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PolyMet Mining: Wall Street Analyst Forum Presentation Transcript

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Executives

Gerry Scott - President of Wall Street Analyst Forum

Douglas Newby - CFO

Gerry Scott

Okay. Good afternoon, ladies and gentlemen. In our ongoing attempt to adhere to the public schedule, I would like to introduce the next company in this afternoon's program.

We always like it when we have a company present one year, and then at roughly the same point, in a one-year anniversary to the previous year, they come back. My second favorite thing is when they actually have a couple of analyst portfolio managers in the room that call the company and say, you know -- during the Q&A say, well, a year ago you said this, how is it going? You said you were going to do this, how is that working out?

In any case, the first time PolyMet Mining Corporation was here, they were listed on the OTC, and then they were listed on the American Stock Exchange a few months later. So a number of things have progressed with the company, that just being one of many over the last year. So it will be a good opportunity to get an update on the development of PolyMet Mining.

PolyMet is poised to become the only nickel miner in the US and one of the only two platinum group metal miners. Their share is traded on the American and Toronto Stock Exchange. The company owns 100% of the NorthMet copper, nickel, precious metals, ore body, so a lot going on there. And a 100% -- I got to -- get me one of them -- and 100% of the Erie plant, a large processing facility located approximately 6 miles from the ore body in the established mining district of the Mesabi Range -- we've got a lot of Indian names in these mining companies here today -- in Northeastern Michigan -- Minnesota, sorry about

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that.

PolyMet has completed its definitive feasibility study and is seeking environmental and operating permits in order to commence commercial production anticipated in the second half of 2008. So without any further introduction, I'd like to introduce Douglas Newby, Chief Financial Officer.

Douglas Newby

Thank you, Gerry. I think you pretty much covered it. But thank you for inviting us back for the second year. Thank you all of you for turning out on this wintry New York day to attend this presentation. Gerry, I'm really impressed, you said, we're up in Northern Minnesota. So you rearranged the special facts and have Minnesota weather for us. Hopefully, it will clear quite rapidly.

PolyMet, as you said, is now listed on the American Stock Exchange. We are an advanced stage mine development company, operating -- or developing up in -- tied to the Iron Range -- Mesabi Iron Range in Northern Minnesota. I think we're in a somewhat unique position in terms of the assets and infrastructure that we already have in place. And I was thinking, which has been the former presentation of what's we've been up to over the past 12 months, I guess, the danger of doing a repeat performance would be off -- we haven't achieved any of the things we said we were going to do.

At the corporate level, we moved on to the American Exchange. We recently moved from the Toronto, or TSX Venture Exchange on to the full Toronto Exchange. Operationally, we've made considerable progress. We completed a feasibility study. We call it a definitive feasibility study, people often call it a bankable feasibility study, which demonstrated the economic and technical viability of the project.

We have acquired additional assets. In fact, last year we had just recently closed on the acquisition of the plant, and I'll get into the more detail in a moment. We've acquired additional related infrastructure. We are well advanced in the permitting process. We have retained BNP Paribas, world's leading project finance group, to work with us on putting together the debt financing to go into production.

What else have we done? We've been building the team. There will be news out on this in the next little while, building the operating team. And I think we feel quite satisfied with what we've done in the past 12 months. The next 12 months is going to be even more exciting as we move through the permitting process and start construction. And in 12 months time, if Gerry invites us back, hopefully, we'll be able to tick some more boxes and be talking about the move into production, which we're targeting for the latter part of 2008.

So as you already heard, we are a polymetallic company. We have three basic products that we will be making, which is high grade copper metal, a nickel chemical that will go offsite for processing, and a precious metals chemical that will go offsite for processing. So our economics are driven by a range of metals.

One of the interesting features of polymetallic company, we did some economics last July when copper was 350 a pound and nickel was $12 a pound and precious metals were no far from where they are know. A couple of weeks ago, I reran the economics with copper 250 a pound and nickel 18 and precious metals the same.

And the economic were most identical to the July 2006 numbers. So what we would have lost on copper, we've gained on nickel and that really demonstrates one of the strengths of projects such as this.

So you all know the cautionary statement. I'm not going to bore you by reading that. As Gerry has already said in his introduction, we own two related assets. We own 100% of the NorthMet ore body, which is a -- well, actually that reminds me of something else we have achieved in the past 12 months. We now have SEC standard reserves. So I can call it an ore body, not a deposit.

We have an initial mine plan that gives us first 20 years of operations laid out. That's from a relatively small part of the total resource package. So we are expecting the ultimate life to be more than 20 years.

We own a 100% of a processing facility called the Erie Plant, which gives us a large

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amount of the equipment that we need to move into production and really transforms this from being a -- so it's typical mine development story and something that can happen relatively quickly and relatively low cost.

The key facts [levering] this American Exchange PLM, Toronto Exchange PLM, we have 121 million shares and issue about 10 million in options and some financing ones related to the Paribas work. We are around US$3, trading fairly actively in the 0.25 million shares a day range on the AMEX, which is up quite significantly from year-ago level.

Market capitalization in the 360 million, 380 million range. And as of -- we have a peculiar fiscal year at January 31st, which we will be changing that. So our last reported numbers were, at end of October, we had about $14 million cash and about $1.7 million of debt, which is a note to Cliffs associated -- Cleveland-Cliffs associated with the acquisition of the plant.

Cleveland-Cliffs owns just under 8% of us. The management team outright shares owns about 12% and about 20% on a fully diluted basis. And in addition to that, we have about 40% to 50% of the shares that are owned by people we know well. To locate you we are up nearly on the Canadian border, Northwest of Lake Superior about an hour or so north of Duluth and about 3.5 to 4 hour drive north of Minneapolis-St. Paul.

The next slide will show a little bit more clearly. But we are on the eastern end of the Mesabi Iron Range, which some of you may know has been the main iron mining district in the US for about 150 years. Most of the steel that's ever been produced in this country is come from iron mine range. It's still the biggest mining district in the North America in terms of tons of material moved everyday.

What all this means is that there is a tremendous infrastructure in place, road, rail, power. So when you look at many other mine development project and the challenges people are facing, that challenge is a really very substantially different. You can drive up to the mining site and plant site in a Ferrari, if you wanted to, but not at this time. We have that in the summer.

This -- it's a little fuzzy, this slide. The long -- orange, pink and grey. In the middle of the slide is the Northshore iron ore taconite pits that have Cleveland-Cliffs. And that has about another 70 or 80-year reserves in it. The red areas just over south of the iron ore pits are the non-polymetallic deposits. Our deposit is the -- I'll give the specific.

This one, which [anyone following], you can see what I just did is the sort of red sausage slightly left of center on the slide, that is our NorthMet deposit. Over to the west of the

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Northshore pit is the Erie plant, which we own. There is a railroad running between the two. And then each of those of our red areas are non-polymetallics, which were primarily discovered in the late 50s and through the 1960s.

The deposit immediately to east -- Northeast is called Babbitt, which is owned by Teck Cominco, the big Canadian mining company. And then there are, as you can see, a string of other deposits in the area.

None of the deposits has been put into productions as yet. But this obviously has the potential to become a very significant polymetallic mining district. And in terms of the overall non resources this is already one of the three largest non-concentrations of nickel in the world after the Sudbury basin which was the foundation stone of INCO and Falconbridge, two companies that were in the news a lot last year must be -- were acquired by other companies.

And the other large non area is Norilsk in Siberia. The exploration must be done in the Sudbury is much less advanced, but already the area was already in the top three of the world. As we said we're on a 100% of everything subject to a small royalty payment on the ore body. We don't have any planners, so we have to deal with, we can make our own decisions.

We are in the established mining district with all of the implications -- infrastructure we talked about. And I'll get into the management team little bit more detail later on that we have a tremendous amount of experience of developing building, operating large scale mines around the world, and also in financing them. And as where you said, our interest is very much aligned with the interest of our shareholders.

I'm going to get into too much detail on the geology. It's not to be similar to the Sudbury basin in Norilsk. In our case, the ore body comes up to surface, which makes the mining very simple. We're not going to have mine a lot of overburden and waste through get into ore. It was discovered by US Steel in the late 1960s. They did a lot of drilling. All of that drilling is still held. We've been able to go back in and re-log and re-assay all of the work that they did. So that was a big help to us.

As on September last year, we have a CC standard reserves established and the mineralization these open both along strike, horizontally and to depth. And as we've already seen there are other deposits in the area. This is a schematic cross section and basically you can see the all oranges is a mineralized zone. It's a very thick tabular area. And it comes up to surface.

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I'll skim through these numbers but it's Canadian terms, this is not an SEC term of measured and indicated resources of the 422 million tons but less than copper equivalent. SEC reserves within that over 182 million tons of similar grade. We are currently doing some infill drilling to move more of the resources into reserves.

The acquisition of plant turns the lot of the permitting process into our brownfields. Permitting -- it is a very large plant. It's historically processed 100,000 tons of iron ore a day. The crushing and grinding, the heavy end of the project makes no difference whether you're processing iron ore versus the polymetallics that we're looking at. We will be building a new metallurgical plant to recover our metals on the backend. But in today's terms, it probably saves us somewhere in the $400 million to $500 million range on capital cost upfront.

To put the plant into perspective, it was built by a consortium of the steel companies in the 1950s. We spent $350 million, dollars of today, building it. If you just apply CPI, it will be well over $2 billion. And with the capital cost inflation running ahead of that, it's well above that. And it's got a 50-year operating history, so we know how it works. It was well maintained, it's all in good shape. We have started pretty much bits of everything, and everything has started very smoothly. So we're not anticipating any problems with that.

This is a picture of the plant. In the middle distance, you can see tailings, ponds -- the area on the right of the picture. Ponds, which were originally permitted for taconite waste, iron ore waste, which we are converting to our product. The area on the left reclaimed waste on some of the tailing from the taconite iron ore days, which is now fully reclaimed, receded. There are deer and other wildlife out there. It looks like a, sort of, high plain.

The big building in the front, and I won't through all the details, but the big building in the front, that long building is the, really, core of the assets. It's a quarter of a mile long. And if you look really carefully, you can see some little dots in the parking lot over on the right-hand side and those are sort of big trucks. It is a huge building, and really transforms our economics.

It's a view inside that building. There are 34 parallel circuits. It gives us a lot of flexibility. And in particular, you can just see in the center of the slide there is a sort of overhead gantry. So when somebody is coming up for maintenance, you can come along, pick up one of these mills. Each of these mills is 12 foot diameter. So it's big, big equipment. Take it off into the maintenance bay to the maintenance and drop in the spare. There are also three spare lines there.

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So what are we up to? As I said, we are doing an infill drill program, which will lead to an optimized mine plan, which will be published sometime in the second quarter of this year. We are processing the construction finance working with Paribas, which will be very largely debt, if not totally debt. And that should actually be in place, probably more or less at the end of the third quarter of 2007, tied to the completion of the permitting process in the third quarter of this year.

And then we will move -- one of the reason we're on the financing places, we assumed we get a permit. So we want to go straight into the construction phase. And again, because of the plant, the construction timeline is relatively short and we still expecting to be in producing commercial metal in the land deposit 2008.

We have established the initial 28 mine light, which we will be looking to extend this -- run through some details and if anyone who wants to get into the real details I can go through. Later, we think that the mining cost, we can cut really substantially in the optimized mine plant. We did over the mine planning based on $1.25 copper and 560 nickel against current prices of roughly 250 and 18. Back slides sets out for the initial production running at 32,000 tons a day. Remember the plant capacity is 100,000 tons a day. So you can do the math.

We will be looking at producing an average of 72 million pounds of copper, 15 million pounds of nickel and approximately 100,000 ounces of combined precious metals. Sort of economics we are looking at $1.50 copper and $650 nickel. We're looking at cash costs of copper of $80 cents a pound and nickel of about 280, that's allocating all of the -- and costs out according to revenue contribution on each metal.

For the analyst in the room, we've done the homework in terms of sensitivity to changes of metal prices on cash flow. And then two or three snap shots, sort of economics again for the 32,000 ton of a production level. Metal prices, last July, if we've been in production and those at last as three year we will be looking at gross revenues each year of 500 million. Net revenues after third party smelting and refining cost so a processing cost I should say and royalties of 440 million and average cash flow a little over 300 million.

If you take lower metal price, $1.50 copper and 650 nickel and we're still looking at over 100 million a year of cash flow from the 32,000 ton a day level. And again, some sensitivities which I'm going to bore you with.

Some run through the pit-optimization program, we expect this to significantly reduce the mining cost and the overall cost by probably about 10%. And then the plant aspect capacity and there is the potential ultimately perhaps to put more material through the plant.

Very briefly on Minnesota, I already said it's a world class mining district. We got an agreement between the federal government and the state government that there is one permitting agency, in namely the state. So we are not negotiating permits between the feds and the state.

The rules are very clearly laid out. They are comprehensive Minnesota is a tough permitting environment and we have declared intend to not only meet but in many case exceed Minnesota regulations in areas where we think that's appropriate. And that is largely the reason the federal government agreed to accept Minnesota as the permitting group.

We will be a major contributor to the local economy with the downturn in the steel industry and that really hasn't picked up that much locally. There is a lot of under employment. There are lot of skilled labor. There's equipment and lot of the challenges in those terms that's much of the industry is facing. But we are quite inoculated from.

The permitting process we started three years ago. We spent it's actually now more then $7 million. We've – we're well through the process. And we've had public meetings a various times and other than usual concerns that people quite rightly have that are we going to do things properly. And how we're going to demonstrate that the end of the life of this project. It will be properly reclaimed all of which we have addressed, and we'll continue to address.

There are no major issues that any of the environmental groups are coming up with which we think would be likely to disrupt the process. I think well we've run through some of our achievements. So I go through that again.

The team very briefly, Ian Forest who actually made the presentation a year ago, is Independent, Chairman and Director. He's got a lot of -- he's an accountant by training and a lot of experience resource developments around the world.

Bill Murray, the President and CEO he's engineer, he's in his late 50s about 35 years experience in the mining industry, initially with Angola American in South Africa and then with Fluor Daniel in North America, so a lot of experience in building and operating in large scale marines.

My background is in finance. Warren is a local guy who was formally with Minnesota

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Power on the government relations and permitting side. He's doing the same thing for us. Don Hunter is a very experienced mining engineer. Joe Scipioni only joined us quite recently from USTO formally ramp one of the big iron oil mines up in the area and is transitioned into a little small one scenario company remarkably well. David Dreisinger is one of the leading experts of middle age to engineering. Jim Scott who's worked with the plant for 35 years and ended up in charge to Cleveland Cliffs.

Permitting an environmental programs and is an expert on that area. I'm talking about that is a significant shareholder and director. James Swearingen, used to run one of US deals large mines up and moving further. And actually a 1.0 David Dreisinger used to report him. And again, very heavily involved in mine development strategy and moving further.

Richard Patelke is one of the experts on the geology of the area and Gaston Reymenants is in charge of marketing and he's spent his carrier with Falconbridge and buying concentrates on people like us. And now, he's changed sides and he's working with us to sell our concentrate to them.

And then there are several other people not on this slide, the message is we've got a very highly experienced team and we think we know how to make this thing work. Stock charge, you will have your own opinion of that, we originally had a run-up made last year, also for early last year where they run up in the result sector, move back following the mid May, to downturn and hopefully help us to stabilize and begin to move backup again.

Commodity super cycle and I'll cut off in a couple of minutes. Basically, what's driving all the commodities is they're taking country such as India and China. Small for capital economies and relatively low use of metals up the curve to the -- for our CD dimensions. All up sort of numbers on what's going on with their Chinese profit demand. I will spend one minute on this slide, because I think what's interesting here is, with OECD countries, which is a bottom section.

Basically, copper consumption is being pretty much flat over the past 25, 30 years and the real growth has been coming out of the developing countries. And that's until we washed out from the sort of pale, greenie, blue, second from the top is China on its own. And you can see now China is got to the point where the Chinese growth is dominating on what's going on in copper and alum markets.

I think we've recovered this. We having moved on to the Toronto Stock Exchange and we are anticipating increase in dependent research coverage. We have a lot of copper developments on the way to keep used flow as we develop the project. And so in summary, it's a long project. We are in the US, so it's not political risk the corporate infrastructure will become a low cost producer, expansion potential and a team which we think we can make this happen. And probably ran on a little bit, any questions.

Question-And-Answer-Session

Unidentified Audience Member

Cobalt is that a big player in terms of variable for you?

Douglas Newby

No. The question was about Cobalt. Yes. And how significant it is for us?

Will be producing about $3.75 million pounds of Cobalt, which is in the -- last time I look to the $25 dollar type price range versus $15 million pounds of nickel a year, which is 18. So it's a fraction of nickel and fraction of copper. It is a nice kick up but doesn't really derive for the economics.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

Question was about securing equivalents and how -- how can we be sure and how confident are we that we can get the equipment we need, when we need it?

The plant gives us a lot of the equipment that is really difficult to get things like big mills that have horrendously long lead times. And in fact, quiet a few people are now looking at different ways of even buying second hand more of the sort of equipment that we have even on a sort of interim basis before they can get a hold of the big stuff.

So you know most -- we are working very closely with the equipment suppliers on timelines on when we need to book productions slots. So we have that. So well-mucked out and we have a schedule, you know, where we know what we have do by several times.

One of the things that we are looking at is to starting booking some of a timeslots for long lead time, equipments in fairly short order, sort of, stuffs with that actually doesn't cost the huge amount of money because it's really just putting an option payment down lookout a timeslot.

The more so regular things, you know, certainly the tyre market, you probably all heard about. Problems are getting tyres. We are going to have similar challenges over the really tough area on that of there sort of super size trucks and we are probably going to end up running with something like 200 ton trucks were tyres are little easier to get a hold off.

And it certainly helps, you know, all the equipments fly as Caterpillar, Michelin, Bridgestone etcetera overall. They have a big presence up on the range. So it's a lot easier, it doesn't mean the problems gone away but it is lot easier even if you are 1000 miles from the new rail head in the middle of Mongolia and Arizona.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

Rails, as, you know, when you go of there -- there is a network of privately owned and so public rail systems. The main system is own by [CAN] and connects up into the Trans-Canadian system and down into the US. And then obviously, one of the unique things about this area given that it's ranks up in the middle of Continental North America is that within 60 miles.

There are two ocean ports mainly superior to live. So if we need to which we probably want but if we need to we have ready excess through to ports. We can take ocean going vessels. We've just votes from Cleveland cliffs chunk of additional rail assets and additional land, its all in good operating condition as they connect into the sort of national system really its hard to imagine how the infrastructure could be better other than that when the temperature being 50 degrees.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

Yeah. We're probably now at about 10.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

If we don't do anything other than sort of, you know, things we need to do then we'll end up with somewhere around $5 million of excess cash with through the big expenditure on the feasibility study. We are considering some ways of potentially monetizing the assets we have in the plants, which would differentiate us again from the typical mine development play in order to raise some additional money to support potentially some of the long lead time equipments and orders.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

We're assuming basically a ramp-up over to full production. Is a 12 month ramp-up most within in the first six months? We tried in all of our assumption to be realistic but conservative. A similar plant that was builds recently by the same engineering team in the jungles of Laos in Southeast Asia hit tonnage targets within 30 days of startup. So you know, we're obviously hoping that we can replicate that sort of ramp up, but we're not -- literally not taking that to the [bank]. We're taking up -- it's a 12-month ramp up to the [bank].

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

Yes. And we're going to -- sorry -- the question was does Cleveland Cliffs have the right to put the staff. No. They don't have the right to put it. We have the right to buy it on a first-go basis, if -- first-right basis. If they choose to sell, we have a 20 business-day first right to either acquire or place.

I'll say Cliffs is a very good supportive shareholder. They -- you know, they like what they see we are doing. This was an asset that they had sort of pretty much written off. And so they now have their value out of it. And we have a very cordial, very professional relationship with them.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

The question was whether we have considered a private placing with Cliffs. Cliffs actually doesn't have the right to participate in any cash equity financings that we might do. We're not really looking at that. At the moment, I -- we have a strong desire to keep any entity below 10%. So -- and Cliffs knows about that. So I don't see Cliffs particularly as a financing source.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

It will be probably -- it's late in the second quarter before by the time we've done all the work, analyzed, dig all the ounces back. I'm sorry. The question was when we'll have the results on the infill drilling, sometime late second quarter.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

The initial permit application is for 32,000 tons a day.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

The follow-on question was how long will it be to increase that. We want to be very clear we're permitting 32,000 ton a day operation, which is what we intend to put into production. And at the moment -- at this point, we don't have any plans to go beyond that.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

Yes, I mean the plan makes -- the question was if despite what I just said I think if we were ready to go beyond that, would we have to re-permit? I think the approach would be an expansion permit, but we would have to get permits to expand. And we don't have any

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plans with the states to do that.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

Well, the follow-on to the follow-on. How long would the process that we haven't being thinking about take? So I think that one I can say -- we say, I don't know.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

The question was how far is tax deposit from the plants? Geologically, there's basically nothing, sort of, in that to break the two. They are geologically, geochemically similar. There's about a -- probably half a mile, or maybe a mile, in terms of sort of surface expression where there's been no drilling done, because there's -- because actually a river runs through that, and also the property boundary.

So to answer your question, it's probably about seven to eight. I don't know. It's probably about 8 to 9 miles to the sort of centre of Babbitt to the plant versus sort of -- our deposit is 2.5 miles long. So its 6 miles to one end of it, its 8 miles the other end of it, you know, then there's a mile. So that's basically the economics. Once you put rock on a railcar, the economics of moving a railcar an extra few feet on flat ground is minimal, the cost of loading and unloading not moving it.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

The question was about additional people on the management side. At a senior level, looking for would be the wrong answer. May there be an announcement in the near future. Yes, there may well be. But we're beyond the looking for stage.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

The question was about management compensation. And everyone is very much motivated by either stocks that's, you know, with Board or stock options. And certainly, you know, these are some of the sort of philosophical discussions that are going on at the moment in terms of, you know, the mix of sort of cash versus incentives.

Certainly, I think we will always make sure that people are very highly incentivized through bonuses and stock options and all those sort of usual things. I don't think that anyone in the team would find it difficult to walk out of the door and get paid 50% or 100% more than they are being paid by us today. And everyone is there because of what they see as the potential of building this Company.

Unidentified Audience Member

[Question Inaudible]

Douglas Newby

The question was about hedging strategy, which we don't yet have a formal strategy and discussions with the bank so far. Hedging is not being raised as a significant issue. I would say that we would look to optimistically at putting price protection in place.

Obviously until we're in production, we're certainly not going to do anything, which means that we're required to deliver metal that we might not be able to produce, and certainly in this environment not going to set ourselves up to be short. That -- you know, if we have another run in the copper price, we might look at sort of buying some inexpensive way out of the money put options just to [append] the economic stream, debt payback.

Well, thank you. Thank you, Jerry. And hopefully, maybe I'll return next year and give you another updates. And everyone, get home safely.