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# PolyMet Mining

## Advancing Toward Production

Copper, Nickel & Precious Metals  
in the U.S.

**September 2009**



# Cautionary Statement

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This presentation 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, reserve estimates, mineral resource estimates, work programs, capital expenditures, timelines including timelines for third-party studies and issuance of permits 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 statement if circumstances or management's beliefs, expectations and opinions should change.

Cautionary note to U.S. investors: the terms "measured and indicated resource", "mineral resource", and "inferred mineral resource" used in this news release 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. We advise U.S. investors 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 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 risk factors and other considerations underlying forward-looking statements.



# Overview

- PolyMet advantages:
  - Owns Erie Plant, associated infrastructure
  - Leases 100% of NorthMet ore body
  - Ore contains copper, nickel, cobalt, palladium, platinum and gold
  - Located in established mining district
- Draft EIS expected in 3<sup>rd</sup> Quarter 2009
- Straight-forward construction, start-up
  - Initial construction ~ 1 year
  - Relatively low capital costs
  - Robust economics
- Glencore AG partnership offers financing, product marketing



# Duluth Complex

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(NYSE-AMEX:PLM); (TSX:POM)



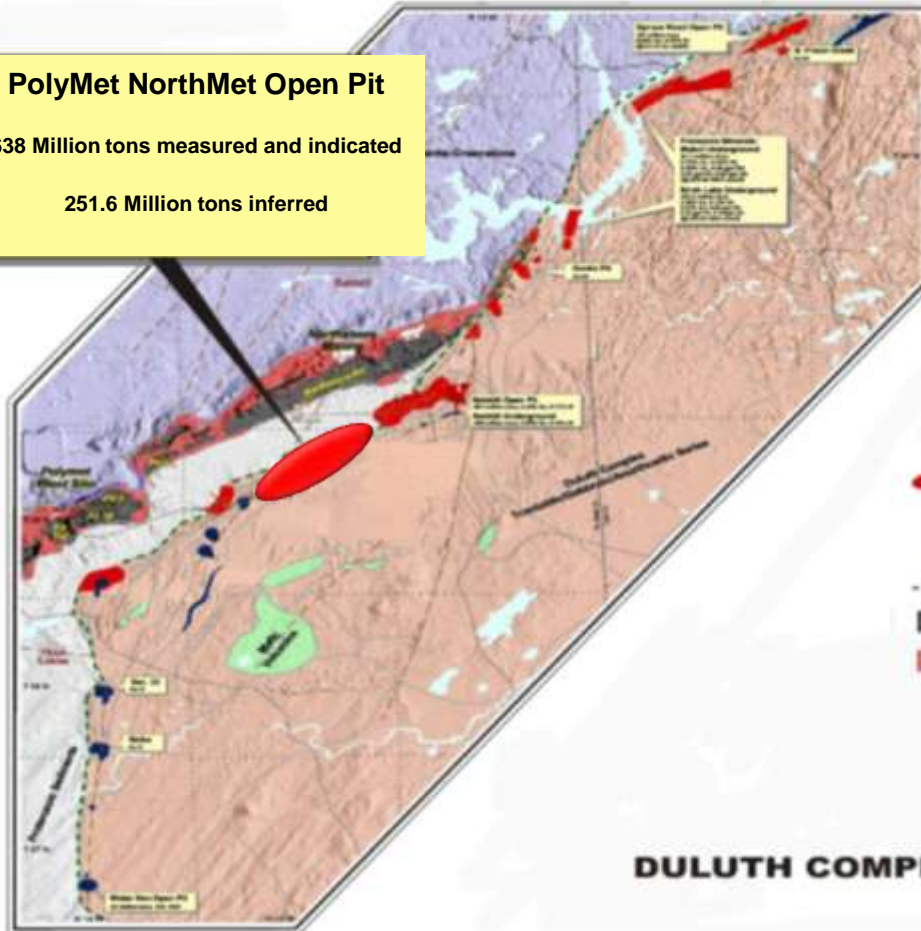
# Duluth Complex

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**PolyMet NorthMet Open Pit**

638 Million tons measured and indicated

251.6 Million tons inferred



World Class District

**#2** in contained copper  
**#2** in contained PGM  
**#3** in contained nickel

LEGEND

- Cu-Ni (Base / Precious Metal) Deposit
- Titanium Deposit (Oxide Bearing Ultramafic Intrusion)
- Base of the Duluth Complex
- Taconite Pit
- Iron Formation

**DULUTH COMPLEX MINERAL DEPOSITS**



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# The Erie Plant





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# The Erie Plant





# Existing Infrastructure

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## Key Advantages:

- Includes a majority of the processing and electrical equipment needed for production
- Reduces initial capital costs by at least \$200 million
- Simplifies and accelerates permitting and construction

## Erie Plant and associated infrastructure:

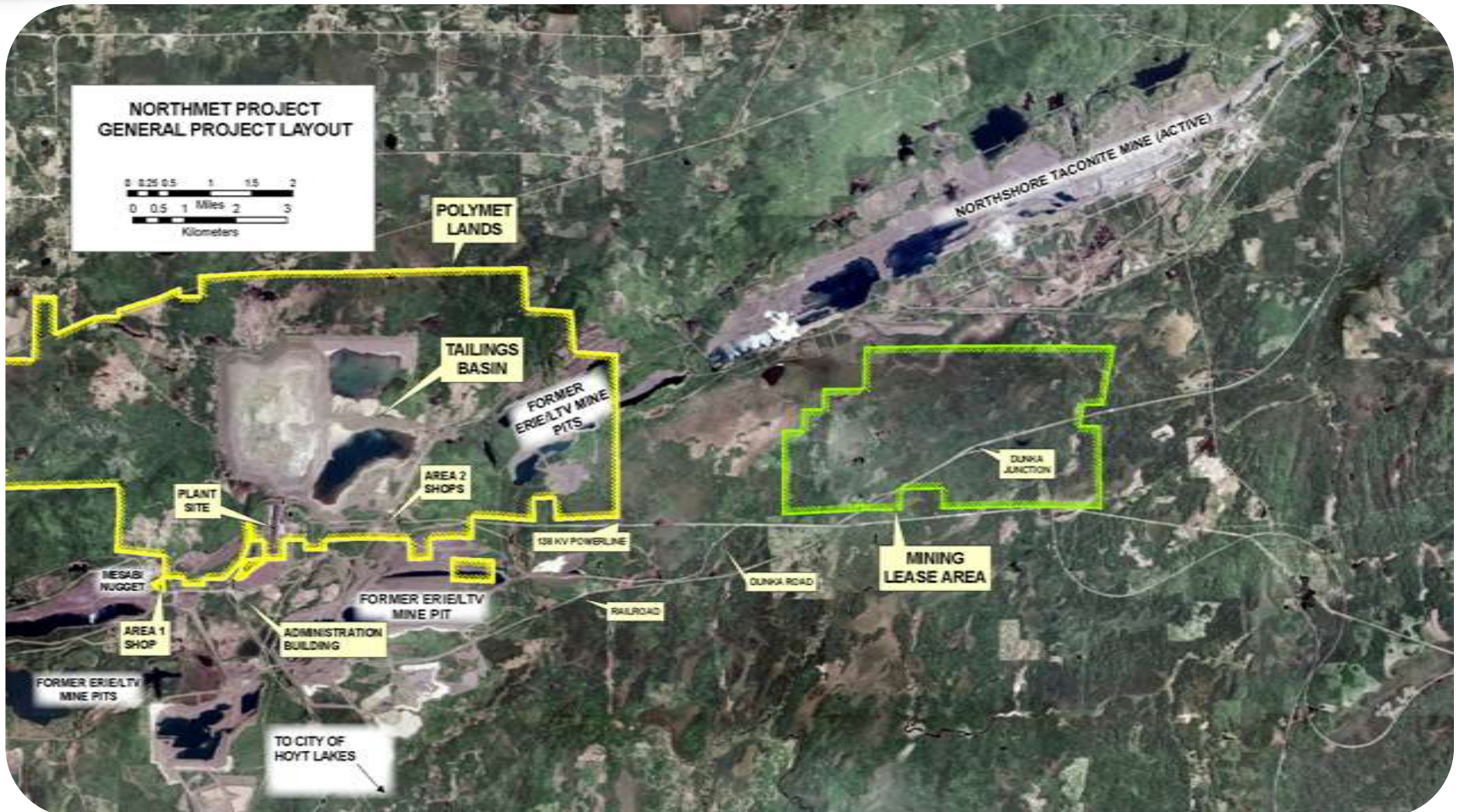
### – Brownfield Development

- Cost ~\$350 million dollars to build in 1950's
- Operated until 2001 processing low grade iron ore
- Located six miles from NorthMet deposit (connected by private railroad)
- 100,000 tpd crushing and grinding plant at full capacity
- Associated infrastructure and utilities already in place



# Project Layout

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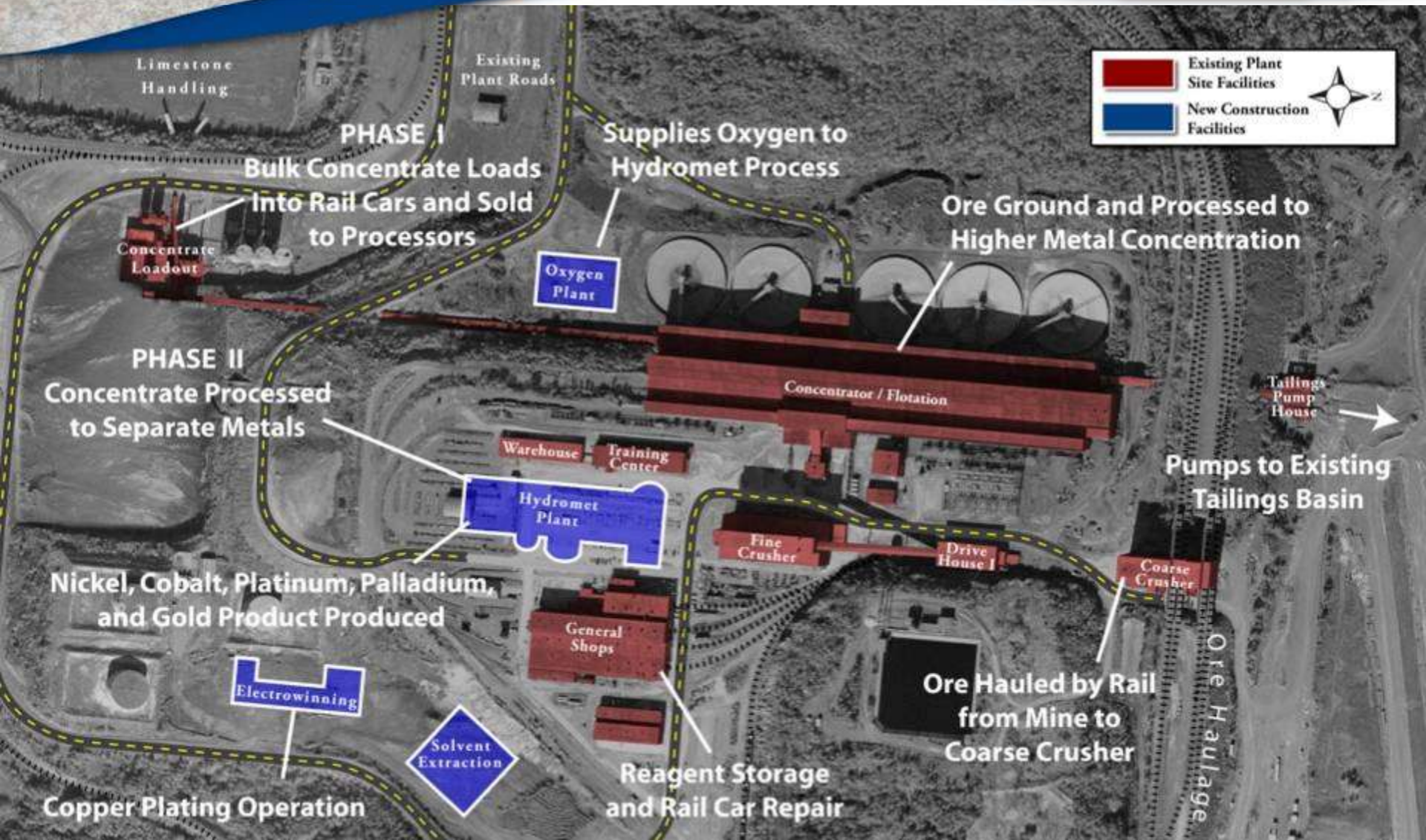


(NYSE-AMEX:PLM); (TSX:POM)



# Brownfield Redevelopment

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# Staged Development

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## Step 1: Produce Concentrates for sale

- Open up Mine
- Refurbish Crushers and Grinding Equipment
- Utilize Existing Tailings Basin
- New Flotation System
  - Produces concentrates
  - Recovers metals and sulfur
- Initial capital ~ \$312 million for engineering, construction and equipment





# New Plant Facilities

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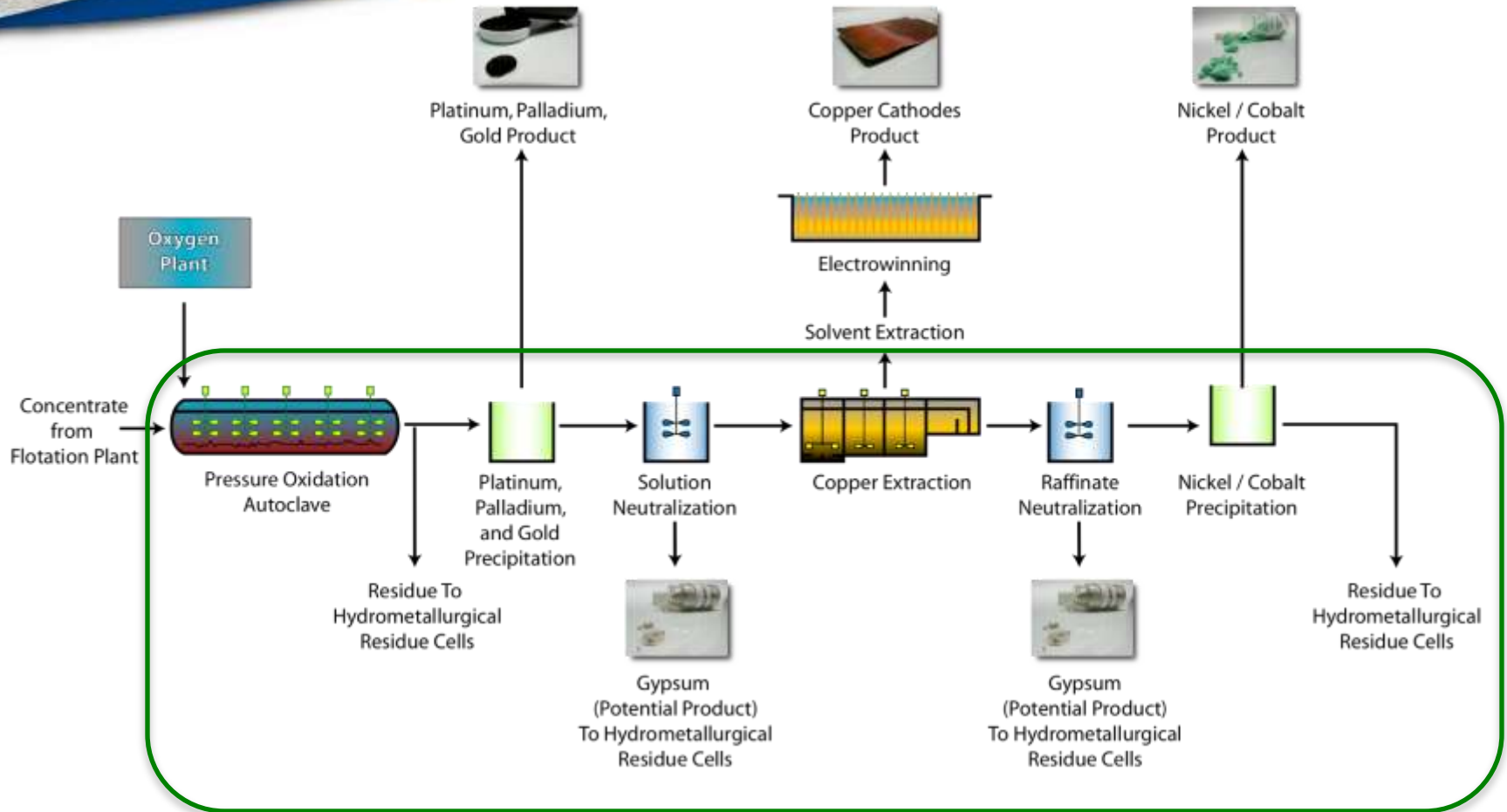
## Step 2: Finishing Facilities to Make Value-Added Products

- New Oxygen Plant
- New Hydrometallurgical Plant
  - Nickel-cobalt hydroxide & precious metals precipitate
  - Sulfur in concentrate fuels process
- New SX/EW Plants
  - High grade copper cathode
- Capital investment ~ \$290 million for construction and equipment
  - Partially funded from production





# Hydrometallurgical Process





# Reserves and Operating Plan

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## Mineral resources & reserves

Measured and indicated mineral resources (M&I)	million t	638.2
Inferred mineral resources	million t	251.6
Proven and probable reserves (within M&I)	million t	274.7
Copper grade	%	0.3
Nickel grade	%	0.1
Precious metals grade (combined palladium, platinum, gold)	oz/t	0.011

## Operating plan

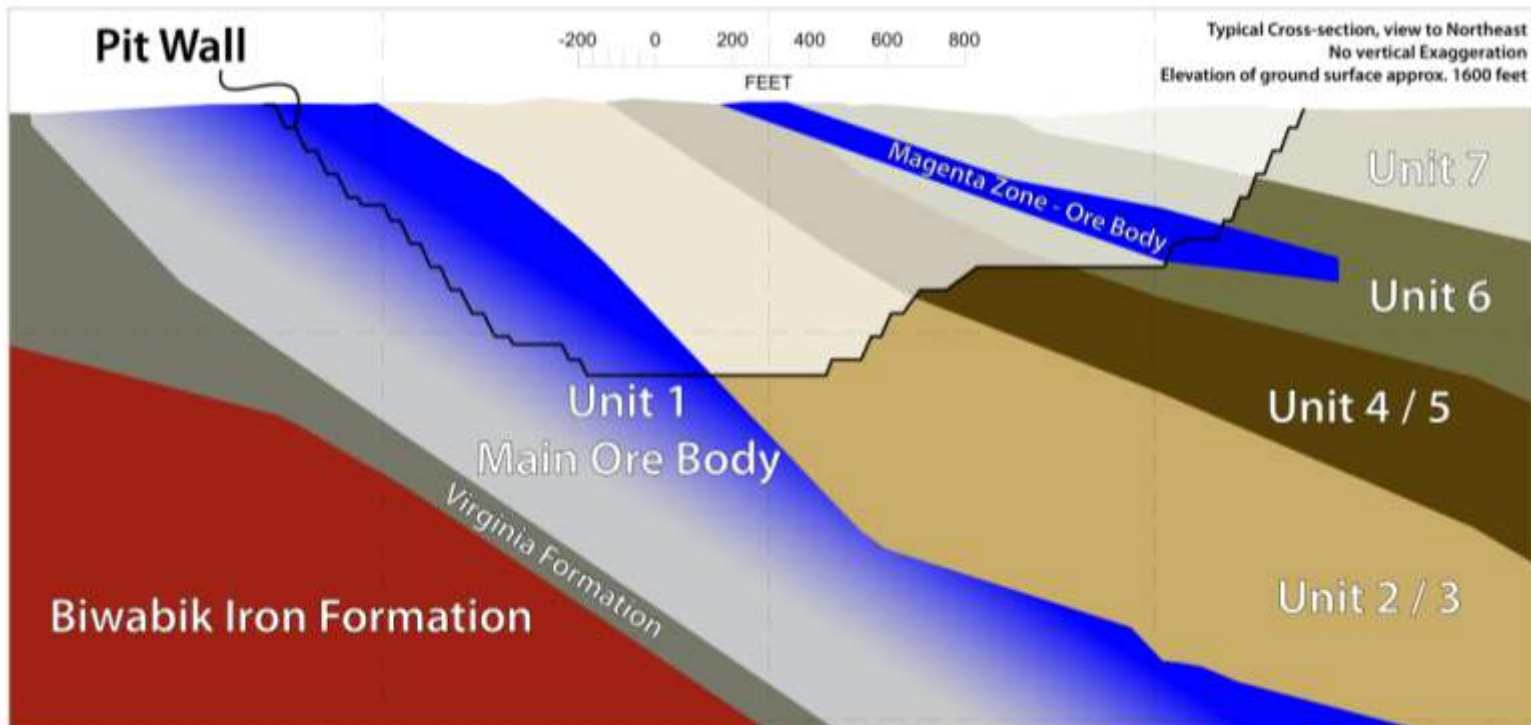
Ore mined - life of operation	million t	224.0
Overburden removed (capitalized under site preparation)	million t	18.5
Waste	million t	285.3
Annual mining rate (excluding overburden)	million t	25.8
Annual processing rate	million t	11.5



# PolyMet's NorthMet Deposit

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- Disseminated, polymetallic deposit
  - Discovered in 1969
- 316,000 Feet of Drilling (60 miles)
- Low Sulfide Ore and Waste
- Ore Contains Multiple Base & Precious Metals + Sulfur used as Fuel





# Annual Production

- Copper
  - 36,000 tons
- Nickel
  - 7,700 tons
- Cobalt
  - 360 tons
- Platinum, Palladium, Gold
  - Combined 106,000 ounces





# Future Potential

- The existing Erie Plant has the capacity to operate at about three times planned production rate
  
- Expanded production could be supported by
  - Reserve expansion at NorthMet
  - Exploration success
  - Other known deposits in the area
  
- Expansion beyond the proposed project would require additional environmental reviews and permitting



# Environmental Philosophy

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*PolyMet will protect air and water resources while promoting efficient use of natural resources through an open and transparent process.*

## **The PolyMet Project will:**

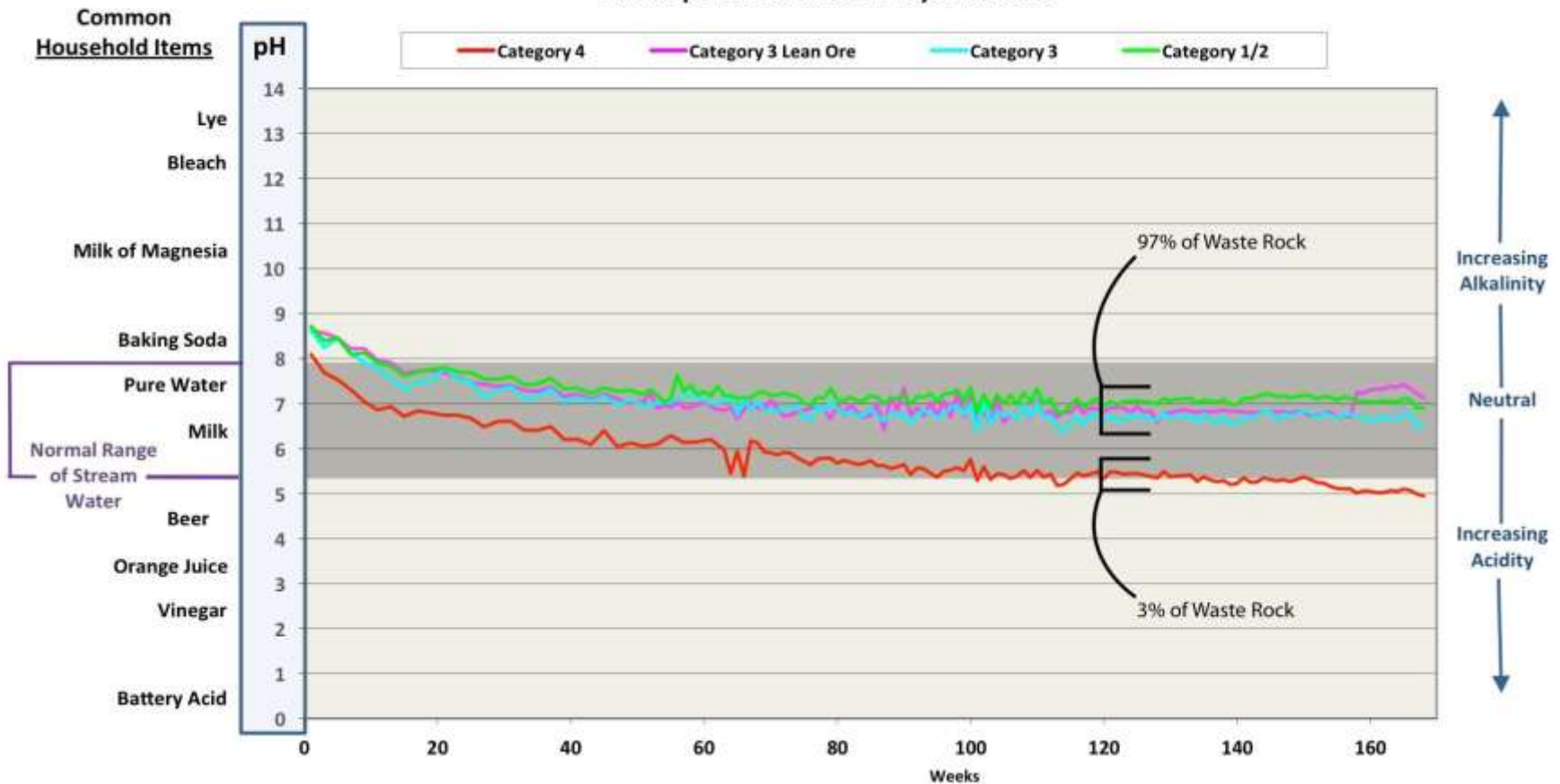
- Recycle and Reuse Water
- Be a Minor Source of Air Emissions
- Minimize Impacts
- Reuse Resources
- Assure Proper Closure and Reclamation



# Protecting Water Quality

## Water contacting waste rock - similar pH to stream water

Actual pH Results from PolyMet Rock





# Permitting Status

- The draft Environmental Impact Statement (EIS) to be completed and ready for publication in 3<sup>rd</sup> quarter
  - 45 day public comment period
  - Includes two public meetings
- A final EIS will be published that incorporates comments received on draft EIS
- Adequacy Decision and Record of Decision
- Permits issued
- Construction



# Glencore Strategic Relationship

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## **Strategic relationship signed in October 2008**

### Marketing:

- Glencore will market/purchase 100% of production
  - Market related terms – pass through of LME/COMEX prices
  - Covers metals, concentrates and intermediate products
- Glencore representative appointed to PolyMet's technical steering committee

### Financing:

- \$50 million loan facility (\$25 million drawn as of August 31, 2009)
  - Exchangeable into stock at \$4.00 per share
  - Interest payable in kind at PolyMet's option through September 2009
- 6.25 million warrants exchangeable at \$5.00 pre-production / \$6.00 thereafter
- ~10.5% of PolyMet's stock on a fully diluted basis



# Milestones

<u>Project Drivers</u>	<u>Completed</u>	<u>Date</u>
EAW/EIS Scoping	√	Q4 2005
Definitive Feasibility Study	√	Q3 2006
Mineral resource and reserve update	√	Q3 2007
DFS cost update/revised plans	√	Q2 2008
Offtake/marketing agreement	√	Q4 2008
Draft EIS		Q3 2009
Permits		+6-8 months
Initial production		+12 months



# Economic Impact

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- Construction
  - \$602 million project (2008 DFS update) - \$312 initial
    - (includes \$100 million for protecting the environment)
  - 1.5 million construction man-hours
- Employment
  - Approximately 400 high-quality, stable jobs
  - \$40 million annual payroll (wages and benefits)
- Additional Impact
  - Approximately 500 spin-off jobs
  - \$242 million economic impact in St. Louis County
  - \$15 million annually in state / local revenue
  - \$45 million in federal revenue



# Long Term Viability

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		<b>3 Months to 8.31.09</b>	<b>Reserve Calculation</b>	<b>Break-even</b>
Copper	\$/lb	2.46	1.25	1.05
Nickel	\$/lb	7.60	5.60	4.57
Cobalt	\$/lb	16.70	15.60	10.71
Palladium	\$/oz	258	210	158
Platinum	\$/oz	1,210	800	632
Gold	\$/oz	943	400	316



# Capital Costs

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	<u>Concentrate</u>	<u>Full Project</u>
Mine Site & General Plant	\$73	\$73
Railroad & Ore Delivery	11	11
Plant & Infrastructure	13	29
Crushing & Grinding	25	25
Concentrate Handling & Loadout	77	77
Hydromet & Electrowinning	-	177
Tailings	9	26
Owner costs and indirects	104	184
<b>TOTAL</b>	<b>\$312</b>	<b>\$602</b>

Based on May 2008 Estimates



# Economic Summary

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## Average of First Five Years -- Annual Projections based on May 2008 DFS Update

	Average Metal Prices				Sensitivity	
	2006	2007	2008	3 months to 8.31.09	change	Δ EBITDA \$ millions
Copper	\$/lb	3.05	3.23	3.16	2.46	± \$0.10/lb = 6.120
Nickel	\$/lb	11.00	16.89	9.58	7.60	± \$0.10/lb = 1.149
Cobalt	\$/lb	15.94	29.04	36.72	16.70	± \$0.10/lb = 0.042
Palladium	\$/oz	323	358	354	258	± \$10/oz = 0.647
Platinum	\$/oz	1,145	1,305	1,578	1,210	± \$10/oz = 0.177
Gold	\$/oz	604	687	871	943	± \$10/oz = 0.082
<b>Key Financial Numbers (\$ millions)</b>						
Annual recoverable metal value	\$'mm	407	516	501	417	
Payable metal value	\$'mm	355	444	454	291	
Annual EBITDA	\$'mm	228	317	310	167	

Note: costs from DFS Update published May 2008, using energy and other input costs in first half of 2008 which were higher than current levels



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# Management Team

William Murray	Executive Chairman
Joe Scipioni	President and CEO
Douglas Newby	Chief Financial Officer
Phillip Brodie-Hall	Executive VP – Project Development
LaTisha Gietzen	VP – Environmental Government & Public Affairs
Niall Moore	Corporate Secretary, Group Controller



# Board of Directors

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William Murray	Executive Chairman and Director
Ian Forrest *	Director, Chair of Audit Committee, Chartered Accountant and businessman
William Corneliuson *	Director, successful portfolio manager and businessman
David Dreisinger	Director, Professor of hydrometallurgy at University of British Columbia
George Molyviatis *	Director, investment banker and businessman
Joe Scipioni	President & CEO
Stephen Rowland *	Director, metal marketer, Glencore senior executive
Frank Sims *	Director, former Chair of Minneapolis Federal Reserve Bank, former senior executive at Cargill
James Swearingen *	Director, retired mining executive

\* Independent Director



# Key Facts

## **Stock Snapshot:**

- NYSE-A: PLM / TSX: POM
- Recent Share Price (NYSE-A): US \$1.39
- 12-month range: US \$3.25 – 0.46
- Trading volume (NYSE-A): 265,500 (200-day average)
- Market capitalization: US \$332 million

## **Capital Structure:**

- Shares outstanding 139.1 million
- Warrants 15.4 million @ US\$4.74
- Options 13.2 million @ US\$1.89

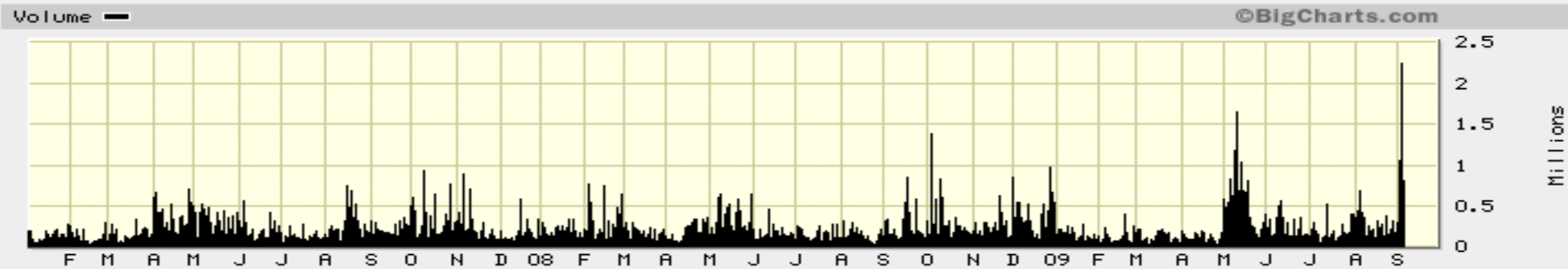
## **Ownership:**

- 17% (fully diluted) owned by insiders (10% of issued shares)
- 10.5% (fully diluted) owned by Glencore AG
- 6.7% (fully diluted) owned by Cliffs NR (NYSE: CLF)



# Stock Price Chart

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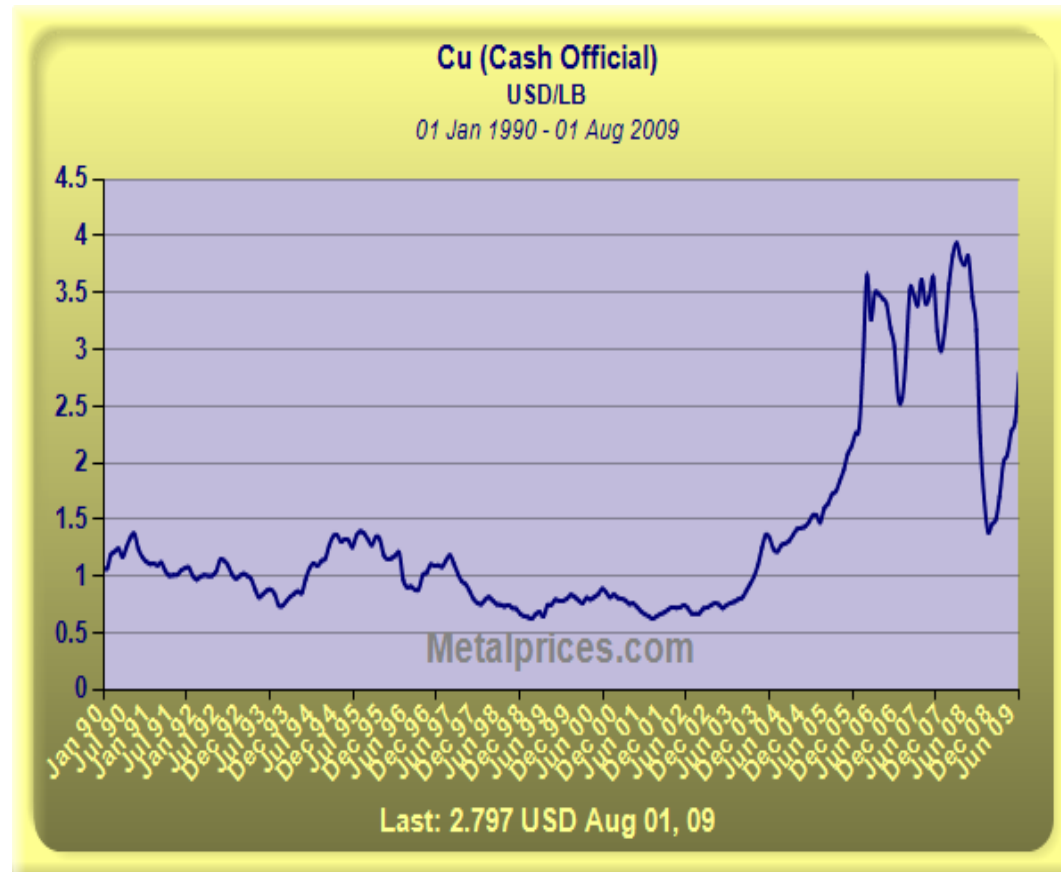




# Copper Price

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- Copper prices in declining trend through the 1990s
- Emergence of Chinese demand changed the market
- Prices have recovered strongly since winter lows

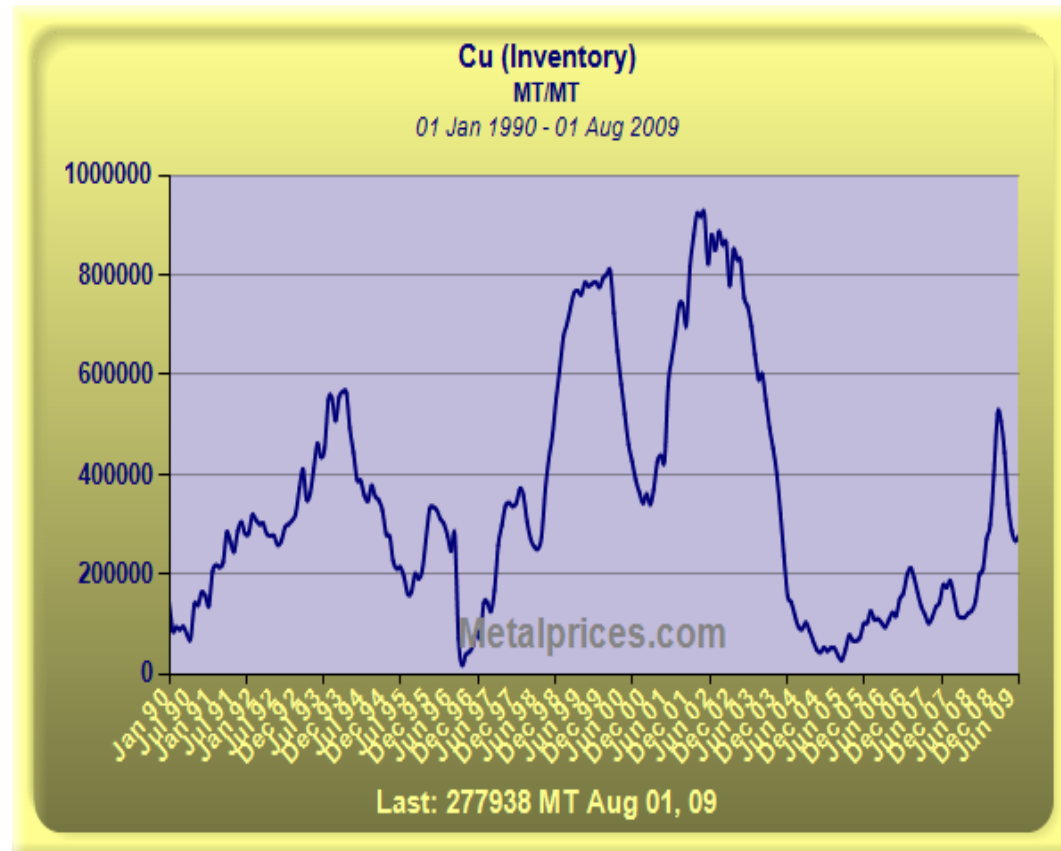




# Copper Inventories

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- Inventories on the London Metal Exchange peaked at approximately 900,000 tonnes
- Inventories below 200,000 tonnes until recession hit
- Current inventories < 1 week of world consumption

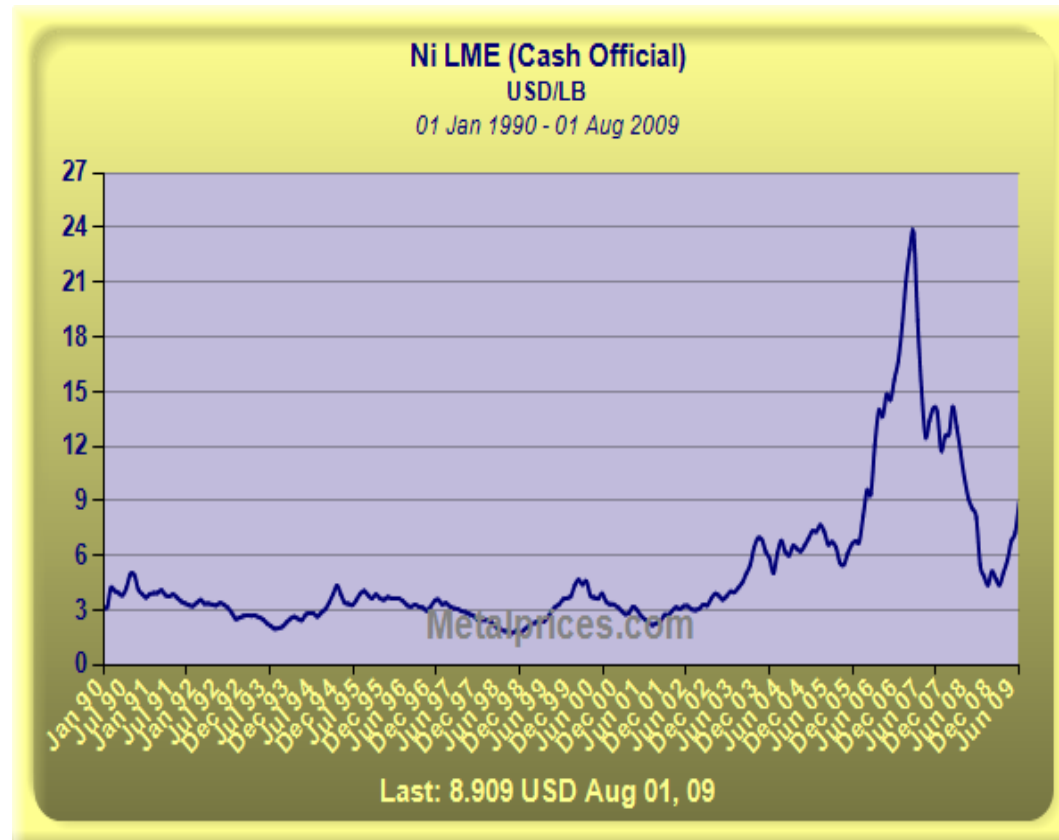




# Nickel Price

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- Price spiked in 2006
  - Nickel-intensive stainless steel demand declined
  - High-cost supply increased
- Marginal suppliers cut production before recession, mainstream production cut during recession

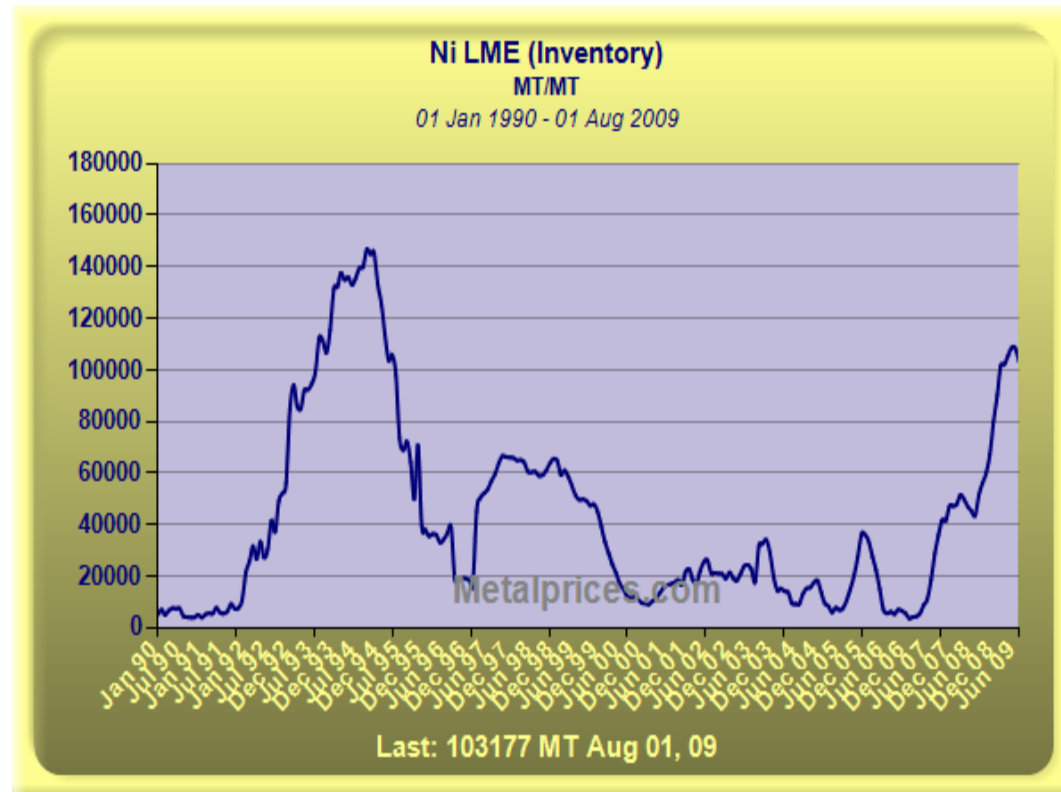




# Nickel Inventories

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- Inventories surged during recession
- Current inventories nearly two months of world consumption
- Indications are that steel fabricators have worked off their inventories
- Demand for stainless steel returning





# Summary

- Pre-production mining company differentiated by infrastructure
- Project is currently in the late stages of environmental review
- Straight-forward construction and start-up



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# Investor Contacts

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