

**POLYMET MINING CORP.**  
(a development stage company)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**31 July 2008**

**U.S. Funds**

Suite 1003 – 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2K3

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- See Accompanying Notes -

PolyMet Mining Corp.  
(a development stage company)  
**Interim Consolidated Balance Sheets**

As at 31 July and 31 January  
All figures in Thousands of U.S. Dollars

	31 July 2008 <i>(unaudited)</i>	31 January 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 6,396	\$ 20,084
Accounts receivable and advances	67	168
Investment (Note 10)	518	1,445
Prepaid expenses	591	793
	<u>7,572</u>	22,490
Deferred Financing Costs (Note 9c)	1,710	1,690
Mineral Property, Plant and Equipment (Notes 2 and 3)	<u>78,242</u>	65,019
	<u>\$ 87,524</u>	<u>\$ 89,199</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 4,038	\$ 4,266
Current portion of long term debt (Note 4)	1,000	1,401
Current portion of asset retirement obligation (Note 5)	338	265
	<u>5,376</u>	5,932
<b>Long term</b>		
Long term debt (Note 4)	10,573	10,834
Long term accounts payable	-	108
Asset retirement obligation (Note 5)	3,387	3,174
	<u>19,336</u>	20,048
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital - (Note 6)	105,266	104,615
Contributed Surplus - (Note 6d)	21,740	20,825
Accumulated Other Comprehensive Loss	-	-
Deficit	<u>(58,818)</u>	(56,289)
	<u>68,188</u>	69,151
	<u>\$ 87,524</u>	<u>\$ 89,199</u>

**Contingent Liabilities and Commitments** (Notes 3 and 9)

ON BEHALF OF THE BOARD:

"William Murray" Director

"David Dreisinger" Director

- See Accompanying Notes -

**PolyMet Mining Corp.**

(a development stage company)

**Interim Consolidated Statements of Loss, Other Comprehensive Loss and Deficit**

For the Periods Ended 31 July

All figures in Thousands of U.S. Dollars except per share amounts

	Three months ended 31 July 2008 <i>(unaudited)</i>	Three months ended 31 July 2007 <i>(unaudited)</i>	Six months ended 31 July 2008 <i>(unaudited)</i>	Six months ended 31 July 2007 <i>(unaudited)</i>
<b>General and Administrative</b>				
Amortization	\$ 9	\$ 6	\$ 17	\$ 11
Consulting fees	10	33	27	50
Investor relations and financing	72	50	98	105
Office and corporate wages	256	380	547	743
Professional fees	71	147	183	318
Shareholders' information	163	119	226	173
Stock-based compensation <i>(Note 6c)</i>	172	125	334	516
Transfer agent and filing fees	23	36	118	89
Travel	130	112	271	298
	<b>906</b>	<b>1,008</b>	<b>1,821</b>	<b>2,303</b>
<b>Other Expenses (Income)</b>				
Interest income, net	(52)	(449)	(149)	(511)
Loss (gain) on foreign exchange	22	(44)	58	(368)
Investment loss <i>(Note 10)</i>	724	-	903	-
Rental income	(45)	(5)	(104)	(17)
	<b>649</b>	<b>(498)</b>	<b>708</b>	<b>(896)</b>
<b>Loss for the Period</b>	<b>\$ 1,555</b>	<b>\$ 510</b>	<b>\$ 2,529</b>	<b>\$ 1,407</b>
<b>Other Comprehensive Loss</b>				
Unrealized loss on investment	-	142	-	142
<b>Comprehensive Loss</b>	<b>1,555</b>	<b>652</b>	<b>2,529</b>	<b>1,549</b>
<b>Loss for the Period</b>	<b>1,555</b>	<b>510</b>	<b>2,529</b>	<b>1,407</b>
Deficit – Beginning of the Period	<b>57,263</b>	<b>53,496</b>	<b>56,289</b>	<b>52,599</b>
<b>Deficit – End of the Period</b>	<b>\$ 58,818</b>	<b>\$ 54,006</b>	<b>\$ 58,818</b>	<b>\$ 54,006</b>
<b>Basic and Fully Diluted Loss per Share</b>				
	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted Average Number of Shares</b>				
	<b>137,204,418</b>	<b>136,557,957</b>	<b>137,103,190</b>	<b>130,517,138</b>

- See Accompanying Notes -

**PolyMet Mining Corp.**  
**(a development stage company)**  
**Interim Consolidated Statements of Changes in Shareholders' Equity**

All figures in Thousands of U.S. Dollars except per share amounts

	Common Shares (Note 6)					
	Authorized Shares	Shares	Amount	Contributed Surplus	Deficit	Total
Balance – 31 January 2007	Unlimited	121,378,876	\$ 72,923	\$ 9,614	\$ (52,589)	\$ 29,938
Loss for the period	-	-	-	-	(3,690)	(3,690)
Shares and warrants issued:						
Exercise of options	-	462,200	303	-	-	303
Fair value of stock options exercised	-	-	212	(212)	-	-
Private placement, finders' fees and issuance costs	-	15,149,999	31,177	8,346	-	39,523
Stock-based compensation	-	-	-	3,077	-	3,077
<b>Balance – 31 January 2008</b>	<b>Unlimited</b>	<b>136,991,075</b>	<b>\$ 104,615</b>	<b>\$ 20,825</b>	<b>\$ (56,289)</b>	<b>\$ 69,151</b>
Loss for the period	-	-	-	-	(2,529)	(2,529)
Shares and warrants issued:						
Exercise of options	-	250,300	420	-	-	420
Fair value of stock options exercised	-	-	231	(231)	-	-
Stock-based compensation	-	-	-	1,146	-	1,146
<b>Balance – 31 July 2008</b>	<b>Unlimited</b>	<b>137,241,375</b>	<b>\$ 105,266</b>	<b>\$ 21,740</b>	<b>\$ (58,818)</b>	<b>\$ 68,188</b>

Figures since 31 January 2008 unaudited, prepared by management

- See Accompanying Notes -

PolyMet Mining Corp.  
(a development stage company)

**Interim Consolidated Statements of Cash Flows**

For the Periods Ended 31 July

All figures in Thousands of U.S. Dollars

	Three months ended 31 July 2008 <i>(unaudited)</i>	Three months ended 31 July 2007 <i>(unaudited)</i>	Six months ended 31 July 2008 <i>(unaudited)</i>	Six months ended 31 July 2007 <i>(unaudited)</i>
<b>Operating Activities</b>				
Loss for the period	(1,555)	(510)	(2,529)	(1,407)
<b>Items not involving cash</b>				
Amortization	9	6	17	11
Investment loss	724	-	903	-
Stock-based compensation	172	125	334	516
<b>Changes in non-cash working capital</b>				
Accounts receivable and advances	115	4	101	(3)
Prepaid expenses	17	(490)	202	(473)
Accounts payable and accrued liabilities	1,262	(80)	275	427
<b>Net cash provided by (used in) operating activities</b>	<b>744</b>	<b>(945)</b>	<b>(697)</b>	<b>(929)</b>
<b>Financing Activities</b>				
Share capital – for cash	407	(871)	420	39,558
Deferred financing costs	(15)	(241)	(20)	(268)
Long-term debt repayment	(400)	(500)	(900)	(1,000)
<b>Net cash provided by (used in) financing activities</b>	<b>(8)</b>	<b>(1,612)</b>	<b>(500)</b>	<b>38,290</b>
<b>Investing Activities</b>				
Purchase of investment	-	(1,966)	-	(1,966)
Purchase of mineral property, plant and equipment	(6,362)	(4,728)	(12,491)	(8,988)
<b>Net cash used in investing activities</b>	<b>(6,362)</b>	<b>(6,694)</b>	<b>(12,491)</b>	<b>(10,954)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents Position</b>	<b>(5,626)</b>	<b>(9,251)</b>	<b>(13,688)</b>	<b>26,407</b>
<b>Cash and Cash Equivalents Position – Beginning of Period</b>	<b>12,022</b>	<b>44,555</b>	<b>20,084</b>	<b>8,897</b>
<b>Cash and Cash Equivalents Position – End of Period</b>	<b>6,396</b>	<b>35,304</b>	<b>6,396</b>	<b>35,304</b>
<b>Non-Cash Financing and Investing Activities</b>				
Changes in accounts payable and accrued liabilities related to investing activities	477	489	(611)	489
Changes in accounts payable and accrued liabilities related to financing activities	-	923	-	923
Accretion on long-term debt and asset retirement obligation	237	152	421	313

- See Accompanying Notes -

**PolyMet Mining Corp.**  
**(a development stage company)**  
**Notes to Consolidated Financial Statements**

**31 July 2008**

*Tabular amounts in Thousands of U.S. Dollars, except for price per share, shares and options*

Unaudited – prepared by management

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## **1. Nature of Business and Significant Accounting Policies**

PolyMet Mining Corp. ("PolyMet" or the "Company") was incorporated in British Columbia, Canada on 4 March 1981 under the name Fleck Resources Ltd. The Company changed its name from Fleck Resources Ltd. to PolyMet Mining Corp. on 10 June 1998. The Company is engaged in the exploration and development, when warranted, of natural resource properties. The Company's only mineral property is the NorthMet Project, a polymetallic project in northeastern Minnesota, USA. The realization of the Company's investment in the NorthMet Project and other assets is dependant upon various factors, including the existence of economically recoverable mineral reserves, the ability to obtain the necessary financing to complete the exploration and development of the NorthMet Project, future profitable operations, or alternatively upon disposal of the investment on an advantageous basis.

On 25 September 2006, the Company received the results of the Definitive Feasibility Study ("DFS") prepared by Bateman Engineering (Pty) Ltd. that confirms the economic and technical viability of the NorthMet Project and, as such, the Project has moved from the exploration stage to the development stage.

### **Basis of Presentation**

The interim consolidated financial statements of PolyMet have been prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods consistent with those used in the preparation of the most recent annual audited financial statements. The unaudited interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 January 2008.

Certain balances have been reclassified to conform with current period presentation.

### **Recent Accounting Pronouncements**

The Company has adopted the following CICA standards effective for the Company commencing February 1, 2008:

- a) Section 3031 – Inventories. This section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.
- b) Sections 3862 & 3863 – Financial Instruments – Disclosures and Presentation. These new standards replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements and carrying forward unchanged the presentation requirements. Section 3862 requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

## **Notes to Consolidated Financial Statements**

**31 July 2008**

*Tabular amounts in Thousands of U.S. Dollars, except for price per share, shares and options*

Unaudited – prepared by management

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The Section requires specific disclosures to be made, including the criteria for:

- (i) Designating financial assets and liabilities as held for trading;
  - (ii) Designating financial assets as available for sale, and
  - (iii) Designating when impairment is recorded against the related financial asset or when an allowance account is used.
- c) The adoption of Sections 3031, 3862 and 3863 did not have any impact on the opening equity and deficit of the Company.

In addition to above noted accounting policies, on 1 February 2008 the Company also adopted CICA Handbook Section 1535 – Capital Disclosures. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of the NorthMet Project and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

Similar to other companies in the development stage, the Company is in discussions with certain parties to provide funding which will enable the Company to execute its business plan. With the completion of the DFS and taking into account the current permitting process the Company is in, PolyMet will require additional funds through completion of permitting and through Project construction. The capital cost of the Project, excluding ongoing sustaining capital, is estimated at \$602 million. Funding for the Project could come from a number of sources and include internal cash flows (for the second stage of the construction), bank project financing and capital market financing. During the upcoming fiscal year, the Company's objective is to obtain interim financing and identify the source or sources from which it will obtain the capital required to complete the Project.

The Company has no externally imposed capital requirements. In the management of capital, the Company includes the components of shareholders' equity and long-term debt. The company manages the capital structure and makes adjustments to it depending on economic conditions and the rate of anticipated expenditures. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to assist in management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors. The budgets are approved by the Company's Board of Directors.

Although the Company expects its current capital resources, supplemented by the financing discussed in note 12 to these financial statements, will be sufficient to carry out its plans and operations through 31 July 2009, it does not currently have sufficient capital to meet its estimated project capital expenditure requirements and is currently in discussions to arrange sufficient capital to meet these requirements.

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**PolyMet Mining Corp.**  
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**Notes to Consolidated Financial Statements**

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**2.Resource Property Agreements**

**NorthMet, Minnesota, U.S.A. - Lease**

By an agreement dated 4 January 1989 and a subsequent amendment and assignment, the Company leases certain lands in St. Louis County, Minnesota from RGGGS Land & Minerals Ltd., L.P. The current term of the renewable lease is 20 years and calls for total lease payments of \$1,475,000. All lease payments have been paid to 31 July 2008. The agreement requires future annual lease payments of \$150,000 to 2009.

The Company can, at its option, terminate the lease at any time by giving written notice to the lessor not less than 90 days prior to the effective termination date or can indefinitely extend the 20-year term by continuing to make \$150,000 annual lease payments on each successive anniversary date.

The lease payments are considered advance royalty payments and shall be deducted from future production royalties payable to the lessor, which range from 3% to 5% based on the net smelter return received by the Company. The Company's recovery of the advance royalty payments is subject to the lessor receiving an amount not less than the amount of the annual lease payment due for that year.

Pursuant to the lease, PolyMet holds mineral rights and the right to mine. PolyMet has intended to acquire surface rights through a land exchange with the United States Forest Service, which costs have been included in the capital cost estimate of the project. Legislation has been introduced in the United States Congress to facilitate a possible direct acquisition of surface rights.

**3. Mineral Property, Plant and Equipment**

Details are as follows:

			<b>31 July 2008 Net Book Value</b>	31 January 2008 Net Book Value
<b>31 July 2008</b>	Cost	Accumulated Amortization		
NorthMet Project	78,000	-	<b>78,000</b>	64,766
Leasehold improvements	47	16	<b>31</b>	36
Computers	192	72	<b>120</b>	112
Furniture and equipment	136	45	<b>91</b>	105
	<u>78,375</u>	<u>133</u>	<b><u>78,242</u></b>	<u>65,019</u>

**Erie Plant, Minnesota, U.S.A. / NorthMet Project**

On 14 September 2005 the Company reached an agreement in principle with Cleveland Cliffs ("Cliffs") on the terms for the early exercise of an option and the scope of the plant and equipment to be so acquired. On 15 November 2005, the Company exercised its option to acquired 100% ownership of large portions of the former LTV Steel Mining Company ore processing plant in northeastern Minnesota under an Asset Purchase Agreement with Cliffs.

The consideration for the purchase was \$1 million in cash, \$2.4 million in notes and the issuance of 6,200,547 common shares (at fair market value of \$7,564,000) in the capital stock of the Company. The final instalment was paid on 30 June 2008 (Note 4).

PolyMet Mining Corp.

(a development stage company)

## Notes to Consolidated Financial Statements

31 July 2008

Tabular amounts in Thousands of U.S. Dollars, except for price per share, shares and options

Unaudited – prepared by management

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### 3. Property, Plant and Equipment - *continued*

On 20 December 2006, the Company closed a transaction (the "Asset Purchase Agreement II") in which it acquired, from Cliffs, property and associated rights sufficient to provide it with a railroad connection linking the mine development site and the Erie Plant. The transaction also included a 120-railcar fleet, locomotive fuelling and maintenance facilities, water rights and pipelines, large administrative offices on site and an additional 6,000 acres to the east and west of and contiguous to its existing tailing facilities.

The purchase price totalling 2 million shares and \$15 million in cash and debt was in four tranches:

- 2 million shares of PolyMet, paid at closing;
- \$1 million in cash, paid at closing;
- \$7 million in cash, payable in quarterly instalments of \$250,000 commencing 31 December 2006 with the balance payable upon receipt of production financing. Interest is payable quarterly starting 31 December 2006 at the *Wall Street Journal* Prime Rate, and
- \$7 million in cash, payable in quarterly instalments of \$250,000 commencing on 31 December 2009. No interest will be payable until 31 December 2009 after which it will be payable quarterly at the *Wall Street Journal* Prime Rate, accordingly the debt has been fair valued, for balance sheet purposes, by discounting it at 8.25%.

The Company has assumed certain ongoing site-related environmental and reclamation obligations as a result of the above purchases. These environmental and reclamation obligations are presently contracted under the terms of the purchase agreements with Cliffs. Once the Company obtains its permit to mine and Cliffs is released from its obligations by the State agencies, the environmental and reclamation obligations will be direct with the governing bodies. The present value of the asset retirement obligation in the amount of \$3,725,000 (Note 5) has been recorded as an increase in the carrying amount of the NorthMet Project assets and will be amortized over the life of the asset.

Interest and loan accretion to 31 July 2008 in the amount of \$1,626,000 (31 January 2008 - \$1,227,000) has been capitalized as part of the cost of the NorthMet Project assets.

As the above assets are not in use, no amortization of these assets has been recorded to 31 July 2008.

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## Notes to Consolidated Financial Statements

31 July 2008

Tabular amounts in Thousands of U.S. Dollars, except for price per share, shares and options

Unaudited – prepared by management

### 4. Long Term Debt

Pursuant to the Asset Purchase Agreements (Note 3) the Company's wholly owned subsidiary Poly Met Mining, Inc. signed three notes payable to Cliffs in the amounts of \$2,400,000, \$7,000,000 and \$7,000,000, respectively. The first note was interest bearing at the annual simple rate of four percent (4%) and the final payment was made on 30 June 2008. The second note is interest bearing at the *Wall Street Journal* Prime Rate and shall be paid in quarterly instalments equal to \$250,000 commencing 31 December 2006, with the balance repayable upon receipt of commercial financing, for total repayment of \$7,000,000. The third note is interest bearing at the *Wall Street Journal* Prime Rate and is being paid in quarterly instalments equal to \$250,000 commencing on 31 December 2009 for total repayment of \$7,000,000. No interest will be accrued or payable on the third note until 31 December 2009, accordingly it has been fair valued, for balance sheet purposes, by discounting it at 8.25%. As at 31 July 2008 the outstanding long term debt was as follows:

	<u>31 July 2008</u>	<u>31 January 2008</u>
Notes Payable	\$ 11,550	\$ 12,204
Accrued interest	23	31
Total debt	<u>11,573</u>	<u>12,235</u>
Less current portion	<u>(1,000)</u>	<u>(1,401)</u>
Long term debt	\$ 10,573	\$ 10,834

### 5. Asset Retirement Obligation

As part of the consideration for the Cliffs Purchase Agreements (Note 3), the Company indemnified Cliffs for the liability for final reclamation and closure of the mine and acquired property.

The Company's provisions for future site closure and reclamation costs are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The Company's estimate of the present value of the obligation to reclaim the NorthMet Project is based upon existing reclamation standards at 31 July 2008 and Canadian GAAP. The Company's estimate of the fair value of the asset retirement obligation was \$3,725,000 (31 January 2008 - \$3,439,000). The estimate was based upon a 31 July 2008 undiscounted future cost of \$21.5 million for the first Cliffs transaction and \$2.1 million for Cliffs II. Accretion of the liability of \$939,000 (31 January 2008 - \$714,000) until the commencement of commercial production has been capitalized to the NorthMet Project assets.

## Notes to Consolidated Financial Statements

31 July 2008

Tabular amounts in Thousands of U.S. Dollars, except for price per share, shares and options

Unaudited – prepared by management

### 6. Share Capital

- a) During the six months ended 31 July 2008, the Company issued 250,300 shares (31 July 2007 – 36,100) pursuant to the exercise of stock options for total proceeds of \$420,000 (31 July 2007 - \$35,000).

On 17 April 2007, the Company closed a non-brokered private placement financing of 15 million units at US\$2.75 per unit, with each unit comprising one common share and one-half of one warrant (for accounting purposes, the value of the units was bifurcated between the common shares and the warrants). Each whole warrant is exercisable into a common share at a price of US\$4.00 at any time until 13 October 2008, subject to an early trigger if the 20-day volume weighted average price of the common shares is US\$6.00 or more. In connection with the private placement, the Company has paid finders' fees totalling US\$1.43 million in cash, 150,000 shares and 520,000 broker warrants having the same terms as the warrants described above.

- b) Effective 25 May 2007, the Company adopted a new Omnibus Share Compensation Plan ("Stock Option Plan"), which was approved by the Company's shareholders' on 27 June 2007. The Stock Option Plan covers the Company's employees, directors, officers and consultants. The options are granted for varying terms ranging from two to five years. During the six month period, the Company granted 775,000 options. The maximum number of common shares under the stock option plan shall not exceed (i) 10% of the outstanding common shares of the Company at the time of granting of the options and (ii) 18,592,888 common shares of the Company, of which 4,940,000 common shares are reserved for issuance as awards other than options (Note 9a)).

Details of stock option activity are as follows:

	Six months ended 31 July 2008	Year ended 31 January
Outstanding - Beginning of period	11,312,800	9,090,000
Granted	775,000	2,685,000
Cancelled	(75,000)	-
Exercised	(250,300)	(462,200)
Outstanding - End of period	11,762,500	11,312,800

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**31 July 2008**

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Unaudited – prepared by management

**6. Share Capital - continued**

As at 31 July 2008, the following director, officer, consultant and employee stock options were outstanding:

Expiry Date	Exercise Price (US\$)	Exercise Price (CDN\$)	Number of options outstanding
9 March 2009	0.39	0.40	225,000
28 April 2009	0.73	0.75	150,000
5 July 2009	0.64	0.66	825,000
18 October 2009	0.77	0.79	50,000
30 March 2010	0.64	0.65	235,000
1 May 2010	0.83	0.85	350,000
15 June 2010	0.92	0.94	40,000
19 September 2010	1.33	1.36	1,690,000
24 October 2010	1.17	1.20	200,000
5 December 2010	1.12	1.15	212,500
20 March 2011	2.70	2.76	3,100,000
19 June 2011	2.90	2.97	325,000
1 September 2011	3.73	3.82	300,000
22 September 2011	3.43	3.51	75,000
5 January 2012	3.22	3.30	525,000
13 February 2012	2.99	3.06	1,250,000
8 March 2012	2.88	2.95	400,000
12 March 2012	2.92	2.99	250,000
23 March 2012	2.89	2.96	50,000
4 September 2012	3.00	3.07	360,000
12 December 2012	3.05	3.12	205,000
11 January 2013	3.03	3.10	70,000
31 January 2013	2.87	2.94	100,000
15 February 2013	2.72	2.78	500,000
2 June 2013	3.92	4.01	100,000
30 July 2013	3.22	3.30	175,000
	2.26	2.32	11,762,500

As at 31 July 2008 all options had vested and were exercisable, with the exception of 285,000 which vest incrementally until September 2009 and 1,812,500 which vest upon completion of specific targets.

**c) Stock-Based Compensation**

During the six month period ended 31 July 2008, the Company issued 775,000 options to directors, officers, consultants and employees with an average exercise price of USD\$2.99 per option. The fair value of these options was estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Risk-free interest rate	3.05% to 3.23%
Expected dividend yield	Nil
Expected stock price volatility	56.52% to 63.52%
Expected option life in years	2.33

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**31 July 2008**

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**6. Share Capital - continued**

The weighted fair value of options granted during the period was US\$1.16 (Cdn\$1.17).

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

During the six months ended 31 July 2008, the Company recorded \$1,146,000 for stock based compensation in its accounts as an expense of \$334,000 and a debit to mineral property, plant and equipment of \$812,000, with the offsetting entries going to contributed surplus.

**d) Contributed Surplus**

Contributed surplus represents accumulated stock-based compensation costs and warrants issued, reduced by the fair value of the stock options and warrants exercised.

Details are as follows:

	<b>Six months Ended 31 July 2008</b>	<b>Year ended 31 January 2008</b>
Balance – Beginning of period	\$ 20,825	\$ 9,614
Current period fair value of stock-based compensation	1,146	3,077
Fair value of warrants issued as finder's fees	-	695
Fair value of warrants issued in unit financings	-	7,651
Fair value of stock options exercised during the period	(231)	(212)
<b>Balance – End of period</b>	<b>\$ 21,740</b>	<b>\$ 20,825</b>

**e) Share Purchase Warrants**

Details of stock purchase warrant activity is as follows:

	<b>31 July 2008</b>		<b>31 January 2008</b>	
	<b>Warrants</b>	<b>Weighted Average Exercise Price (US\$)</b>	<b>Warrants</b>	<b>Weighted Average Exercise Price (CDN\$)</b>
Warrants outstanding - beginning of period	9,120,000	4.00	1,100,000	4.00
Issued (Note 6a)	-	-	8,020,000	4.00
<b>Warrants outstanding – end of period</b>	<b>9,120,000</b>	<b>4.00</b>	<b>9,120,000</b>	<b>4.00</b>

## Notes to Consolidated Financial Statements

31 July 2008

Tabular amounts in Thousands of U.S. Dollars, except for price per share, shares and options

Unaudited – prepared by management

### 7. Related Party Transactions

In addition to transactions disclosed elsewhere in these financial statements, the Company has conducted transactions with officers, directors and persons or companies related to directors and paid or accrued amounts as follows:

	31 July 2008	31 July 2007
Consulting fees paid to David Dreisinger, a Director of the Company	\$ 33	30
Consulting fees paid to James Swearingen, a Director of the Company	-	30
Rent and charges paid to a company of which the Executive Chairman was a director	6	17
	<u>\$ 39</u>	<u>77</u>

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

The consulting fees paid to Dr. Dreisinger were primarily in connection with activities related to the processing / technical side of the NorthMet Project and related expenses (the latter were supported by invoices and receipts). The consulting fees were based on a monthly fee of Canadian \$5,500 plus general sales tax.

The consulting fees paid to Mr. Swearingen were primarily in connection with activities related to our agreements with Cliffs Erie L.L.C. and land tenure and related expenses (the latter were supported by invoices and receipts). The consulting fees in 2007 were based on a monthly fee of \$5,000.

### 8. Segmented Information

The Company is in the permitting stage of developing its mineral property in the U.S. and provides for its financing and administrative functions at the Executive Chairman's office located in Canada. Segmented information on a geographic basis is as follows:

31 July 2008	Canada	U.S.	Consolidated
Segment operating loss (income) (6 months ended)	2,552	(23)	2,529
Segment operating loss (3 months ended)	1,549	6	1,555
Identifiable assets	5,423	82,101	87,524

  

31 July 2007	Canada	U.S.	Consolidated
Segment operating loss (6 months ended)	1,169	238	1,407
Segment operating loss (3 months ended)	410	100	510
Identifiable assets	36,511	52,091	88,602

## Notes to Consolidated Financial Statements

31 July 2008

Tabular amounts in Thousands of U.S. Dollars, except for price per share, shares and options

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### 9. Contingent Liabilities and Commitments

- a) The Company has instituted a share bonus plan as part of its employment, management and consulting contracts for key management and project personnel. This bonus plan adds incentive for key personnel to reach certain prescribed milestones required to reach commercial production at the NorthMet Project. As at 31 July 2008, the Company had received shareholder approval of the Bonus Shares for Milestones 1 – 4 and regulatory approval for Milestones 1, 2 and 3. Milestone 4 is subject to regulatory approval, which will be sought in 2008. To date 3,940,000 shares have been issued for the achievement of Milestones 1 and 3.

The summary of the share bonus plan is as follows:

	Bonus Shares	
Milestone 1	1,590,000	(i) issued
Milestone 2	1,300,000	(ii)
Milestone 3	2,350,000	(iii) issued
Milestone 4	3,640,000	(iv)

- (i) Milestone 2 – Negotiation and completion of an off-take agreement with a senior metals producer for the purchase of nickel-hydroxide produced from the NorthMet Project and / or an equity investment in the Company by such a producer or producers (see note 12).
- (ii) Milestone 4 – Commencement of commercial production at the NorthMet Project at a time when the Company has not less than 50% ownership interest.
- (iii) At the Annual General Meeting of shareholders of the Company, held on 17 June 2008, the disinterested shareholders approved the bonus shares for Milestone 4.
- b) Pursuant to the Company's Asset Purchase Agreement with Cliffs (Note 3), for as long as Cliffs owns 1% or more of the Company's issued shares, Cliffs will have the right to participate on a pro-rata basis in future cash equity financings. This agreement also includes a first right of refusal in favour of the Company should Cliffs wish to dispose of its interest.
- c) On 31 October 2006 the Company entered into an agreement with BNP Paribas Loan Services ("BNPP") whereby BNPP will advise and assist PolyMet in all aspects of preparation for construction finance. As part of this agreement, upon delivering a bona fide offer of project financing, warrants to purchase 500,000 shares of the Company at a price of US\$4.00 per share at any time prior to 30 October 2010 will vest. As part of the agreement, PolyMet will also pay BNPP a monthly fee for its advice and assistance and pay the costs for BNPP's independent engineers.
- d) On 31 July, 2008, the Company had outstanding commitments related to equipment, consultants and the environmental review process of \$500,000.

## **Notes to Consolidated Financial Statements**

**31 July 2008**

*Tabular amounts in Thousands of U.S. Dollars, except for price per share, shares and options*

Unaudited – prepared by management

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### **10. Investment**

During the quarter ended 31 July 2007, the Company acquired, for cash, common shares of a publicly traded Canadian mining company whose primary business is the operation of a recently recommissioned base metal mine. This investment represents less than 5% of the public mining company's outstanding common shares and was designated as available-for-sale.

As at 31 January 2008, the Company determined that the investment has had an other than temporary decline in value. This determination was based on, among other factors, a significant drop in market price for the investment company's main product and a continued decline in the share price of the investment company. The initial acquisition cost of the investment was US\$2,495,000 (C\$2,618,000) and the fair value of the investment at 31 January 2008 was US\$1,445,000 (C\$1,440,000). As a result, the Company recorded an investment loss of \$1,050,000 in its income statement for the year ended 31 January 2008.

As at 30 April 2008, the Company determined that the investment has had an additional other than temporary decline in value. This determination was based on, among other factors, a significant drop in market price for the investment company's main product and a continued decline in the share price of the investment company. The fair value of the investment at 30 April 2008 was US\$1,244,000 (C\$1,260,000). As a result, the Company has recorded an investment loss of \$179,000 in its income statement.

As at 31 July 2008, the Company has determined that the investment has had an additional other than temporary decline in value. This determination was based on, among other factors, a continued drop in market price for the investment company's main product and a continued decline in the share price of the investment company. The fair value of the investment at 31 July 2008 was US\$518,000 (C\$530,000). As a result, the Company has recorded an investment loss of \$724,000 in its income statement. The fair market value of the investment at 10 September 2008 was US\$344,000 (C\$370,000).

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**PolyMet Mining Corp.**

(a development stage company)

**Notes to Consolidated Financial Statements**

31 July 2008

Tabular amounts in Thousands of U.S. Dollars, except for price per share, shares and options

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**11. Financial Instruments and Risk Management**

Categories of financial assets and liabilities

Under Canadian GAAP, financial instruments are classified into one of the following five categories: held-for-trading; held to maturity investment; loans and receivables; available-for-sale financial assets, and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

	<b>31 July 2008</b>	31 January 2008
Held-for-trading (1)	\$ 6,396	\$ 20,084
Available-for-sale	518	1,445
Loans and receivables	67	168
Other financial liabilities (2)	15,611	16,609

(1) Includes cash and equivalents.

(2) Includes accounts payable and accrued liabilities and long-term debt.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. The fair values of the Company's financial instruments are not materially different from their carrying value.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange), credit risk, liquidity risk, interest rate risk and investment risk. Reflecting the current stage of development of the Company's NorthMet Project, PolyMet's overall risk management program focuses on facilitating the Company's ability to continue as a going concern and seeks to minimize potential adverse effects on PolyMet's ability to execute its business plan.

Risk management is the responsibility of executive management. Material risks are identified and monitored and are discussed with the audit committee and the board of directors.

Foreign exchange risk

The Company incurs expenditures in Canada and in the United States. The functional and reporting currency of the Company is the United States dollar. Foreign exchange risk arises because the amount of Canadian dollar cash and equivalents, receivables, investment or payables will vary in United States dollar terms due to changes in exchange rates.

As the majority of the Company's expenditures are in United States dollars, the Company has kept a significant portion of its cash and equivalents in United States dollars. The Company has not hedged its exposure to currency fluctuations.

PolyMet Mining Corp.  
(a development stage company)  
**Notes to Consolidated Financial Statements**

31 July 2008

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**11. Financial Instruments and Risk Management - continued**

As at 31 July 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars:

	31 July 2008	31 January 2008
Held-for-trading (1)	\$ 1,815	\$ 1,388
Available-for-sale	518	1,445
Loans and receivables	40	153
Other financial liabilities (2)	(209)	(454)
	\$ 2,164	\$ 2,532

(1) Includes cash and equivalents.

(2) Includes accounts payable and accrued liabilities.

Based on the above net exposures, as at 31 July 2008, a 10% change in the Canadian / United States exchange rate would impact the Company's earnings by \$216,000.

Credit risk

Credit risk arises on cash and equivalents held with banks and financial institutions, as well as credit exposure on outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The Company's cash and equivalents are held through a large Canadian financial institution.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and equivalents.

Interest rate risk

Interest rate risk arises on cash and equivalents and long-term debt and fluctuations in the related interest rates. The company has not hedged any of its interest rate risk.

As at 31 July 2008, the Company is exposed to interest rate risk through the following assets and liabilities:

	31 July 2008	31 January 2008
Held-for-trading (1)	\$ 6,396	\$ 20,084
Other financial liabilities (2)	11,573	12,235

(1) Includes cash and equivalents.

(2) Represents long-term debt (Note 4).

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(a development stage company)  
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Tabular amounts in Thousands of U.S. Dollars, except for price per share, shares and options

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**11. Financial Instruments and Risk Management - *continued***

Investment risk

The Company's investment in the common shares of a publicly traded Canadian mining company (see Note 10) bears investment risk. The maximum exposure to investment risk is equal to the carrying value of the investment.

As at 31 July 2008, the Company is exposed to investment risk through the following assets:

	<b>31 July 2008</b>	31 January 2008
Available-for-sale (1)	\$ 518	\$ 1,445

(1) Includes investment.

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**12. Subsequent Events**

On 4 September 2008 the Company announced that it was entering into a strategic partnership with Glencore SA ("Glencore") whereby Glencore has conditionally entered into a \$50 million financing arrangement with PolyMet and has agreed to purchase the non-ferrous metal production at prevailing market terms from PolyMet's NorthMet operations for a minimum period of five years commencing January 2010.

The financing comprises US\$50 million senior secured convertible debentures, which can be subordinated to senior construction financing, and are convertible into PolyMet common stock at US\$4.00 per share. The debt carries an interest rate of 12-month US Dollar London Interbank Offered Rate (LIBOR) plus 4% and is due on August 31, 2011. PolyMet can prepay if PolyMet's stock trades at a 20-day volume weighted average price of US\$6.00 or more, at which time Glencore would have 30 days in which to convert or be repaid. PolyMet will issue to Glencore warrants to acquire 6.25 million shares of PolyMet stock at US\$5.00 if exercised before the project starts production, or US\$6.00 after the commencement of production. These warrants may be exercised at any time until August 31, 2011 and, if exercised, would contribute an additional US\$31.25 million prior to production of initial concentrates, or US\$37.50 million after completion. PolyMet can accelerate warrant exercise if PolyMet's volume-weighted 20-day average stock price trades at a 50% premium to the conversion price applicable at the time.

The transaction closing is subject to regulatory approval, acceptance by the Board of Directors of both companies, and execution of detailed transaction documentation which is anticipated by the end of September.

**POLYMET MINING CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

FORM 51-102F1

For the period ended 31 July, 2008

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***General***

The following information, prepared as at 10 September 2008, should be read in conjunction with the unaudited interim consolidated financial statements of PolyMet Mining Corp. (the "Company" or "PolyMet") for the period ended 31 July 2008 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are expressed in United States dollars unless otherwise indicated.

The Audit Committee of the Board of Directors of the Company, consisting of three independent directors, has reviewed this document pursuant to its mandate and charter.

***Forward Looking Statements***

This Management Discussion and Analysis contains certain forward-looking statements concerning anticipated developments in PolyMet's operations in the future. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. These forward-looking statements may include statements regarding exploration results and budgets, mineral resource and mineral reserve estimates, work programs, capital expenditures, timelines including timelines for third-party studies and issuance of permit to operate by various government agencies, strategic plans, the market price of metals, costs, or other statements that are not a statement of fact. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements due to a variety of risks, uncertainties and other factors. PolyMet's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and PolyMet does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations and opinions should change.

Cautionary note to U.S. investors: the terms "measured and indicated mineral resource", "mineral resource", and "inferred mineral resource" used in this Management Discussion and Analysis are Canadian geological and mining terms as defined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves. U.S. investors are advised that while such terms are recognized and required under Canadian regulations, the SEC does not recognize these terms. Mineral Resources do not have demonstrated economic viability. It cannot be assumed that all or any part of a Mineral Resource will ever be upgraded to Mineral Reserves. Under Canadian rules, estimates of inferred mineral resources may not form the basis of or be included in feasibility or other studies. U.S. investors are cautioned not to assume that any part of an inferred mineral resource exists, or is economically or legally mineable.

Specific reference is made to PolyMet's most recent Form 20-F/Annual Information Form on file with the SEC and Canadian securities authorities for a discussion of some of the factors underlying forward-looking statements.

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***Description of Business and Summary of Recent Events***

PolyMet is a Toronto Stock Exchange and American Stock Exchange listed Issuer engaged in the exploration and development, when warranted, of natural resource properties. The Company's only mineral property and principal focus is the commercial development of its NorthMet Project, a polymetallic project in northeastern Minnesota, USA which hosts copper, nickel, cobalt and platinum group metal mineralization.

**Asset Acquisitions**

On 15 November 2005 the Company, through its Minnesota subsidiary (Poly Met Mining, Inc.), completed the early exercise of PolyMet's option with Cleveland Cliffs, Inc. (NYSE:CLF) ("Cliffs") to acquire the Erie Plant, which is located 10 kilometers west of the NorthMet deposit. The plant was operated by Cliffs for many years and was acquired by Cliffs in early 2001 from LTV Steel Mining Company after that company's bankruptcy when the plant was placed on care-and-maintenance with a view to a potential restart. With minor modification, the crushing and milling circuits can be used for the NorthMet ore. The plant assets now owned by PolyMet include crushing and milling capacity, comprehensive spare parts, plant site buildings, real estate, tailings impoundments and mine workshops, as well as access to extensive mining infrastructure including roads, rail, water, and power. A new hydrometallurgical plant is planned to be installed adjacent to the existing mill on surplus land.

PolyMet plans to refurbish and reactivate the crushing, concentrating and tailings facilities at the Erie Plant to produce concentrates containing copper, nickel, cobalt and precious metals. The concentrates are planned to be sold prior to completion of construction and commissioning of the new hydrometallurgical metal recovery processing facilities. Once completed, the new hydrometallurgical plant will produce copper metal, nickel-cobalt hydroxide and a precious metals precipitate.

On 20 December 2006 the Company acquired from Cliffs, property and associated rights sufficient to provide it with a railroad connection linking the mine development site and the Erie Plant. This transaction also included 120 railcars, locomotive fuelling and maintenance facilities, water rights and pipelines, large administrative offices on site and an additional 6,000 acres to the east and west of and contiguous to its existing tailing facilities.

PolyMet has indemnified Cliffs for ongoing reclamation and remediation associated with the property under both transactions.

**Feasibility Study, Mineral Resources and Mineral Reserves**

With publication of the Definitive Feasibility Study ("DFS") in September 2006, summarized in a Technical Report under National Instrument 43-101 ("NI 43-101"), PolyMet established SEC-standard mineral reserves. Proven and probable mineral reserves were estimated at 181.7 million short tons grading 0.31% copper, 0.09% nickel, and 0.01 ounces per ton ("opt") of precious metals. In September 2007, PolyMet reported an expansion in these proven and probable mineral reserves to 274.7 million short tons grading 0.28% copper, 0.08% nickel, and 0.01 opt of precious metals (palladium, platinum and gold).

These reserves, which represent only 43% of the measured and indicated mineral resources, are based on copper at \$1.25 per pound, nickel at \$5.60 per pound, and precious metal prices of \$210, \$800, and \$400 per ounce respectively for palladium, platinum and gold.

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The reserves lie within measured and indicated mineral resources that were expanded to 638.2 million tons grading 0.27% copper, 0.08% nickel and 0.01 opt of precious metals (palladium, platinum and gold). In addition, inferred mineral resources total 251.6 million tons grading 0.28% copper, 0.08% nickel, and 0.01 opt of precious metals.

PolyMet has already transitioned into the detailed engineering and procurement phase in preparation for the start of construction. This includes detailed planning for the construction phase, commencement of detailed design work, and scheduling long lead-time equipment.

Environment and Schedule

In January 2007, the Company submitted a Detailed Project Description ("DPD") to state and federal regulators. The DPD lays out the Company's development plans and proposed environmental safeguards. Since then, the Company has submitted a supplemental DPD as well as more than 100 supporting research studies. Independent environmental contractors ("the EIS Contractor") retained by the Minnesota Department of Natural Resources ("MDNR") are preparing the Environmental Impact Statement ("EIS") for the Project.

The draft EIS will be an assessment of potential environmental, social and economic effects of the proposed project, comprising 19 chapters and major subchapters. The EIS Contractor delivered 14 of 19 chapters in early June 2008 and these chapters have been reviewed by other cooperating agencies participating in the EIS, and their comments have been incorporated into the draft EIS. With the exception of the data recently requested for the statistical analysis, PolyMet has delivered all of the technical information requested for the remaining 5 chapters, which the EIS Contractor is completing.

On 12 August 2008, the State of Minnesota committed to completing the EIS by the end of September with official public notice marked by publication in the State's Environmental Quality Board (EQB) Monitor shortly thereafter. This will provide time to complete an expanded statistical analysis of water quality predictions that forms part of the State's environmental review of the Project.

Once the draft EIS is published, non-government organizations, government agencies and the public will have an opportunity to comment. The final EIS will incorporate analysis and appropriate responses to comments. The issuance of a final EIS would allow the MDNR to issue environmental and operating permits. Prior to receipt of these permits, the Company intends to secure production debt financing that would be available upon receipt of key permits, with construction slated to start upon availability of construction finance.

Construction of NorthMet is expected to be made up of four major components:

1. Implementation of environmental safeguards;
2. Construction of the mine and reactivation of some existing mine infrastructure;
3. Refurbishment of the existing Erie Plant facilities and construction of new flotation facilities, and
4. Construction of a new hydrometallurgical plant.

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Key Developments

On 5 February 2008, PolyMet announced that it has re-allocated responsibilities amongst its senior management team and was relocating its headquarters to Hoyt Lakes, Minnesota. William Murray, formerly President and CEO, was appointed Executive Chairman, and Joe Scipioni assumed Mr. Murray's former role as President and CEO. Ian Forrest, the former Chairman, continues to serve as an independent director and as Chairman of the Audit Committee.

On 19 February 2008, PolyMet announced that Frank Sims and Joe Scipioni had joined its board of directors.

On 12 June 2008, PolyMet announced the hiring of Paul Brunfelt. Paul will be the division manager responsible for concentrating and crushing activities.

On 4 September 2008 the Company announced that it was entering into a strategic partnership with Glencore SA ("Glencore") whereby Glencore has conditionally entered into a \$50 million financing arrangement with PolyMet and has agreed to purchase the non-ferrous metal production at prevailing market terms from PolyMet's NorthMet operations for a minimum period of five years commencing January 2010.

The financing comprises US\$50 million senior secured convertible debentures, which can be subordinated to senior construction financing, and are convertible into PolyMet common stock at US\$4.00 per share. The debt carries an interest rate of 12-month US Dollar London Interbank Offered Rate (LIBOR) plus 4% and is due on August 31, 2011. PolyMet can prepay if PolyMet's stock trades at a 20-day volume weighted average price of US\$6.00 or more, at which time Glencore would have 30 days in which to convert or be repaid. PolyMet will issue to Glencore warrants to acquire 6.25 million shares of PolyMet stock at US\$5.00 if exercised before the project starts production, or US\$6.00 after the commencement of production. These warrants may be exercised at any time until August 31, 2011 and, if exercised, would contribute an additional US\$31.25 million prior to production of initial concentrates, or US\$37.50 million after completion. PolyMet can accelerate warrant exercise if PolyMet's volume-weighted 20-day average stock price trades at a 50% premium to the conversion price applicable at the time.

The transaction closing is subject to regulatory approval, acceptance by the Board of Directors of both companies, and execution of detailed transaction documentation which is anticipated by the end of September.

*DFS Update*

On May 20, 2008 PolyMet reported revised plans and cost estimates for construction and operating costs. The revised plans include:

- the sale of concentrate during the construction and commissioning of new metallurgical facilities resulting in a shorter pre-production construction period (under twelve months) and reduced capital costs prior to first revenues (\$312 million versus \$380 million);
- higher metal prices more than offset higher capital and operating costs, which include substantial additional environmental protection measures, and
- mine plans (based on copper at \$1.25 per pound) reflect the increase in reserves and decrease in stripping ratio reported on September 26, 2007, the use of 240-ton trucks, and owner versus contract mine operations.

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### Capital Costs

On a like-for-like basis, the total capital cost has increased by 36% to \$516.8 million. The increase reflects both cost inflation and design scope changes since the DFS, including facilities needed to ship concentrate during the construction and commissioning of the new hydrometallurgical plant.

In addition to this \$516.8 million, the Company is anticipating \$85.1 million of expenditures on measures to protect the environment, over and above the measures contemplated in the DFS. The \$76.6 million for mining equipment that was assumed to be provided by a mining contract in the DFS has been incorporated as an operating lease in updated operating costs.

The decision to sell concentrate during the construction and commissioning of new metallurgical facilities shortens the initial construction period, makes the project less sensitive to the delivery schedule for long lead time equipment such as autoclave vessels, and means that PolyMet can commence operations of the mine, the existing crushing and milling plant, the existing tailings disposal facilities, and the new flotation circuit, before starting the new hydrometallurgical plant.

As a result of the staged approach, the total capital required prior to initial production and sales declines to \$312.3 million, which includes \$64.7 million of additional environmental safeguards for this level of activity.

The economic mine model also includes a total working capital requirement of approximately \$40 million.

### Base Case Assumptions

Economic modeling assumes prices of \$2.90/lb for copper, \$12.20/lb for nickel and \$320, \$1,230, and \$635 per ounce respectively for palladium, platinum and gold. These prices are the three-year trailing average price at the end of April, 2008.

### Operating Costs

During the first five years of full-scale production, cash costs of production (excluding amortization of capital) on a co-product basis (allocating costs to each metal according to its contribution to revenue) are projected at \$1.05/lb for copper, \$4.57/lb for nickel, and \$158, \$632, and \$316 per ounce respectively for palladium, platinum, and gold.

Alternatively, using the by-product method whereby revenues from other metals are offset against costs of a primary metal, the five-year average cash cost of copper would be minus \$0.25/lb.

After state and federal taxes, the Base Case rate of return is 30.6% and the present value of the future cash flow discounted at 7.5% per annum is \$649.4 million. During the first five years of full-scale operation, annual EBITDA ("Earnings Before Interest, Taxation, Depreciation, and Amortization", or operating cash flow) is projected to average \$217.3 million.

A 20% change in the copper or nickel price would increase or decrease average annual EBITDA during the first five years of full-scale operation by \$18.6 million and \$13.3 million respectively and a 10% change in all of the precious metal prices (palladium, platinum, and gold) would increase or decrease the five-year average annual EBITDA by \$3.7 million.

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Key Data and Economic Analysis

		Update May-08	DFS Sep-06
<b>Operating plan</b>			
Proven and probable reserves	million t	274.7	181.7
Ore mined - life of operation	million t	224.0	181.7
Overburden removed (capitalized under site preparation)	million t	18.5	-
Waste	million t	285.3	302.3
<b>Operating costs per ton processed</b>			
Mining and delivery to plant	\$/t	4.31	3.80
Processing	\$/t	8.07	6.75
G&A	\$/t	0.94	0.46
Total	\$/t	13.33	11.02
<b>Metal price assumptions (SEC-standard)</b>			
Copper	\$/lb	2.90	2.25
Nickel	\$/lb	12.20	7.80
Cobalt	\$/lb	23.50	16.34
Palladium	\$/oz	320	274
Platinum	\$/oz	1,230	1,040
Gold	\$/oz	635	540
<b>Economic summary</b>			
Annual earnings before interest, tax, depreciation and amortization (EBITDA) - average first five years	\$ million	217.3	175.3
Net present value of future after tax cash flow discounted at 7.5%	\$ million	649.4	595.4
Internal rate of return (after tax)		30.6%	26.7%
Sensitivity: 10% ± price = \$Δ million in EBITDA			
Copper	\$ million	18.6	15.7
Nickel	\$ million	13.3	9.3
Cobalt	\$ million	0.9	0.9
Palladium	\$ million	1.7	2.0
Platinum	\$ million	1.7	2.1
Gold	\$ million	0.3	0.5
<b>Copper costs</b>			
cash - co-product method	\$/lb	1.05	0.81
cash - by-product method	\$/lb	(0.28)	0.06

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***Results of Operations***

**For the three months ended 31 July 2008 (the “2009 second quarter”) compared to the three months ended 31 July 2007 (the “2008 second quarter”)**

a) Loss for the Period:

During the three months ended 31 July 2008, the Company incurred a loss of \$1,555,000 (\$0.01 loss per share) compared to a loss of \$510,000 (\$0.00 loss per share) in the fiscal 2008 second quarter. The increase in the net loss for the period was primarily attributable to:

- An other than temporary impairment loss in the current period of \$724,000 on an investment made by the Company in the prior year, and
- A decrease in interest income to \$52,000 (prior year period - \$449,000) due to lower cash balances and interest rates.

b) Cash Flows:

Cash provided by operating activities in the three months ended 31 July 2008 was \$744,000 compared to cash used in the three months ended 31 July 2007 of \$945,000. The variance in cash related to operating activities is primarily due to changes in working capital.

Cash used in financing activities for the three months ended 31 July 2008 was \$8,000 compared with cash used of \$1,612,000 in the three months ended 31 July 2007. The 2009 second quarter activity was primarily due to the scheduled repayment of \$400,000 of debt (prior year period - \$500,000) offset by \$407,000 (prior year period - \$35,000) from the issuance of common shares on the exercise of stock options. The prior year period activity also included the payment of expenses of \$906,000 related to the private placement which closed in April 2007 and \$241,000 of costs related to the engagement with BNP Paribas Loan Services to advise and assist PolyMet in all aspects of preparation for construction finance.

Cash used in investing activities for the three months ended 31 July 2008 was \$6.362 million compared with \$6.694 million in the three months ended 31 July 2007, with the decrease being primarily the result of higher engineering, project and environmental / permitting costs in the current year period, more than offset by the cash purchase of \$1.966 million of common shares of a publicly traded Canadian mining company whose primary business is the operation of a base metal mine in the prior year period.

Total cash for the three months ended 31 July 2008 decreased by \$5.626 million for a balance of \$6.396 million compared to the three months ended 31 July 2007 where cash decreased \$9.251 million to a balance of \$35.304 million.

c) Capital Expenditures:

During the three months ended 31 July 2008 the Company capitalized \$7.526 million (2007 - \$5.873 million) of costs primarily directly related to site activity, the draft EIS and permitting as well as engineering and project planning costs.

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**For the six months ended 31 July 2008 compared to the six months ended 31 July 2007**

a) Loss for the Period:

During the six months ended 31 July 2008, the Company incurred a loss of \$2,529,000 (\$0.02 loss per share) compared to a loss of \$1,407,000 (\$0.01 loss per share) in the prior year period. The increase in the net loss for the period was primarily attributable to:

- An other than temporary impairment loss of \$903,000 on an investment made by the Company in the prior year;
- A decrease in interest income to \$149,000 (prior year period - \$511,000) due to lower cash balances and interest rates, and
- Foreign exchange translation losses of \$58,000 (prior period – gain of \$368,000) as the Canadian / United States exchange rate remained relatively constant in the current period while the Canadian dollar strengthened in the prior year period.

General and Administrative expense in the six months ended 31 July 2008 excluding non-cash stock based compensation expenses was \$1.487 million compared with \$1.787 million for the prior year period with the decrease due to lower legal costs and office and corporate wage expenses as a result of bonuses paid out in the prior year period. Stock-based compensation in the current period was \$334,000 (prior period - \$516,000).

b) Cash Flows:

Cash used in operating activities in the six months ended 31 July 2008 was \$697,000 compared to cash used in the six months ended 31 July 2007 of \$929,000. The variance is primarily due to the operating activity differences described above and changes in working capital.

Cash used in financing activities for the six months ended 31 July 2008 was \$500,000 compared with cash provided of \$38,290,000 in the prior year period. The activity in the first six months of 2008 was primarily due to the scheduled repayment of \$900,000 of debt (prior year period - \$1,000,000), partially offset by \$420,000 from the issuance of common shares on exercise of stock options (prior year period - \$35,000). The prior year period activity included the issuance of common shares, primarily through a private placement, for cash of \$39,523,000.

Cash used in investing activities for the six months ended 31 July 2008 was \$12.491 million compared with \$10.954 million in the six months ended 31 July 2007, with the increase being primarily the result of higher engineering, project and environmental / permitting costs in the current year period, partially offset by the cash purchase of \$1.966 million of common shares of a publicly traded Canadian mining company whose primary business is the operation of a base metal mine in the prior year period.

Total cash for the six months ended 31 July 2008 decreased by \$13.688 million for a balance of \$6.396 million compared to the prior year period where cash increased \$26.407 million to a balance of \$35.304 million.

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c) Capital Expenditures:

During the six months ended 31 July 2008 the Company capitalized \$13.243 million (2007 - \$10.681 million) of costs primarily directly related to site activity, the draft EIS and permitting as well as engineering and project planning costs.

**Summary of Quarterly Results**

*(All figures in Thousands of U.S. dollars except Loss per share)*

Three Months Ended	July 31 2008 \$	Apr. 30 2008 \$	Jan. 31 2008 \$	Oct. 31 2007 \$	July 31 2007 \$	Apr. 30 2007 \$	Jan. 31 2007 \$	Oct. 31 2006 \$
Total Revenues	-	-	-	-	-	-	-	-
Pre-feasibility costs	-	-	-	-	-	-	-	(1,708)
General and Administrative	(906)	(915)	(1,111)	(985)	(1,008)	(1,295)	(1,120)	(2,451)
Other Income (Expenses)	(649)	(59)	(798)	611	498	398	(466)	295
Net Loss	(1,555)	(974)	(1,909)	(374)	(510)	(897)	(1,586)	(3,864)
Loss per share	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.03)

Significant items to report for the quarterly results are as follows:

Investment losses of \$724,000, \$179,000 and \$1,050,000 were recorded in the quarters ended 31 July 2008, 30 April 2008 and 31 January 2008, respectively. There were no investment losses recorded in the other quarters.

Pre-feasibility costs of \$1,708,000 were expensed in the quarter ended 31 October 2006. After 30 September 2006, all such costs were capitalized.

The net loss included stock based compensation expense for the quarters ended:

1. 31 July 2008 - \$172,000
2. 30 April 2008 - \$162,000
3. 31 January 2008 - \$39,000
4. 31 October 2007 - \$80,000
5. 31 July 2007 - \$125,000
6. 30 April 2007 - \$391,000
7. 31 January 2007 - \$61,000
8. 31 October 2006 - \$524,000

**Financing Activities**

During the six months ended 31 July 2008 the Company issued 250,300 shares (prior year period – 36,100) upon exercise of options for proceeds of \$420,000 (prior year period - \$35,000).

On 4 September 2008 the Company announced that it has conditionally entered into a financing with Glencore comprising a US\$50 million senior secured convertible debentures, which can be subordinated to senior construction financing, and are convertible into PolyMet common stock at US\$4.00 per share. The debt carries an interest rate of 12-month US Dollar London Interbank Offered Rate (LIBOR) plus 4% and is due on August 31, 2011. PolyMet can prepay if PolyMet's stock trades at a 20-day volume weighted average price of US\$6.00 or more, at which time Glencore would have 30 days in which to convert or be repaid. PolyMet

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will issue to Glencore warrants to acquire 6.25 million shares of PolyMet stock at US\$5.00 if exercised before the project starts production, or US\$6.00 after the commencement of production. These warrants may be exercised at any time until August 31, 2011 and, if exercised, would contribute an additional US\$31.25 million prior to production of initial concentrates, or US\$37.50 million after completion. PolyMet can accelerate warrant exercise if PolyMet's volume-weighted 20-day average stock price trades at a 50% premium to the conversion price applicable at the time.

The transaction closing is subject to regulatory approval, acceptance by the Board of Directors of both companies, and execution of detailed transaction documentation which is anticipated by the end of September.

During the six months ended 31 July 2007 the Company issued 15 million units at US\$2.75 per unit, with each unit comprising one common share and one-half of one warrant (for accounting purposes, the value of the units was bifurcated between the common shares and the warrants). Each whole warrant is exercisable into a common share at a price of US\$4.00 at any time until 13 October 2008, subject to an early trigger if the 20-day volume weighted average price of the common shares is US\$6.00 or more. In connection with the private placement, the Company has paid finders' fees of US\$1.43 million, and 150,000 shares and 520,000 broker warrants having the same terms as the warrants described above.

***Liquidity and Capital Resources***

As at 31 July 2008 the Company had working capital of \$2.196 million compared with \$16.558 million at 31 January 2008 consisting primarily of cash of \$6.396 million (31 January 2008 - \$20.084 million), prepaids of \$591,000 (31 January 2008 - \$793,000), investments of \$518,000 (31 January 2008 - \$1,445,000), accounts payable and accrued liabilities of \$4.038 million (31 January 2008 - \$4.266 million), the current portion of the notes to Cliffs of \$1.000 million (31 January 2008 - \$1.401 million) and the current portion of asset retirement obligations of \$338,000 (31 January 2008 - \$265,000). The Company expects to pay the remaining balance of \$10.573 million (31 January 2008 - \$10.834 million) long term notes to Cliffs from working capital, additional financing and funds from operations once commercial production has commenced. The Company's cash is primarily held in deposits and bearer deposits of a major Canadian bank and does not include any exposure to asset-backed commercial paper.

As at 31 July 2008 the Company, in addition to its obligation to Cliffs as described herein, has obligations to issue shares under the Company's Bonus Share Plan. The Company has received shareholder approval for the Bonus Shares of Milestones 1 – 4 and regulatory approval for Milestones 1, 2 and 3. Milestone 4 is subject to regulatory approval, which will be sought in 2008. To date 3,940,000 shares have been issued for the achievement of Milestones 1 and 3. The bonus shares allocated for Milestones 1 through 3 are valued using the Company's closing trading price on 28 May 2004 of CDN\$0.75 per share, the date of the approval of the bonus plan by the disinterested shareholders. The Company also has outstanding firm commitments of \$500,000.

As a result of the financing announced on September 4, 2008, the Company is funded to meet its current obligations through to permitting and to service and repay its debt to Cliffs due in the next year.

Should the Company wish to continue to further advance the NorthMet Project to commercial production PolyMet will require additional funds. As the Company has no operating revenues,

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the only source of liquidity consists primarily of cash from proceeds of project debt, other debt and equity financing.

There can be no assurance that the Company will be able to continue to raise funds, in which case it may be unable to continue to advance the NorthMet Project. Should PolyMet be unable to realize on its assets and discharge its liabilities in the normal course of business, the realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

***Shareholder Rights Plan***

The Company adopted an updated Shareholder Rights Plan ("Rights Plan"), which was approved by the Company's shareholders' on 17 June 2008. Under the Rights Plan, the Company has issued one right for no consideration in respect of each outstanding common share of the Company to all holders of record of common shares on 4 December 2003. All common shares subsequently issued by the Company during the term of the Rights Plan will have one right represented for each common share held by the shareholder of the Company. The term of the Rights Plan is 10 years, unless the rights are earlier redeemed or exchanged. The Rights issued under the Rights Plan become exercisable only if a party acquires 20% or more of the Company's common shares without complying with the Rights Plan or without the approval of the Board of Directors of the Company.

Each Right entitles the registered holder thereof to purchase from the Company on the occurrence of certain events, one common share of the Company at the price of CDN\$50 per share, subject to adjustment (the "Exercise Price"). However, if a Flip-in Event (as defined in the Rights Plan) occurs, each Right would then entitle the registered holder to receive, upon payment of the Exercise Price, that number of common shares that have a market value at the date of that occurrence equal to twice the Exercise Price. The Rights are not exercisable until the Separation Time as defined in the Rights Plan.

***Off Balance-Sheet Arrangements***

The Company does not utilize off-balance sheet arrangements.

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***Related Party Transactions***

The Company has conducted transactions with officers, directors and persons or companies related to directors and paid or accrued amounts as follows:

*(All figures in thousands of U.S. dollars)*

	<b>Six months ended 31 July 2008</b>	Six months ended 31 July 2007
Consulting fees paid to David Dreisinger, a Director of the Company	<b>33</b>	30
Consulting fees paid to James Swearingen, a Director of the Company	-	30
Rent and charges paid to a company of which the Executive Chairman was a director	<b>6</b>	17
	<b>39</b>	77

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

The consulting fees paid to Dr. Dreisinger were primarily in connection with activities related to the processing / technical side of the NorthMet project and related expenses (the latter were supported by invoices and receipts). The consulting fees were based on a monthly fee of Canadian \$5,500 plus general sales tax.

The consulting fees paid to Mr. Swearingen were primarily in connection with activities related to our agreements with Cliffs Erie L.L.C. and land tenure and related expenses (the latter were supported by invoices and receipts). The consulting fees in 2007 were based on a monthly fee of \$5,000.

***Proposed Transactions***

There are no proposed transactions that will materially affect the performance of the Company.

***Subsequent Events***

On 4 September 2008 the Company announced that it was entering into a strategic partnership with Glencore SA ("Glencore") whereby Glencore has conditionally entered into a \$50 million financing arrangement with PolyMet and has agreed to purchase the non-ferrous metal production at prevailing market terms from PolyMet's NorthMet operations for a minimum period of five years commencing January 2010.

The financing comprises US\$50 million senior secured convertible debentures, which can be subordinated to senior construction financing, and are convertible into PolyMet common stock at US\$4.00 per share. The debt carries an interest rate of 12-month US Dollar London Interbank Offered Rate (LIBOR) plus 4% and is due on August 31, 2011. PolyMet can prepay if PolyMet's stock trades at a 20-day volume weighted average price of US\$6.00 or more, at which time Glencore would have 30 days in which to convert or be repaid. PolyMet will issue to Glencore warrants to acquire 6.25 million shares of PolyMet stock at US\$5.00 if exercised before the project starts production, or US\$6.00 after the commencement of production.

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These warrants may be exercised at any time until August 31, 2011 and, if exercised, would contribute an additional US\$31.25 million prior to production of initial concentrates, or US\$37.50 million after completion. PolyMet can accelerate warrant exercise if PolyMet's volume-weighted 20-day average stock price trades at a 50% premium to the conversion price applicable at the time.

The transaction closing is subject to regulatory approval, acceptance by the Board of Directors of both companies, and execution of detailed transaction documentation which is anticipated by the end of September.

***Changes in Accounting Policies Including Initial Adoption***

The Company has adopted the following CICA standards effective for the Company commencing February 1, 2008:

- a) Section 3031 – Inventories. This section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.
- b) Sections 3862 & 3863 – Financial Instruments – Disclosures and Presentation. These new standards replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements and carrying forward unchanged the presentation requirements. Section 3862 requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

- (i) Designating financial assets and liabilities as held for trading;
- (ii) Designating financial assets as available for sale, and
- (iii) Designating when impairment is recorded against the related financial asset or when an allowance account is used.

- c) Section 1535 – Capital Disclosures. Section 1535 requires entities to provide disclosure with respect to its objectives when managing capital, externally imposed capital requirements, how it manages capital and its investment policy.
- d) The adoption of Sections 1535, 3031, 3862 and 3863 did not have any impact on the opening equity and deficit of the Company.

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**Other MD&A Requirements**

**Outstanding Share Data**

Authorized Capital:

Unlimited common shares without par value.

Issued and outstanding:

As at 10 September 2008, 137,253,875 common shares were issued and outstanding.

Outstanding options, warrants and convertible securities as at 10 September 2008:

Type of Security	Number	Exercise Price (US\$)	Expiry Date
Common share warrants	8,020,000	4.00	13 October 2008
Stock options	225,000	0.37	09 March 2009
Stock options	150,000	0.70	28 April 2009
Stock options	825,000	0.61	05 July 2009
Stock options	50,000	0.74	18 October 2009
Stock options	235,000	0.60	30 March 2010
Stock options	350,000	0.79	1 May 2010
Stock options	40,000	0.87	15 June 2010
Stock options	1,690,000	1.27	19 September 2010
Stock options	200,000	1.12	24 October 2010
Common share warrants	1,100,000	4.00	30 October 2010
Stock options	212,500	1.07	5 December 2010
Stock options	3,100,000	2.57	20 March 2011
Stock options	325,000	2.76	19 June 2011
Stock options	300,000	3.55	1 September 2011
Stock options	75,000	3.27	22 September 2011
Stock options	525,000	3.07	5 January 2012
Stock options	1,250,000	2.99	12 February 2012
Stock options	400,000	2.88	8 March 2012
Stock options	250,000	2.92	12 March 2012
Stock options	50,000	2.89	23 March 2012
Stock options	360,000	3.00	4 September 2012
Stock options	205,000	3.05	12 December 2012
Stock options	70,000	3.03	11 January 2013
Stock options	100,000	2.87	31 January 2013
Stock options	500,000	2.72	15 February 2013
Stock options	100,000	3.92	2 June 2013
Stock options	175,000	3.22	30 July 2013

Effective 25 May 2007, the Company adopted a new Omnibus Share Compensation Plan ("Stock Option Plan"), which was approved by the Company's shareholders' on 27 June 2007.

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The Stock Option Plan covers the Company's employees, directors, officers and consultants. The options are granted for varying terms ranging from two to five years. The maximum number of common shares under the stock option plan shall not exceed (i) 10% of the outstanding common shares of the Company at the time of granting of the options and (ii) 18,592,888 common shares of the Company, of which 4,940,000 common shares are reserved for issuance as awards other than options.

***Risks and Uncertainties***

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described in PolyMet's Form 20-F/Annual Information Form for the year ended 31 January 2008 on file with the SEC and Canadian securities regulators and other information filed with the Canadian and United States securities regulators before investing in the Company's common shares. The risks described in PolyMet's Form 20-F/Annual Information Form are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of the risks described in PolyMet's Form 20-F/Annual Information Form for the year ended 31 January 2008 occur, the Company's business, operating results and financial condition could be seriously harmed and investors could lose all of their investment.

***Management's Responsibility for Financial Statements***

The information provided in this report including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

***Management's Report on Internal Control over Financial Reporting***

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Company's internal control over financial reporting during the three months ended 31 July 2008 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

***Additional Information***

*Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), [www.sec.gov](http://www.sec.gov), and at the Company's website [www.polymetmining.com](http://www.polymetmining.com).*

**FORM 52 – 109F2**  
**CERTIFICATION OF INTERIM FILINGS**

I, Joseph Scipioni, President and Chief Executive Officer of PolyMet Mining Corp., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of PolyMet Mining Corp. (the issuer) for the period ending July 31, 2008;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared;
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
  - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the interim filings and have caused the issuer to disclose in the interim MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the interim filings based on such evaluation; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Dated: September 12, 2008

*"Joseph Scipioni"* (signed)

Joseph Scipioni  
President and Chief Executive Officer

**FORM 52 – 109F2**  
**CERTIFICATION OF INTERIM FILINGS**

I, Douglas Newby, Chief Financial Officer of PolyMet Mining Corp., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of PolyMet Mining Corp. (the issuer) for the interim period ending July 31, 2008;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared;
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
  - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the interim filings and have caused the issuer to disclose in the interim MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the interim filings based on such evaluation; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Dated: September 12, 2008

*"Douglas Newby"* (signed)  
Douglas Newby  
Chief Financial Officer