Pele Mountain Reviews Economics at Its Eco Ridge Mine Rare Earth and Uranium Project

Trading Symbol: TSX Venture : **GEM**
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FOR IMMEDIATE RELEASE

September 12, 2013 - Toronto - Pele Mountain Resources Inc. (TSX Venture: **GEM**; **OTCQX**: **GOLDF**) ("**Pele**" or the "**Company**") today announced the results of an updated economic review of its Eco Ridge Mine Rare Earth and Uranium Project ("**Eco Ridge**") in Elliot Lake, Ontario, prepared by Roscoe Postle Associates Inc. ("**RPA**").

The economic review, which is a sensitivity analysis on Pele's 2012 Preliminary Economic Assessment (the "**PEA**"), evaluates the impact of the recent increase in the NI 43-101 Mineral Resource estimate for Eco Ridge (see Pele's press release of June 10, 2013) along with reduced rare earth price assumptions, while maintaining all unit operating costs and process recoveries unchanged from the PEA. The PEA demonstrated that Eco Ridge has excellent potential to become a profitable producer of rare earth oxides ("**REO**") and uranium oxide ("**U_3O_8**").

The economic review concludes that the recent increase in Mineral Resources extends mine life and improves project economics. While this improvement is offset by a reduction in rare earth price forecasts, the net result demonstrates that Eco Ridge economics remain positive.

When compared to the PEA the economic review demonstrates the following:

- Pre-tax $NPV_{(10\%)}$ remains at $1.02-Billion;
- Pre-tax IRR reduced to 43-Percent from 50-percent;
- 46-percent increase in life-of-mine REO production to 141.6-million pounds;
- 52-percent of Project revenue from REO; nearly 80-percent of REO revenue from Critical REO (neodymium, dysprosium, yttrium, terbium, and europium oxides) plus scandium oxide;
- 55-percent increase in life-of-mine U_3O_8 production to 42.7-million lbs;
- U_3O_8 revenue forecast to exceed operating costs for first five years of production and thereafter to offset the majority of operating costs, reducing financial risks associated with REO production.
- Sustaining capital increases by $33-million due to longer projected mine life;
- Economic sensitivity that reflects 30-percent decrease in REO prices;
- An increase in mine life and an expanded block of higher-grade material for mining early in the production schedule.

The economic analysis is based, in part, on Inferred Resources and is preliminary in nature. Inferred Resources are considered too geologically speculative to have mining and economic considerations

applied to them and to be categorized as Mineral Reserves. There is no certainty that economic forecasts on which the PEA and the economic review were based will be realized.

Pele President and CEO Al Shefsky stated, "The economic review demonstrates, once again, that our Eco Ridge Mine Project has excellent economic potential. Eco Ridge is ideally situated in the historic Elliot Lake Mining camp, which contains one of the largest and most readily accessible concentrations of critical rare earths in North America. We are focused on the sustainable development of a safe, secure, and reliable Canadian REO supply chain that will support downstream value chain opportunities within North America."

Eco Ridge has competitive advantages that may enable its development ahead of other REO projects, including:

- Elliot Lake is a proven rare earth and uranium mining camp with outstanding regional infrastructure in-place including highways, railway, electricity, natural gas, airport, deep-water ports, and a qualified workforce.
- Elliot Lake has produced more than 300-million lbs of U_3O_8 and is the only Canadian mining camp to have achieved commercial REO production, and was historically the major source of heavy rare earths in North America.
- Uranium minerals are the major mineral sources for Yttrium and heavy rare earths at Eco Ridge, allowing for excellent recovery.
- Pele's world-class development team is led by Pele's Executive Vice President, Roger Payne P. Eng., who was the former General Manager for Rio Algom in Elliot Lake, and includes RPA, SNC-Lavalin Inc., SENES Consultants Limited, and Golder Associates Ltd., all of which have extensive and relevant experience in Elliot Lake.
- Pele is transparent about its plans for the safe disposal of radioactive waste products as backfill underground at the mine site and plans to undertake the licensing process with the Canadian Nuclear Safety Commission.
- Pele enjoys strong local support for the development of Eco Ridge from the City of Elliot Lake

The Project has no known environmental liabilities and enjoys enthusiastic local support. The Province of Ontario has already granted two renewable 21-year mining leases at Eco Ridge (the "**Mining Leases**"), giving Pele the exclusive right to mine the deposit. The Mining Leases include surface rights except where the City of Elliot Lake owns certain surface patents. The City of Elliot Lake has also granted to Pele a renewable 21-year lease with an option to purchase the Surface Patents (the "**City Lease**"). Both the Mining Leases and the City Lease allow for siting of project infrastructure like mine portals and processing facilities.

Pele places great value on community relations and has maintained friendly and productive dialogue with local First Nations and the City of Elliot Lake since the inception of the Eco Ridge Mine project in 2006. Pele seeks to provide long-term benefits to local communities through sustainable development.

Operational highlights of the economic review include:

- 9,000-tonne per day operation with life-of-mine production of 141.6-million lbs of total REO (in the form of a mixed rare earth carbonate concentrate) and 42.7-million lbs of U_3O_8 over a 14-year mine life;
- Production of a strategically significant combination of critical rare earth oxides forecast by the U.S. Department of Energy to be subject to a high risk of supply disruption, with almost 90-percent of Project revenue from Heavy REO, neodymium oxide (Nd_2O_3) and U_3O_8.
- Life-of-mine production includes 20.7-million lbs of Nd_2O_3, 1.3-million lbs of dysprosium oxide, 6.0-million lbs of yttrium oxide, and significant quantities of terbium, europium, and scandium

oxides, providing a vital source of Critical REO outside China.

Financial highlights of the updated economic review include (all terms in US$):

- $NPV_{(10\%)}$ of $1.02-billion, IRR of 43-percent;
- Cumulative total gross revenue of $7.12-billion; Cumulative operating cash flow of $3.27-billion; Cumulative pre-tax cash flow of $2.58-billion;
- Life of mine average operating unit cost of $72.12 per tonne; Net revenue of $143 per tonne;
- Start up capital expenditures of $563-million (includes contingency of $108-million);
- REO basket price of $57 per kg net of separation costs is more conservative than the $78 per kg used in the PEA. U_3O_8 price of $70 per lb is the same as in the 2012 PEA;

For additional operational and financial metrics, please click here: Table 1A-Economic Review Operational Metrics and Table 1B-Economic Review Financial Metrics

U_3O_8 is the largest individual contributor to gross revenue in the economic review at nearly 42-percent, followed by Nd_2O_3 at 20-percent. Heavy REO, which are expected to remain in supply deficit for many years to come, provide approximately half of REO revenue. Cerium and lanthanum oxides, which are expected to be available in abundant supply, account for less than 7-percent of Project revenue. The forecast U_3O_8 price used in both the economic review and the PEA is $70 per lb and is based on an assessment of long-term expectations by a group of independent analysts.

The REO revenue forecast in the economic review is based on the production of individual separated REO. A $449-million charge has been included in the economic review compared to a $535-million charge that was included in the PEA to account for the cost of REO separation into saleable, high-purity oxides. This charge is based on costs of $5 per kg for Light REO in the economic review compared to $10 per kg for Light REO in the PEA and $30 per kg for separation of Heavy REO, which are believed to represent reasonable estimates of separation costs within the scope and accuracy of the economic review. Pele is exploring several possible options for REO separation including toll separation and strategic alliances that could establish separation facilities close to the mine site.

For grade, recovery, production, and revenue forecast for individual oxides, please click here: Table 2A-Rare Earths Recovery & Revenue and Table 2B-Uranium Recovery & Revenue

The technical and economic information relating to the economic review and the PEA contained in this press release has been reviewed and approved by Jason Cox, P. Eng., Director of Mine Engineering for RPA, an independent qualified person under NI 43-101.

About Pele

Pele Mountain Resources is focused on the sustainable development of its 100-percent owned Eco Ridge Mine Rare Earth and Uranium Project. Eco Ridge is located in Elliot Lake, the former “uranium mining capital of the world” and the only Canadian mining camp to have ever achieved commercial rare earth production. Elliot Lake was historically the major source of heavy rare earth production in North America. With well-understood geology and mineralogy, excellent regional infrastructure, and strong local support, Eco Ridge is an ideal location for the development of a safe, secure, and reliable long-term supply of uranium, critical rare earths and scandium. Pele's shares are listed on the TSX Venture Exchange under the symbol "GEM" and on the OTCQX under the symbol "GOLDF".

For further information please contact Al Shefsky, President, at (800) 315-7353, or visit the Pele website at www.pelemountain.com.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. Some of the statements contained in this release are forward-looking statements, such as estimates and statements that describe Pele's future plans, objectives or goals, including words to the effect that Pele or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements. The economic viability of the 43-101 mineral resource at Pele's Elliot Lake Project has not yet been demonstrated by a preliminary feasibility study.