward-Looking Statements**

Some of the statements contained in this document are forward-looking statements, such as estimates and statements that describe the Company’s future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking

statements address future events and conditions, by their very nature, they have inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements.

### **Subsequent Events**

Subsequent to the six months ended March 31, 2015, the Company:

- a) had 3,284,669 share purchase warrants with the weighted average exercise price of \$0.11 expire unexercised.
- b) completed a private placement and issued 8,012,200 units (the "Units") at a price of \$0.05 each for aggregate gross proceeds of \$400,610. Each Unit consists of one (1) common share and one (1) common share purchase warrant (a "Warrant"), with each Warrant exercisable to acquire one common share of Pele at \$0.07 until April 13, 2018. Six directors of the Company participated in the Offering, acquiring 1,670,200 units.

### **Internal Control over Financial Reporting and Disclosure Controls**

Management, including the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting ("ICFR") to provide reasonable assurance that all information prepared by the Company for external purposes is reliable and timely. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated Financial Statements. Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements.

The CEO and CFO have evaluated whether there were changes to the ICFR during the period ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the ICFR. As a result, no such significant changes were identified through their evaluation.

There have been no material changes in the Company's internal control over financial reporting during the period ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.