



January 27, 2017

Dear Fellow Shareholders:

While the markets for natural resources and junior resource companies generally improved in Fiscal 2016 over recent years, the multi-year downtrend in uranium and rare earth prices continued, sustaining a very difficult situation for our Company.

Although the uranium price remains near decade-lows and is still far too low to make our flagship Eco Ridge Uranium & Rare Earth Project economic, we are encouraged by the recent uptick and the strong increase in investor interest in uranium exploration and development companies. However, as there is still considerable uncertainty regarding future uranium prices, and given our difficulty in advancing Eco Ridge, we are actively seeking to bring in a partner to help us advance the project and unlock its value.

The NI 43–101 mineral resources at Eco Ridge continue to provide our investors with exposure and leverage to uranium and rare earths. In June 2013, Roscoe Postle Associates reported the following uranium oxide (“U<sub>3</sub>O<sub>8</sub>”) mineral resources for the Main Conglomerate Bed at Eco Ridge, (together with total rare earth oxide resources and U<sub>3</sub>O<sub>8</sub> equivalent resources, which can be viewed on the Pele website under Eco Ridge Mineral Resources):

Table 1 **Mineral Resource Estimate** – June 2013

Classification	Tonnes	U <sub>3</sub> O <sub>8</sub>	
	(‘000s)	(%)	(‘000 lbs)
Indicated	22,743	0.045	22,554
Inferred	36,560	0.047	37,623

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 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. A minimum mining thickness of 1.8 metres was used.

As announced previously, the protracted downturn in uranium and rare earth markets prompted us to expand our business model to include electricity generation and energy storage projects. During the past year, we signed a Sustainable Energy Development Agreement with the City of Elliot Lake under which Pele was appointed, on an exclusive basis, as the developer of energy and energy storage projects on City Lands through April 2018.

The outstanding infrastructure in Elliot Lake, including natural gas pipelines with excess capacity, provides an opportunity for electricity cost reductions through on-site power generation. We are working with industry leading experts to design and develop behind-the-meter combined heat and power generation to reduce reliance on the costly Provincial power grid for certain large consumers of electricity. We are making progress and expect to be able to report on these projects shortly.

With our Eco Ridge Project located in Elliot Lake, launching our new energy venture here makes good business sense for both Pele and the City. Commercial and municipal customers with large heat and power requirements can benefit by locking into long-term, lower-cost electricity and thermal energy at no upfront cost. We would benefit from sources of new, long-term revenue. We see excellent potential to develop energy projects in other municipalities and off-grid industrial and community applications. We are actively pursuing these opportunities.

Earlier in Fiscal 2016, we pursued other energy-related projects that did not come to fruition. We prepared to submit a bid for a large-scale solar power project, first at Eco Ridge and then at another Elliot Lake location proximal to existing transmission lines with available capacity. Unfortunately, Ontario's Independent Electricity System Operator (IESO) later decided to exclude Northern Ontario from participation in Ontario's Large Renewable Procurement program.

We remain committed to advancing Canada's first rare earth processing centre in Elliot Lake. In Fiscal 2016, we continued to make measured progress on our monazite processing strategy as we aspire to kick-start a relatively low cost, early-to-market, secure and sustainable supply of rare earths. We believe the ongoing risk of supply disruptions continues to be a compelling incentive for the development of new, secure sources of supply outside of China for western nations and industrial end users.

With our stock price below the TSX Venture Exchange's mandated minimum share issuance price of \$0.05 for almost the entire year, it has been difficult to raise funds for our operations. Management continued to defer payment of its own salaries, Directors deferred fees owed, and long time service providers accepted significant amounts owed to them in shares during the past year. We've raised modest funds with the liquidations of non-core assets and Management participation in placements above the prevailing market price of Pele shares. Given our need to raise money to sustain our operations until our projects return positive cash flow, in order to improve our access to capital, we are recommending up to a 1 for 10 share consolidation for the Company. Directors will have discretion to authorize a consolidation of less than 1 for 10 and may elect not to proceed with the consolidation at all. In conjunction with the proposed share consolidation and to better reflect the expanded business model of our company, we are also proposing a name change to Griffin Energy & Metals Ltd. (**GEM**). The directors will have discretion to elect not to proceed with the proposed name change.

We are well-positioned for a recovery in the uranium and rare earth markets to which Eco Ridge has demonstrated excellent leverage in the past. We continue to believe that there is a compelling opportunity to lead the development of a Canadian rare earth supply at Elliot Lake, and to develop energy projects that provide cost savings to large Northern electricity customers and good returns to Pele.

On behalf of the Board of Directors, I would like to thank you, our loyal shareholders, for your continued patient support. Please feel free to contact the Company at any time to discuss our progress, our outlook, and our plans.

Yours truly,

  
Al Shefsky  
President & CEO