## Appendix 1  Regulatory Filings and Compliance Documents

<table>
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<th>Appendix 1.x</th>
<th>Description</th>
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</thead>
<tbody>
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<td>Appendix 1.1</td>
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<td>Appendix 1.6</td>
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<td>Appendix 1.7</td>
<td>Certificate of Good Standing for Poly Met Mining, Inc.</td>
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<td>Appendix 1.8</td>
<td>Certificate of Insurance</td>
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<tr>
<td>Appendix 1.9</td>
<td>Annual Financial Report</td>
</tr>
</tbody>
</table>
Appendix 1.1  Preapplication Conference and Site Visit Memorandum
MEMORANDUM

To: File
From: Jennifer Saran

Minnesota Statues, Chapter 93 and Minnesota Rules, chapter 6132 establish various procedures with respect to applying for and obtaining a nonferrous permit to mine. Poly Met Mining, Inc. (PolyMet) has assembled in Appendix 1 various regulatory filings and compliance documents supporting its Permit to Mine Application (Application). The table of contents for Appendix 1 follows this Memorandum. Attachment 1.2 in this Appendix contains a checklist summarizing the application requirements under Minnesota Statues, Chapter 93 and the Minnesota Department of Natural Resources’ (MDNR) nonferrous permit to mine rules, and cross-references the sections within the Application addressing the statutory and regulatory requirements.

Among the required procedures in the nonferrous permit to mine rules is the requirement that a permit applicant meet with MDNR for a preapplication conference and site visit. Minn. R. 6132.1100, subpt. 1. The purpose of these preapplication requirements is for the MDNR "to review the proposed mining operation and to provide direction on the preparation of an application for a permit to mine." Id. The MDNR rules further provide that "[i]n conjunction with the preapplication conference, the commissioner shall hold a public information meeting with the assistance of the applicant and invite" various governmental entities to participate and the public to attend pursuant to specified notification requirements. Id.

PolyMet and MDNR worked together to meet the regulatory requirements set forth in Minnesota Rules, part 6132.1100, subpt. 1 as they apply to the Application for the NorthMet Project, including those requirements relating to the preapplication conference and site visit. MDNR held initial preapplication conferences with company representatives on March 23, April 6, and April 13, 2016. The topics addressed in those conferences are summarized in the agency’s master agenda included as Attachment 1.3 in Appendix 1.

Additionally, the MDNR commissioner and agency staff, along with other federal and state officials, met with PolyMet in Hoyt Lakes, Minnesota for a final preapplication conference and site visit on April 19, 2016. The site visit included a tour of the NorthMet Plant Site, Mine Site, and other areas within the Facility Boundary. Attachment 1.4 in Appendix 1 contains the MDNR agenda for the final preapplication conference and site visit, along with a list of the attendees.

After the site visit on April 19th, MDNR hosted a public information meeting at the Mesabi East High School in Aurora, Minnesota. Copies of the public notice for this meeting and related information are provided in Attachment 1.5 in Appendix 1. As part of the public information meeting, MDNR made a formal presentation, which included a summary of the proposed NorthMet Project, an overview of the non-ferrous permit to mine process and other required State permits, and an explanation of future public opportunities to participate in permitting processes. Attachment 1.6 in Appendix 1 includes a copy of the MDNR formal presentation.
As part of the public information meeting, and immediately before the MDNR's formal presentation, representatives of MDNR (and other governmental officials, including staff from the Minnesota Pollution Control Agency and Minnesota Department of Health) were available to answer questions from the public and to provide materials in a "open house" format with agency-staffed information booths. PolyMet also had an information booth to respond to questions from the public.
# Permit to Mine – Completeness Checklist

<table>
<thead>
<tr>
<th>Documents &amp; Fees</th>
<th>Applicable Statute/Rule</th>
<th>Location in Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTM Application (in duplicate)</td>
<td>Minn. R. 6132.11, subp. 2</td>
<td>Duplicate submitted with application</td>
</tr>
<tr>
<td>Advertisement and affidavit of publication</td>
<td>Minn. R. 6132.1100, subp. 3.A</td>
<td>To be filed after publication</td>
</tr>
<tr>
<td>Certificate of authority to transact business in Minnesota</td>
<td>Minn. R. 6132.1100, subp. 3.B</td>
<td>Appendix (“App.”) 1</td>
</tr>
<tr>
<td>Certificate of insurance</td>
<td>Minn. Stat. § 93.481, subd. 1(a)(2); Minn. R. 6132.1100, subp. 3.C</td>
<td>App. 1.8</td>
</tr>
<tr>
<td>Financial assurance documents: Documented estimate of costs necessary to implement contingency reclamation plan</td>
<td>Minn. R. 6132.1100, subp. 3.D; Minn. R. 6132.1200, subp. 2</td>
<td>Section 16 and App. 15</td>
</tr>
<tr>
<td>Financial assurance documents: Closure and postclosure maintenance activities required if operations cease in first calendar year</td>
<td>Minn. R. 6132.1100, subp. 3.D; Minn. R. 6132.1200, subp. 2</td>
<td>Section 16 and App. 15</td>
</tr>
<tr>
<td>Application fee of $50,000</td>
<td>Minn. Stat. § 93.481, subd. 1(a)(3)</td>
<td>Previously submitted</td>
</tr>
<tr>
<td>Supplemental application fee (if any) for processing application</td>
<td>Minn. Stat. § 93.482, subd. 2</td>
<td>N/A</td>
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## Organizational Structure

<table>
<thead>
<tr>
<th></th>
<th>Applicable Statute/Rule</th>
<th>Location in Application</th>
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</thead>
<tbody>
<tr>
<td>Post office address</td>
<td>Minn. R. 6132.1100, subp. 4.A</td>
<td>Section 2.1</td>
</tr>
<tr>
<td>Organizational structure, including parent companies, owners, principal stockholders, partners, and joint venturers</td>
<td>Minn. R. 6132.1100, subp. 4.B</td>
<td>Section 2.2</td>
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<tr>
<td>Managing agents or subsidiaries involved in operations</td>
<td>Minn. R. 6132.1100, subp. 4.C</td>
<td>N/A</td>
</tr>
<tr>
<td>Organizational relationships among joint applicants</td>
<td>Minn. R. 6132.1100, subp. 4.D</td>
<td>N/A</td>
</tr>
</tbody>
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## Environmental Setting

<table>
<thead>
<tr>
<th></th>
<th>Applicable Statute/Rule</th>
<th>Location in Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copy of DEIS and all environmental reports</td>
<td>Minn. R. 6132.1100, subp. 5.A</td>
<td>Volume V, App. 16</td>
</tr>
<tr>
<td>Environmental setting maps</td>
<td>Minn. R. 6132.1100, subp. 5.B</td>
<td>Section 5</td>
</tr>
<tr>
<td>Bedrock geology</td>
<td>Minn. R. 6132.1100, subp. 5.B(1)</td>
<td>Section 5.1, Figures 5-1 through 5-3</td>
</tr>
<tr>
<td>Water basins, water courses, and wetlands that may be affected by mining</td>
<td>Minn. R. 6132.1100, subp. 5.B(2)</td>
<td>Sections 5.2 and 5.3, Figures 5-4 through 5-7</td>
</tr>
<tr>
<td>Boundaries of watersheds that may be affected by mining</td>
<td>Minn. R. 6132.1100, subp. 5.B(3)</td>
<td>Section 5.2, Figures 5-4 through 5-6</td>
</tr>
<tr>
<td>Hydrogeologic information</td>
<td>Minn. R. 6132.1100, subp. 5.B(4)</td>
<td>Section 5.4, Figures 5-8 through 5-20</td>
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<tr>
<td>REQUIRED CONTENT</td>
<td>APPLICABLE STATUTE/RULE</td>
<td>LOCATION IN APPLICATION</td>
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<tr>
<td>---------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>• Surface and groundwater compliance monitoring sites and water quality and toxicity standards</td>
<td>Minn. R. 6132.1100, subp. 5.B(5)</td>
<td>Section 5.5, Figures 5-21 through 5-26</td>
</tr>
<tr>
<td>• Soil inventory</td>
<td>Minn. R. 6132.1100, subp. 5.B(6)</td>
<td>Section 5.6, Figure 5-27</td>
</tr>
<tr>
<td>• Recorded locations of rare, endangered, and threatened species</td>
<td>Minn. R. 6132.1100, subp. 5.B(7)</td>
<td>Section 5.7, Figure 5-28</td>
</tr>
<tr>
<td>• Past mining facilities</td>
<td>Minn. R. 6132.1100, subp. 5.B(8)</td>
<td>Section 5.8, Figure 5-29</td>
</tr>
<tr>
<td>• Recorded archaeological or historic sites</td>
<td>Minn. R. 6132.1100, subp. 5.B(9)</td>
<td>Section 5.9, Figures 5-30 and 5-31</td>
</tr>
<tr>
<td>• Known surface/subsurface uses</td>
<td>Minn. R. 6132.1100, subp. 5.B(10)</td>
<td>Section 5.10, Figures 5-32 through 5-34</td>
</tr>
<tr>
<td>• Siting restriction areas</td>
<td>Minn. R. 6132.1100, subp. 5.B(11)</td>
<td>Section 5.11, Figure 5-35</td>
</tr>
<tr>
<td>• Zoning ordinances and applicable land use plans</td>
<td>Minn. R. 6132.1100, subp. 5.B(12)</td>
<td>Section 5.12, Figure 5-36</td>
</tr>
<tr>
<td>• Surface and mineral rights ownership</td>
<td>Minn. R. 6132.1100, subp. 5.B(13)</td>
<td>Section 5.12, Figures 1-5 and 1-6, Figure 4-1, and Figures 5-37 and 5-38</td>
</tr>
<tr>
<td>Description of hydrogeological information, including overburden and rock features, well locations, well logs, uses, pumping rates and capacities</td>
<td>Minn. R. 6132.1100, subp. 5.B(4)</td>
<td>Section 5.4 and App. 16</td>
</tr>
<tr>
<td>Water quality and toxicity standards established by other regulatory authorities</td>
<td>Minn. R. 6132.1100, subp. 5.B(5)</td>
<td>Section 5.5</td>
</tr>
<tr>
<td><strong>Mining and Reclamation Plan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating life of mine, including mine rate and anticipated changes to mine rate</td>
<td>Minn. R. 6132.1100, subp. 6.A</td>
<td>Sections 3 and 7</td>
</tr>
<tr>
<td>Mining activities: types, amounts, sequence, and schedule of mining and storage piling</td>
<td>Minn. R. 6132.1100, subp. 6.B(1)</td>
<td>Sections 3, 7, and 10</td>
</tr>
<tr>
<td>Mining activities: ore beneficiating process, including type and amount of added chemicals, amounts, sequence, schedule, and means of tailings disposal</td>
<td>Minn. R. 6132.1100, subp. 6.B(2)</td>
<td>Sections 3, 8, and 10</td>
</tr>
<tr>
<td>Engineering design, methods, sequence, and schedules of reclamation, including closure and postclosure maintenance</td>
<td>Minn. R. 6132.1100, subp. 6.C</td>
<td>Sections 3 and 15, and App. 3 through 14</td>
</tr>
<tr>
<td>Mine waste characterization</td>
<td>Minn. R. 6132.1000, subp. 3.A; Minn. R. 6132.1100, subp. 6.D</td>
<td>Section 10 and App. 2</td>
</tr>
<tr>
<td>Wetland replacement plan</td>
<td>Minn. Stat. § 103G.222, subd. 1; Minn. R. 6132.5300, subp. 2</td>
<td>Section 12 and App. 18</td>
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## Permit to Mine – Completeness Checklist

<table>
<thead>
<tr>
<th>REQUIRED CONTENT</th>
<th>APPLICABLE STATUTE/RULE</th>
<th>LOCATION IN APPLICATION</th>
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<tr>
<td><strong>Mining and reclamation maps</strong></td>
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<td></td>
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<tr>
<td>Shape and extent of ore body for operating life of mine</td>
<td>Minn. R. 6132.1100, subp. 7.A</td>
<td>Figure 7-2</td>
</tr>
<tr>
<td>Lands proposed for use as vegetative reference areas</td>
<td>Minn. R. 6132.1100, subp. 7.B</td>
<td>Figure 15-3</td>
</tr>
<tr>
<td>Detailed drainage patterns for waters that may contact reactive mine waste</td>
<td>Minn. R. 6132.1100, subp. 7.C</td>
<td>Figures 5-4 through 5-6, Figure 11-12, and Figure 11-6</td>
</tr>
<tr>
<td>Status of mining ore body</td>
<td>Minn. R. 6132.1100, subp. 7.D</td>
<td>Figure 7-7</td>
</tr>
<tr>
<td>Status of watershed and hydrogeologic modification</td>
<td>Minn. R. 6132.1100, subp. 7.D</td>
<td>Figures 5-4, 11-15, and 11-16</td>
</tr>
<tr>
<td>Status of construction of storage piles, tailings basin, mine, reservoir, dam, diversion channel, drainage control, settling basin, heap and dump leaching facility, and auxiliary facilities</td>
<td>Minn. R. 6132.1100, subp. 7.D</td>
<td>Figures 7-7 and 10-6</td>
</tr>
<tr>
<td><strong>First year of operations</strong></td>
<td></td>
<td></td>
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<tr>
<td>Detailed plan of activities for first year of operations</td>
<td>Minn. R. 6132.1100, subp. 8</td>
<td>App. 13</td>
</tr>
<tr>
<td>First Year: Anticipated rate of mining</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 3.A</td>
<td>App. 13</td>
</tr>
<tr>
<td>First Year: Anticipated mining activities</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 3.B</td>
<td>App. 13 and Section 16</td>
</tr>
<tr>
<td>First Year: Anticipated reclamation</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 3.C</td>
<td>App. 13 and Section 16</td>
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<td>First Year: Notification of intent to close mining area</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 3.D</td>
<td>App. 13</td>
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<tr>
<td>First Year: Any difference in anticipated activities from approved mining and reclamation plan</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 3.E</td>
<td>App. 13</td>
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<td>First Year: Evidence of liability insurance compliance</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 3.F</td>
<td>App. 13 and Section 16</td>
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<td>First Year: Anticipated changes in ownership and organizational structure</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 3.G</td>
<td>App. 13</td>
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<tr>
<td>First Year: Approved wetland replacement plan</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 3.H</td>
<td>App. 13 when approved</td>
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<td>Contingency Reclamation Plan: Methods, sequence, and schedule of reclamation</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 4.A</td>
<td>Section 16; App. 15</td>
</tr>
<tr>
<td>Contingency Reclamation Plan: Maps and cross-sections depicting construction of each area affected by mining</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 4.B</td>
<td>Section 16; App. 15</td>
</tr>
<tr>
<td>Contingency Reclamation Plan: Cost estimates and financial mechanisms necessary to implement contingency reclamation plan if operations cease in first year</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 4.C</td>
<td>Section 16; App. 15</td>
</tr>
<tr>
<td>REQUIRED CONTENT</td>
<td>APPLICABLE STATUTE/RULE</td>
<td>LOCATION IN APPLICATION</td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Corrective Action: Actual corrective action conducted in previous year</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 5.A</td>
<td>App. 13 and Section 16</td>
</tr>
<tr>
<td>Corrective Action: Anticipated corrective action for first year</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 5.B</td>
<td>App. 13 and Section 16</td>
</tr>
<tr>
<td>Corrective Action: Corrective action cost estimate</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 5.C</td>
<td>App. 13 and Section 16</td>
</tr>
<tr>
<td>Maps showing status of mining, construction, and reclamation</td>
<td>Minn. R. 6132.1100, subp. 8; 6132.1300, subp. 6</td>
<td>App. 13 and 15; Section 16</td>
</tr>
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Appendix 1.3  MDNR Agenda for Initial Prepplication Conferences
Agenda

Preapplication Conferences

Proposed PolyMet NorthMet Project

March 23 & 30/April 6, 2016

In accordance with M.R. 6132.1100, Subpart 1, the DNR will hold preapplication conferences to review the proposed mining operations and to provide direction on the preparation of an application for a permit to mine. The following is an outline of the content for the preapplication conferences.

I. Introductions
II. Purpose and Scope of Preapplication Conference
III. Documentation of Preapplication Conference
IV. Logistics for Application Submittal (e.g., electronic submission, hard copies, recipients)
V. Application Process for Review and Public Participation
VI. Resolution and Documentation of items referred to Permitting, during Environmental Review (EIS)
VII. Application Content
   A. Overview of application structure (e.g., Table of Contents, appendices, etc.)
   B. Regulatory requirements and checklist
   C. Format of maps
   D. Terminology
   E. General approach for overlap with other permits (e.g., air, water quality, wetlands)
VIII. Project Specific Topics
   A. Applicant qualifications, documents, and organizational structure requirements
   B. Overview of proposed operations
   C. Mining area
   D. Environmental setting maps
   E. Siting criteria and buffers
   F. Mining and reclamation plans and maps (e.g., life of mine, specific operations)
   G. Mine waste characterization
   H. First year of operation/annual report content and scope (including wetland replacement)
   I. Financial assurance
IX. Conclusions

NOTE: This agenda was prepared prior to the meetings. Meeting dates were adjusted, and occurred on 3/23/16, 4/6/16 and 4/13/16.
Agenda

Preapplication Final Conference Meeting and Site Visit

PolyMet Proposed NorthMet Mining Project

Location: PolyMet Office and Plant Site/Tailings Basin

Hoyt Lakes, MN

April 19, 2016 (noon – 3:00 pm)

In accordance with MN Rule 1632.1100 Permit Application the DNR will hold preapplication conferences and site visits for proposed nonferrous mining projects.

I. Welcome/Introductions (PolyMet)

II. Purpose and Scope (DNR)

III. Summarize Preapplication Conference Meetings (DNR/PolyMet)

- Preapplication Conference Meetings held on March 23, April 6 & 13, 2016
- Topics discussed include:
  - Application submittal process, requirements, reviews, and public participation
  - Application content - mining operations, environmental setting, maps, mine waste characterization, reclamation, financial assurance, reporting

IV. Proposed NorthMet Project Overview (PolyMet)

- Review of proposed mining operations:
  - Mine Site
  - Transportation/Utilities Corridors
  - Plant Site/Tailings Basin

V. Site Visit (PolyMet)

- Maps/drone coverage of Mine Site (PolyMet Office)
- Plant Site/Tailings Basin visit

Logistics: Meet at the PolyMet office and ready for meeting to begin at noon; lunch will be on your own (beforehand); following presentations/discussions at PolyMet Office, we will bus to the Plant Site/Tailings Basin; following Site visit we will return to PolyMet office and proceed accordingly to Aurora for the Preapplication Public Information Meeting.
Sign in Sheet

Preapplication Final Conference Meeting and Site Visit

PolyMet Proposed NorthMet Mining Project

Location: PolyMet Office and Plant Site/Tailings Basin

Hoyt Lakes, MN

April 19, 2016 noon - 3:00

Mike Lijewski, DNR

Brad Moore, PolyMet

Mike Kruse, DNR

Joni Jordan, DNR

Cristina Almeida, PolyMet

Deborah Mitchell, PolyMet

Joel Christiansen, DNR

Rick Shannon, DNR

Jon Cherry, PolyMet

Bruce Liederholm, PolyMet

Ann Foss, MPCA

Rebecca Floyd, MPCA

LaTisha Gietzen, PolyMet

Jim Howard, BLM

Jim Altena, BLM

Jess Roberts, DNR

Cathy Polisky, USACE

Kenton Spading
Appendix 1.5  Notice and Related Information for Public Information Meeting
Preapplication Public Informational Meeting

PolyMet Mining, Inc., NorthMet Mining Project

On Tuesday, April 19, 2016, the Minnesota Department of Natural Resources (MDNR) is holding a Preapplication Public Informational Meeting in Aurora, Minnesota regarding PolyMet Mining, Inc.'s (PolyMet) proposed NorthMet Mining Project. Prior to submission of a permit to mine application, in accordance with Minnesota Rule 4402.1100, the MDNR must hold a public informational meeting and invite the participation of the Minnesota Pollution Control Agency (MPCA), Environmental Quality Board (EQB), and the local unit of government.

The purpose of this meeting is to provide an overview of the permitting process. The meeting is being held in Aurora to facilitate local government participation. The Preapplication Public Informational Meeting will take place as follows:

Date: Tuesday, April 19, 2016
Time: 6:30 to 8:30 p.m.
Open House throughout the meeting
Location: Mesabi East High School (http://www.mesabi1123.m2s.us) 601 North 1st St. West, Aurora, MN 55703

The meeting will include both a formal presentation and open house. The formal presentation will provide an overview of the proposed mining project and the permit to mine process. The presentation will also provide a brief summary of the other state permits that may be required for the project. State agency staff and the proposer will be available in an open house format throughout the meeting to answer questions about the permit to mine process and other permit processes, such as tailings dam safety, water quality, air quality, wetlands, and others.

This meeting is being held to provide information about the permitting process. Permit applications have not yet been submitted for the project. Formal public comment on permits is not taken at this point in the process. However, if applications are received, there will be future opportunities to both obtain information about applications and review and comment on draft permit decisions.

State agencies are currently developing a central website for the PolyMet permitting process. DNR will announce the availability of this website once it is completed. The website will include instructions on how to sign up for updates on the permitting process through the State's GovDelivery system.

Project Overview

The proposed NorthMet mine project would be located in the St. Louis River watershed on the eastern edge of the Mesabi Range, about 6 miles south of Rabbit and about 1 mile south of the existing Iron ore Northshore Mine. The ore would be processed at a former industrial site, the LTV plant in Hoyt Lakes. The total project area would include the open pit mine, a processing plant, tailings basin and an existing 7-mile-railroad corridor for ore transport between the mine and the processing plant.

Published in the Range Times March 17, 2016.

Affidavit of Publication

STATE OF MINNESOTA
COUNTY OF ST. LOUIS - SS

GARY D. ALBERTSON, being duly sworn, on oath says he is and during all the times herein has been the publisher and printer of the newspaper known as Range Times and has full knowledge of the facts herein stated as follows: (1) Said newspaper is printed in the English language in newspaper format and in column and sheet form equivalent in printed space to at least 900 square inches. (2) Said newspaper is weekly and is distributed at least once each week. (3) Said newspaper has 50% of its columns devoted to news of local interest to the community which is purports to serve and does not wholly duplicate any other publication and is not made up entirely of patents, plate matter and advertisements. (4) Said newspaper is circulated in and near the municipality which it purports to serve, has at least 500 copies regularly delivered to paying subscribers, has an average of at least 75% of its total circulation currently paid or no more than three months in arrears and has entry as a second-class matter in its local post office. (5) Said newspaper purports to serve the Cities of Biwabik, Aurora, Hoyt Lakes, and townships of same in the County of St. Louis and it has its known office of issue in the City of Biwabik in said county, established and open during its regular business hours for the gathering of news, sale of advertisements and sale of subscriptions and maintained by the publisher or persons in his employ and subject to his direction and control during all such regular business hours and devoted exclusively during such regular business hours to the business of the newspaper and business related thereto. (6) Said newspaper files a copy of each issue immediately with the State Historical Society. (7) Said newspaper has complied with all the foregoing conditions for at least two years preceding the day or dates of publication mentioned below. (8) Said newspaper has filed with the Secretary of State of Minnesota prior to January, 1966 and each January 1 thereafter an affidavit in the form prescribed by the Secretary of State and signed by the publisher of said newspaper and sworn to before a notary public stating that the newspaper is a legal newspaper.

He further states on oath that the printed copy hereto attached was part hereof was cut from the columns of said newspaper, and was printed and published therein in the English language, once each week, for successive weeks: that it was first so published on the 17 day of 2016 and was thereafter printed and published on every Thursday to and including the day or dates of and that the following is a printed copy of the lower case alphabet from A to Z, both inclusive, and is hereby acknowledged as being the size and kind of type used in the composition and publication of said notice, to wit:

abcdefg

Subscribed and sworn to before me this 17 day of March 2016

GARY D. ALBERTSON
Notary Public

My commission expires Jan 31, 2020

EDNA R. ALBERTSON
Notary Public-Minnesota

My Commission Expires Jan 31, 2020
Minnesota Department of Natural Resources
Notice of Preapplication Public Informational Meeting Regarding PolyMet Mining proposed NorthMet Mining Project

On Tuesday April 19, 2016, the Minnesota Department of Natural Resources (MDNR) is holding a Preapplication Public Informational Meeting in Aurora, Minnesota regarding PolyMet Mining, Inc.’s (PolyMet’s) proposed NorthMet Mining Project. Prior to submittal of a permit to mine application, in accordance with Minnesota Rule 6132.1100, the DNR must hold a public informational meeting and invite the participation of the Minnesota Pollution Control Agency (MPCA), Environmental Quality Board (EQB), and the local unit of government.

The purpose of this meeting is to meet the requirements of Minnesota Rule by informing the public that a permit to mine application may be submitted and providing an overview of the permitting process. The meeting is being held in Aurora to facilitate local government participation.

The Preapplication Public Informational Meeting will take place as follows:

**Date:** Tuesday April 19, 2016

**Time:** 6:00 to 8:30 p.m.

- Formal Presentation at 6:30
- Open House throughout the meeting

**Location:** Mesabi East High School (http://www.mesabeast.k12.mn.us/)
601 North First St. West
Aurora, MN 55705

The meeting will include both a formal presentation and an open house. The formal presentation will provide an overview of the proposed mining project and the permit to mine process. The presentation will also provide a brief summary of the other state permits that may be required for the project. State agency staff and the proposer will be available in an open house format throughout the meeting to answer questions about the permit to mine process and other permit processes, such as tailings dam safety, water quality, air quality, wetlands, and others.

This meeting is being held to provide information about the permitting process. Permit applications have not yet been submitted for the project. Formal public comment on permits is not taken at this point in the process. However, if applications are received, there will be future opportunities to both obtain information about applications and review and comment on draft permit decisions.

State agencies are currently developing a centralized website for the PolyMet permitting process. DNR will announce the availability of this website once it is completed. The website will include directions on how to sign up for updates on the permitting process through the State's GovDelivery system.

**Project Overview**

The proposed NorthMet mine project would be located in the St. Louis River watershed on the eastern edge of the Mesabi Iron Range, about 6 miles south of Babbitt and about 1 mile south of the existing iron-ore Northshore Mine. The ore would be processed at a former industrial site, the LTV plant in Hoyt Lakes.

The total project area would include the open pit mine, a processing plant, tailings basin and an existing seven-mile-long railroad corridor for ore transport between the mine and the processing plant.
Environmental Assessment Worksheet

The following EAW has a comment deadline of April 20, 2016

Project Title: Lindbo Landing Marina Multiple Dock License

Project Description: The Lake Minnetonka Conservation District (LMCD) has received a new multiple dock license application from Lindbo Landing Marina. The proposal is to reconfigure and reconstruct the existing seasonal multiple dock utilizing LMCD Ordinance 217 for Qualified Commercial Marinas. Lindbo Landing Marina is located on Echo Bay at 285 West Point Road, Tonka Bay, MN 55331.

RGU: Lake Minnetonka Conservation District

Contact Person:
Gregory S. Nybeck
Executive Director
5341 Maywood Road (Suite 200)
Mound, MN 55364
qnybeck@lmcd.org
952-745-0789
Environmental Impact Statement Need Decision

The noted responsible governmental unit has determined the following project does not require preparation of an EIS. The dates given are, respectively, the date of the determination and the date the EAW notice was published in the EQB Monitor.

- Anoka County, CSAH 116 Reconstruction Project, 2-16-16 (2-16-15)

Notices

Preapplication Public Informational Meeting - PolyMet Mining, Inc., NorthMet Mining Project

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The total project area would include the open pit mine, a processing plant, tailings basin and an existing 7-mile-long railroad corridor for ore transport between the mine and the processing plant.

**Minnesota Department of Agriculture - Notification of Releases of Genetically Engineered Organisms**

<table>
<thead>
<tr>
<th>MDA Notification</th>
<th>Applicant</th>
<th>Crop</th>
<th>Project Category</th>
<th>County(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-NO-024,</td>
<td>Syngenta</td>
<td>Corn</td>
<td>IR, HT 16-NO-024, 16-NO-029</td>
<td>Blue Earth, Dakota, Faribault,</td>
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<tr>
<td>16-NO-029</td>
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<td></td>
<td>Goodhue, Mower, Rice (Up to</td>
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<td></td>
<td>Protection, LLC</td>
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<td>10 acres each)</td>
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<td></td>
<td></td>
<td></td>
<td>IR - Insect Resistance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>HT - Herbicide Tolerance</td>
<td></td>
</tr>
</tbody>
</table>

Syngenta Crop Protection, LLC, filed a Notification for Releases of Genetically Engineered Organisms with the Minnesota Department of Agriculture, MDA notification numbers 16-NO-024 and 16-NO-029. Notification is for genetically modified corn, pending USDA-APHIS Biotechnology Regulatory Services (BRS) approval for the environmental release of transgenic corn, referenced as Application Numbers 16-055-101n, and 16-061-106n. For additional information contact Clifford Warrin, Minnesota Department of Agriculture, 625 Robert St N., St Paul, MN 55155, 651-201-6551, clifford.warrin@state.mn.us

<table>
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<tr>
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<td>Corn</td>
<td>IR - Insect Resistance</td>
<td>Freeborn (up to 5 acres)</td>
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<td></td>
<td>Crop</td>
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<tr>
<td></td>
<td>Protection, LLC</td>
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</table>

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Bayer CropScience LP filed a Notification for Releases of Genetically Engineered Organisms with the Minnesota Department of Agriculture. MDA notification numbers 16-NO-026. Notification is for genetically modified soybean, pending USDA-APHIS Biotechnology Regulatory Services (BRS) approval for the environmental release of transgenic soybean, referenced as Application Number 16-057-107n. For additional information contact Clifford Watrin, Minnesota Department of Agriculture, 625 Robert St N., St Paul, MN 55155, 651-201-6531, clifford.watrin@state.mn.us

<table>
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<tr>
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<th>Crop</th>
<th>Project Category</th>
<th>County(s)</th>
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<td>16-NO-026</td>
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<td>Soybean</td>
<td>HT - Herbicide Tolerance</td>
<td>Big Stone</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Clay (up to 10 acres each)</td>
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<table>
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<tr>
<th>MDA Notification</th>
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<th>Crop</th>
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<td>Betaseed Inc.</td>
<td>Sugarbeet</td>
<td>PQ-Feed/Food Properties</td>
<td>Clay (2) 15 acres</td>
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<td></td>
<td>Clay (3) 10 acres</td>
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<td></td>
<td></td>
<td></td>
<td>Dakota (2) 10 acres</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td>Goodhue (1) 10 acres</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td>Scott (1) 10 acres</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Wilkin (1) 15 acres</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Wilkin (1) 10 acres</td>
</tr>
</tbody>
</table>

Betaseed Inc. filed a Notification for Releases of Genetically Engineered Organisms with the Minnesota Department of Agriculture. MDA notification numbers 16-NO-027. Notification is for genetically modified sugarbeet, pending USDA-APHIS Biotechnology Regulatory Services (BRS) approval for the environmental release of transgenic sugarbeet, referenced as Application Number 16-060-103n. For additional information contact Clifford Watrin, Minnesota Department of Agriculture, 625 Robert St N., St Paul, MN 55155, 651-201-6531, clifford.watrin@state.mn.us
DNR NEWS – FOR IMMEDIATE RELEASE

March 17, 2016

Media contact: Chris Niskanen, DNR communications director, 651-259-5023,
chris.niskanen@state.mn.us.

DNR to host public information meeting in advance of PolyMet permit application

The Minnesota Department of Natural Resources is hosting a public information meeting on Tuesday, April 19, about PolyMet Mining, Inc.’s potential permit to mine application for its proposed NorthMet project. The meeting will be at Mesabi East High School, 601 North 1st St. W., Aurora, from 6 p.m. to 8:30 p.m.

The purpose of the meeting is to inform the public that PolyMet might submit a permit to mine application and to provide an overview of the permitting process. Under state rules, the Minnesota Pollution Control Agency, Environmental Quality Board, St. Louis County and the cities of Babbitt, Aurora and Hoyt Lakes, which are near the proposed mine, have been invited to participate. The meeting is in Aurora to enable local government participation.

The meeting will include a formal presentation and an open house. The formal presentation, which begins at 6:30 p.m., will provide an overview of the proposed mining project and the permit to mine process. It will also include a brief summary of the other state permits that may be required for the project. State agency staff and PolyMet representatives will be available during the open house to answer questions about the permit to mine process and other permit processes, such as tailings dam safety, water quality, air quality, wetlands and others.

Project permit applications have not yet been submitted. Formal public comment on permits will not be taken at this point. However, if applications are received, there will be future opportunities to both obtain information about the applications and review and comment on draft permit decisions.

State agencies are currently developing a centralized website for the PolyMet permitting process. The DNR will announce when the website is ready through its email system and will post the presentation material from the meeting on April 19. The website will also include directions on how to sign up for updates on the permitting process.

About the NorthMet mine proposal

The proposed NorthMet mine project would be located in the St. Louis River watershed on the eastern edge of the Mesabi Iron Range, about 6 miles south of Babbitt and about 1 mile south of the existing iron-ore Northshore Mine. The ore would be processed at a former industrial site, the LTV plant in Hoyt Lakes.
The total project area would include the open pit mine, a processing plant, tailings basin and an existing 7-mile-long railroad corridor for ore transport between the mine and the processing plant.
NEWS RELEASE

POLYMET PERMITTING PROCESS INITIATED

St. Paul, Minn., March 17, 2016 – PolyMet Mining Corp. TSX: POM; NYSE MKT: PLM today reported that the first step in the formal state permitting process has started with notice by the Minnesota Department of Natural Resources that it will hold a Preapplication Public Informational Meeting regarding the process for the NorthMet Project permit to mine.

Date: Tuesday April 19, 2016
Time: 6:00 to 8:30 p.m.
Formal Presentation at 6:30
Open House throughout the meeting

Location: Mesabi East High School (http://www.mesabicast.k12.mn.us/)
601 North 1st St. West, Aurora, MN 55705

“This public meeting initiates the formal state permitting process, building on the foundation of the state’s Record of Decision that was issued two weeks ago, which affirmed the Final Environmental Impact Statement,” observed Jon Cherry, president and CEO. “The recently completed environmental review process demonstrated that the project as designed meets federal and state human health and environmental regulatory standards. The permit applications will provide additional engineering details for the design, construction and operation of the project. When permits are issued by the State, they will include various financial assurance, operating, monitoring, reclamation and reporting requirements to ensure compliance with applicable environmental laws.”

The public meeting will include a formal presentation from the DNR that will provide an overview of the NorthMet Project and the permit to mine process. A brief summary of other state permits, such as tailings dam safety, water quality, air quality and wetlands will also be provided. State agency staff and PolyMet will be available in an open house format during the evening to answer questions about the permitting process and project respectively.

Minnesota regulations lay out the permitting process, starting with 30-day notice of the Preapplication Meeting to be held near the project location, followed by formal submission of permit applications and a review by the state that the applications are complete. Following the Meeting and after consultation with the DNR and the Minnesota Pollution Control Agency, PolyMet will begin to submit the various state permit applications that will be required to construct and operate the project.
Preparation of Records of Decision on the US Forest Service Land Exchange and the US Army Corps of Engineers’ 404 Wetland Permit is proceeding according to those respective agencies’ regulations.

**Background**

The NorthMet EIS is the most thorough environmental review conducted in the state of Minnesota. The EIS was written by the DNR, the U.S. Army Corps. of Engineers and the U.S. Forest Service as Co-lead Agencies and, since 2011, the U.S. Environmental Protection Agency as federal Cooperating Agency. In addition to the state’s Record of Decision, the EPA stated that the final EIS addresses all of its prior concerns and any remaining questions should properly be addressed in permitting.

PolyMet has spent more than $60 million providing engineering and legal input to the environmental review process. In addition, the state spent approximately $32 million independently assessing the environmental impacts, including approximately $22 million paid to the independent EIS Contractor to assess engineering solutions designed to ensure that NorthMet meets regulatory standards and to write the EIS. State staff logged approximately 90,000 hours—an average of 4.5 people working full time for a decade. Under established state procedures, PolyMet has reimbursed the state for all of these costs.

“...the environmental review process followed established procedures resulting in the state’s affirmative Record of Decision,” Cherry stated. “It is important that all participants respect and honor this process. PolyMet is committed to building Minnesota’s first copper-nickel mine and understands the very important responsibility of doing so in a way that is protective of the things that matter most to the community where we will have the privilege operating.”

* * * *

**About PolyMet**

PolyMet Mining Corp. (www.polymetmining.com) is a publicly-traded mine development company that owns 100 percent of Poly Met Mining, Inc., a Minnesota corporation that controls 100 percent of the NorthMet copper-nickel-precious metals ore body through a long-term lease and owns 100 percent of the Erie Plant, a large processing facility located approximately six miles from the ore body in the established mining district of the Mesabi Range in northeastern Minnesota. Poly Met Mining, Inc. has completed its Definitive Feasibility Study and is seeking environmental and operating permits to enable it to commence production. The NorthMet project is expected to require approximately two million hours of construction labor, creating approximately 360 long-term jobs, a level of activity that will have a significant multiplier effect in the local economy.

**POLYMET MINING CORP.**

Per: "Jon Cherry"

Jon Cherry, CEO
For further information, please contact:

**Media**
Bruce Richardson  
Corporate Communications  
Tel: +1 (651) 389-4111  
brichardson@polymetmining.com

**Investor Relations**
Jenny Knudson  
Investor Relations  
Tel: +1 (651) 389-4110  
jknudson@polymetmining.com

This news release 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," "projects," "plans," and similar expressions, or statements that events, conditions or results "will," "may," "could," or "should" occur or be achieved or their negatives or other comparable words. These forward-looking statements may include statements regarding the ability to receive environmental and operating permits, job creation, or other statements that are not a statement of fact. Forward-looking statements address future events and conditions and therefore involve inherent known and unknown risks and uncertainties. Actual results may differ materially from those in the forward-looking statements due to risks facing PolyMet or due to actual facts differing from the assumptions underlying its predictions.

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.

Specific reference is made to PolyMet's most recent Annual Report on Form 20-F for the fiscal year ended January 31, 2015 and in our other filings with Canadian securities authorities and the U.S. Securities and Exchange Commission, including our Report on Form 6-K providing information with respect to our operations for the three and six months ended October 31, 2015, for a discussion of some of the risk factors and other considerations underlying forward-looking statements.

The TSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.
Appendix 1.6  MDNR Presentation at Public Information Meeting
**Permit to Mine**

Preapplication Public Informational Meeting PolyMet's NorthMet Mining Project

**Preapplication Public Informational Meeting**

On April 19, 2016 the DNR hosted a public informational meeting, as required before PolyMet can apply for a Permit to Mine. At the meeting, the DNR gave an overview of the proposed mining project and the process for reviewing a nonferrous Permit to Mine application.

Please see the Minnesota Rules, section 6132.1100, for more information on the steps an applicant needs to fulfill before submitting an application, as well as what an application should contain.

The meeting took place on Tuesday April 19, 2016, at the Mesabi East High School in Aurora, MN.

A formal presentation was given by the Director of the DNR’s Lands and Minerals Division at 6:30, and an open house was held throughout the meeting from 6:00 to 8:30 p.m.

**Meeting summary**

The meeting is:

- The meeting includes a DNR presentation to provide an overview of the proposed mining project and the permit to mine process.
- The meeting provides a brief summary of the other state permits that may be required for the project.

The meeting is not:

- The meeting is not an opportunity to review or discuss permit applications. Project permit applications have not yet been submitted.
- The meeting is not an opportunity to offer formal public comment on permits, there will be future opportunities to both obtain information about the applications and review and comment on draft permits.

**PolyMet NorthMet Email Updates**

Sign up to receive updates regarding the proposed NorthMet Mining Project

Email Address

Submit

[http://www.dnr.state.mn.us/polymet/permitting/pmm/preapp_meeting.html](http://www.dnr.state.mn.us/polymet/permitting/pmm/preapp_meeting.html)
Questions and Answers

Provided below are questions and answers about the preapplication public informational meeting.

*Click each topic below to expand.*

*Click again to hide.*

What is the preapplication public informational meeting?

Prior to the submittal of an application for a Permit to Mine (PTM), the Minnesota Department of Natural Resources (DNR), with assistance of the applicant, is required to hold a public informational meeting. The meeting serves as a venue to provide an overview of the proposed mining project and permit to mine process.

Who is invited to the preapplication public informational meeting?

In addition to the MDNR, the Minnesota Pollution Control Agency (MPCA), the Environmental Quality Board (EQB), and the local unit of government are invited to participate in the meeting. Any member of the public may attend the meeting, and a notice of the meeting was published at least 30 days prior using the State Register, the EQB Monitor, and a local newspaper.

What happens during this preapplication public informational meeting?

http://www.dnr.state.mn.us/polymet/permitting/ptm/preapp_meeting.html
As mentioned above, this meeting serves as an opportunity to provide an overview of the proposed mining project and permit to mine process. The meeting includes a short presentation on these topics. There will also be an open house style opportunity to ask questions to State agency staff and PolyMet representatives about the permit to mine process and other permit processes.

Is this meeting part of the Environmental Review process?

No, this meeting serves to provide an overview of the Permit to Mine process, and is not part of the Environmental Review process.

Is there a permit to mine application to review?

The permit to mine rules require that the public informational meeting occur prior to the applicant submitting their permit to mine application. PolyMet has not submitted a permit to mine application. PolyMet has also not submitted any other permit applications to other state agencies prior to this meeting.

Will the public be able to provide comments at this meeting?

The public may ask questions on the permitting process during the open house venue of the meeting. Participants will also have the opportunity to sign up for email notifications regarding the permitting process. No formal public comment on permits will be taken at this
meeting. There will be future opportunities to both obtain information about the applications and review and comment on draft permits.
PolyMet - NorthMet Mining Proposal
Preapplication Public Informational Meeting
April 19, 2016

Jess Richards, Director
Division of Lands & Minerals
Minnesota Department of Natural Resources
OVERVIEW

- Summary of proposed project & steps completed
- Permit to mine process
- Overview of other State permits
- Stay informed: mn.gov/polymet
POLYMET – NORTHMET LOCATION
PLANT SITE PROPOSAL
KEY OPERATIONAL FIGURES

- Total Ore Removed = 225 Million Tons
  - Note: Ore includes both metals and eventual tailings

- Total Waste Rock Removed = 308 Million Tons

**Projected Annual Production**
- Copper – 36,000 tons
- Nickel - 7,500 tons
- Cobalt - 360 tons
- Precious Metals - 7,200 lbs

**Expected Mine Life**
- 20 years
STEPS COMPLETED: ENVIRONMENTAL IMPACT STATEMENT

- Proposed - 2005
- Final EIS - Nov. 2015
- Deemed Adequate March 2016
PERMIT TO MINE: NON-FERROUS (MINN. R. 6132)

Permit to Mine Components:

- Corporation organizational data and certificates
- Geology and mine pit progression
- Waste characterization
- Mining and reclamation maps and plans
PERMIT TO MINE: NON-FERROUS
(MINN. R. 6132)

Permit to Mine Components:

- Stockpile design and siting
- Management of runoff
- Tailings basin design and operation plans
- Financial assurance
- Closure plan
PERMIT TO MINE
FINANCIAL ASSURANCE

Source of funds to be used by the commissioner if the permittee fails to perform:

- reclamation activities including closure and postclosure maintenance if operations cease; and

- corrective actions if noncompliance with the Permit to Mine occurs.

Example Financial Tools:
- Irrevocable Letter of Credit
- Surety Bond
- Trust Fund
PERMIT TO MINE
FINANCIAL ASSURANCE

Evaluation criteria:
- Sufficient to cover all reclamation costs
- Payable to DNR: available when needed
- Valid, binding, and enforceable
- Not dischargeable through bankruptcy
- Acceptable to the Commissioner

Additional Key Elements:
- Initial funds on day 1
- Updated annually
- Sufficient to fund closure at any point in time

March, 2016
DNR Hires Emmons & Olivier Resources, Inc
DNR – PERMIT TO MINE & WETLANDS REPLACEMENT PLAN

- Draft Permit to Mine application & proposed financial assurance will be posted on website once received.

mn.gov/polymet
- Draft Permit to Mine application & proposed financial assurance will be posted on website once received.

[link to website: mn.gov/polymet]
DNR – WETLANDS REPLACEMENT PLAN

Wetland Replacement Plan

- Application submitted and deemed complete
- Comment period for TEP, WDs, DNR divisions, and public requesters
- Review of application and comments
- 52 days: Public review and input, Public meeting(s)
- Variable: Review of input
- Variable Timeframe: Replacement Plan Decision issued as part of the Permit to Mine
DNR – WATER APPROPRIATION

- Conserve and utilize the water resources
- Minimize adverse environmental effects
- Ensure safe design, construction, monitoring, and operation of tailing basin dams
ADDITIONAL DNR PERMITS & APPROVALS

- Endangered Species Takings
- Work in Public Waters
- Burning Permit
MPCA PERMITS & APPROVALS

- Air Emissions Permit
- Water Discharge Permit
- Storage Tanks
- Wetlands 401 Cert.
- Hazardous Waste
- Stormwater (Const. & Industrial)
MPCA permitting processes

**Air Permitting**
- Air Modeling Protocol Review
- Permit Application Submitted
- Completeness Review
- Develop Draft Permit Requirements
- Tribal and Permittee Review
- 30 Day Public Comment Period with Public Meeting
- Respond to Comments
- Permit Decision

**Water Permitting**
- Permit Application Submitted
- Completeness Review
- Develop Draft Permit Requirements
- Tribal and Permittee Review
- 30 Day Public Comment Period
- Respond to Comments
- Permit Decision

**401 Certification**
- Request Submitted
- Develop Draft Certification Requirements
- Tribal and Permittee Review
- 30 day Public Comment Period
- Respond to Comments
- Certification Decision

[mn.gov/polymet]
ADDITIONAL ORGANIZATIONS WITH PERMITS OR APPROVALS

Hoyt Lakes

Saint Louis County

Babbitt

Minnesota Department of Health

US Forest Service

US Fish & Wildlife Service

US Army Corps of Engineers
STAY INFORMED

- Sign up for email updates
- Access draft permit applications
- View project background & recent news

mn.gov/polymet
THANK YOU

Crowd at PolyMet EIS Meeting – St. Paul, MN

Jess Richards
Director
DNR Lands and Minerals
Phone: 651-259-5959
Jess.Richards@state.mn.us
PolyMet's Permitting Process Kicks off in Aurora

Another milestone for the PolyMet project, the proposed copper nickel project planned for Babbitt and Hoyt Lakes.

The Minnesota DNR hosted a pre-application public informational meeting on Tuesday at the Mesabi East High School in Aurora. It’s the official start to the permitting process for PolyMet.

The DNR gave the crowd an overview of the project, then the permit to mine process, and a brief summary of the other permits needed for the copper nickel project.

Jess Richards, director of the Lands and Minerals Division, told the crowd that permits that PolyMet will need will come from local governments, as well as state and federal agencies.

"It's an opportunity to share how the public can engage in the future on draft permits, when we get to that point, and when the public will have access to applications," Barb Naramore explained. She's the assistant commissioner of the DNR.

PolyMet leaders are excited to be to this point. "This is the next chapter for us," said CEO Jon Cherry. "Since the final EIS was released last fall, we've been working on assembling the draft permit applications, and will submit those soon."

Opponents who showed up to the meeting told us that they don't believe the final EIS is based on science. "The way they came up with to address the problems is called adaptive management, which is to manage the problem once it's come up. That's not based on science. And it's immoral," said Elanne Palcich, of Chisholm. She also said they believe the DNR buried many of their comments made during the EIS process.

But over 90% of the people at the meeting were in support of PolyMet. Some came up from Duluth. Most are hopeful that the 350 permanent jobs and the hundreds of construction ones will bring more stability and opportunity to the Range.

"The economy needs this," Jason Quiggin said. He's from Local 589, Plumbers and Pipefitters. "This means a lot of work for us."

The DNR's presentation about PolyMet from Tuesday night is on their website:

http://www.dnr.state.mn.us/polymet/permitting/ptm.html
AURORA — The Minnesota Department of Natural Resources Tuesday night laid out how it will move ahead with developing the permits needed by PolyMet Mining Co. for what would be the state's first-ever copper mining operation.

The DNR held an open-house-style meeting at Mesabi East High School to explain how the agency will scrutinize PolyMet's permit applications, expected by mid-summer, and at which point the public will have the chance to comment at open meetings and in writing.

More than 400 people attended, many wearing "We Support Mining" stickers, half-filling the gymnasium. But some may have gone away disappointed. The DNR steered conversation away from comments for and against PolyMet and instead focused on the complex permitting process.

The permit to mine is the biggest and most complicated of nearly two dozen permits that PolyMet will need before it can begin the project. Other permits cover air pollution, water pollution, water usage, wetlands, dams, endangered species, hazardous waste and more, to be issued by both the DNR and the Minnesota Pollution Control Agency.

The state permit to mine will lay out all of the rules the company must follow, such as mining operations, transportation, waste rock storage and financial assurance — as well as how much money the company must front to cover any problems that occur. Most of the rules had been laid out by a 1990s package of state laws that covers nonferrous mining such as copper.

Both the company and the DNR described the permit-to-mine process as an intense look at how the mine will work — even more detailed than the 3,900-page environmental review that took a decade to complete.

"This is more of a prescriptive process ... but also a much more compressed process," said Jon Cherry, PolyMet CEO, adding that he anticipates no major surprise issues after the DNR deemed the environmental review completed in early March. "What we're doing now is probably even more detailed, to back that (decision) up."

DNR officials assured those attending that they'll have ample opportunity to see PolyMet's permit applications soon after the agency receives them.

"They're going to all be posted online for anyone to see," said Barb Naramore, DNR assistant commissioner.

There are also public comment periods and public meetings planned if and when the state and the company can agree on permit specifics. State law also allows challenges of permits through an administrative law judge or the state Court of Appeals.

It's not yet clear how long the permitting process may take or when that public input will be opened.

There is a state-mandated 150-day "goal" from the date of application for agencies to either deny or award permits. That's not likely in this case because of the complexity and controversy surrounding the project. But PolyMet clearly is hoping for permits in hand to start work by 2017.

PolyMet is proposing an open-pit copper mine not far from Babbitt, with processing at the former LTV Steel Mining Co. taconite plant near Hoyt Lakes. The project, estimated at $650 million to build, would employ about 300 workers for about 20 years.

Supporters say the jobs would help diversify the Iron Range economy that is too much tied to the cyclical and now troubled taconite iron ore industry.

"This permit process is another step toward seeing this happen," said Mike Skelton, mayor of Hoyt Lakes.

"People up here are walking around with their heads hung down right now with some of the mines still down. I'm trying to see the glass as half full, that we still have a future, and this PolyMet project is a big part of that," Skelton added. "I know they can do this right and not harm the environment or I wouldn't be saying this."

But critics say the copper and other metals that PolyMet plans to mine and process are locked inside rock that is high in sulfur. When that rock is unearthed and exposed to air and water, it creates acidic runoff that can pull heavy metals and other contaminants out of the rock. Environmental groups claim that runoff, if uncontained and untreated, could taint the nearby and downstream waters of the St. Louis River or even Lake Superior.

DNR Commissioner Tom Landwehr in March ruled that his agency's decade-long environmental review of the proposal is legally "adequate." That decision signaled a transition away from environmental review and toward developing details of how the state's first copper mine might be built and operate.

Once permits are in hand, the company said it will take 18-24 months to refurbish the old LTV taconite processing plant and tailings basin and dig the new copper mine and start production — processing ore to pull out the valuable copper, nickel, gold, platinum and palladium inside.

PolyMet also needs some federal permits, including for wetlands that would be destroyed at the site and replaced elsewhere. And state officials noted Tuesday that the federal environmental review is still underway for both wetlands and a land exchange for property at the mine site.

The project could still see state or federal lawsuits get in the way. And PolyMet still must raise an estimated $650 million from investors or creditors to "build out" the mine and refurbish the processing center to begin production. The company also will have to provide some sort of bond, trust fund or insurance policy to cover the estimated $200 million needed to pay for any mishaps at the mine — and also to rehabilitate the site after mining ends — plus another $3 million to $6 million annually to cover water treatment at the site that may have to continue decades after the mine is played out.

DNR officials say the state will require, in the permit to mine, that PolyMet have enough money in that account so taxpayers won't have to pay a dime if something goes wrong, even if the company itself fails or dissolves.
POLYMET PERMIT STAGE LOOKS TO BE LESS AMBIGUOUS

CEO: APPLICATION SUBMISSION IN THE NEXT FEW WEEKS; CAUTIOUS APPROACH

BILL HANNA Executive Editor  Apr 20, 2016
JIM ROMSAAS
Mike Lillegren of the Department of Natural Resources discusses PolyMet's proposed NorthMet project at a public meeting Tuesday Aurora.

AURORA — The permitting stage for the PolyMet copper/nickel/precious project near Hoyt Lakes and Babbitt will be more prescriptive and not ambiguous as was the Environmental Impact Statement procedure," company CEO and President Jon Cherry said Tuesday evening.

"The process will be spelled out in days, not months or years," he added.

Tuesday night's meeting at the Mesabi East School in Aurora was to provide information on the permit process and was hosted by the Department of Natural Resources. Cherry said PolyMet plans to submit permit applications within the next few weeks.

The DNR will process seven permits; the Minnesota Pollution Control Agency, three. There are also separate federal permits required.

Here are the DNR permits PolyMet will need:

• Permit to Mine: This is the most important of all permits. A variable time frame for application review; then 30 days from when the review is complete to prepare for public notice. There is a variable time limit on tribal pre-notice. The public notice and objection time period is 52 days, which includes public meetings. Then a variable time frame to review comments and objections before a permit decision is published.

• Wetland Replacement Plan Permit: Variable time frame for review of application and comments following a 15-day period to provide to proper agencies for review. Then 52 days for public review and input, including public meetings. Variable time period for review of comments and then permit issued for replacement plan.

• Water Appropriation Permit: Application review of 30 to 60 days; then 30 days for fees to be invoiced and received; variable time period for review of public input before finding of facts is demonstrated and a permit decision made.

• Dam Safety Permit: Application review of 30 to 60 days; another 30 days for fees invoiced and received; 30 days for review by proper agencies; 30 days for proposal evaluation; then variable timeline for finding of facts and permit decision.
Endangered Species Taking Permit; Permit for Work in Public Waters; Burning Permit: No timeline references provided.

Here are the MPCA permits PolyMet will need:

• Air Permitting: Thirty-day comment period with public meeting held. Then response to comments before permit decision.

• Water Permitting: Thirty-day comment period with public meeting held. Then response to comments before permit decision.

• 401 Certification: Thirty-day comment period with public meeting held. Then response to comments before permit decision.

The project has already received more than 10 years of environmental review, and supporters say that is far too long.

Cherry, however, is taking a much more cautious approach.

"We are having good constructive meetings since the Determination of Adequacy for the project was issued weeks ago. They're tough, but that's OK.

"We feel the pressure of making sure this is done right. We do feel the pressure and are responding with that in mind," Cherry said.

The PolyMet mine and processing plant will create 350 permanent jobs, hundreds of indirect positions and more than 2 million hours of construction.

JERRY BURNES
POLYMET SUPPORT OVERWHELMING
HEARING ON PERMIT PROCESS IN AURORA DRAWS 450

BILL HANNA EXECUTIVE EDITOR  Apr 19, 2016

Department of Natural Resources Lands and Minerals Director Jess Richards, foreground, addresses the several hundred people attending Tuesday's pre-application public informational meeting in Aurora on PolyMet's proposed NorthMet Project.
AURORA — Those in the media and opponents of the PolyMet copper/nickel/precious metals project who continue to say the Iron Range is split in opinion on the venture should have a different assessment if they attended Tuesday’s public hearing on the permitting process.

The overwhelming majority of the estimated 450 people attending the hearing wore their support for what will be the state’s first copper/nickel/precious metals mine on their garments, with stickers backing PolyMet.

And the gathering at the Mesabi East School in Aurora was also noticeable for its lack of nonferrous mining opponents, with only a handful present.

“I am exceptionally pleased to get to the permitting process,” said PolyMet CEO Jon Cherry. “We’re now one step closer.”

The meeting was hosted by the Department of Natural Resources and is a required part of the permitting process.

It was simply an informational meeting, yet supporters showed up in force.

Cherry said the company is close to submitting applications for the various permits needed for construction and then production. He said once that step is taken, the company will be better positioned to issue a timetable for construction and startup.

“We want to make sure the applications are absolutely solid. It should be within the next few weeks,” Cherry said.

There has already been more than 10 years of environmental review for the venture.

The PolyMet mine and processing plant will create 350 permanent jobs, hundreds more indirect positions and more than 2 million hours of construction.

Mayors Mark Skelton and Mary Hess of Aurora left and walked from the Mesabi East School together, with Skelton to get some rest before traveling to Washington, D.C., today as part of a Range Association of Municipalities and Schools meeting to register with federal officials the region’s support for mining.
“You wouldn’t think we’d have to fight this hard to save the area. But we will,” Skelton said while loading pro-mining placards into his vehicle.

“It’s important we continue showing support for PolyMet,” Skelton said.

And they did.

JIM ROMSAAS
Appendix 1.7  Certificate of Good Standing for Poly Met Mining, Inc.
Office of the Minnesota Secretary of State
Certificate of Good Standing

I, Steve Simon, Secretary of State of Minnesota, do certify that: The business entity listed below was filed pursuant to the Minnesota Chapter listed below with the Office of the Secretary of State on the date listed below and that this business entity is registered to do business and is in good standing at the time this certificate is issued.

Name: Poly Met Mining, Inc.
Date Filed: 02/16/1989
File Number: 6F-388
Minnesota Statutes, Chapter: 302A
Home Jurisdiction: Minnesota

This certificate has been issued on: 07/20/2016

Steve Simon
Secretary of State
State of Minnesota
Appendix 1.8  Certificate of Insurance
**CERTIFICATE OF LIABILITY INSURANCE**

**POLYM.1**

**OP ID: TT**

**07/15/2016**

**THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFRS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT constitute a CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR FUNCTOR, AND THE CERTIFICATE HOLDER.**

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

**PRODUCER**

Virginia Branch
Otis Magie Insurance Agency
820 9th St N Ste 100
Virginia, MN 55792
Todd McCullinray - V

**INSURED**

PolyMet Mining Corp.
PO Box 475
Hoyt Lakes, MN 55750

**CONTACT**

**NAME:** Tom Towner
**PHONE:** 218-248-8396
**EMAIL:** twm@otismagie.com
**TAX ID:** 218-248-8395

**INSURER(ORS) AFFORDING COVERAGE**

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**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remain Schedule, may be attached if more space is required):**

**CERTIFICATE HOLDER**

**CANCELLATION**

**SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.**

**AUTHORIZED REPRESENTATIVE**

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Appendix 1.9 Annual Financial Report
REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-32929

POLYMET MINING CORP.
(Exact name of Registrant as specified in its charter)

British Columbia, Canada
(Jurisdiction of incorporation or organization)

Suite 5700 – 100 King Street West, Toronto, Ontario M5X 1C7
(Address of principal executive offices)

Douglas Newby
c/o Poly Met Mining, Inc.
444 Cedar Street, Suite 2060
St Paul, Minnesota 55101
Tel: 651-389-4100
Fax: 651-389-4101
E-mail: dnewby@polymetmining.com
(Name, telephone, e-mail and/or facsimile number and address of Company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:
Common Shares, without par value
(Title of Class)
Name of each exchange on which registered

**NYSE MKT**

**TSX**

Securities registered or to be registered pursuant to Section 12(g) of the Act:  
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:  
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.  
277,557,082

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
☐ Yes  ☑ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of 15(d) of the Securities Exchange Act of 1934.  
☐ Yes  ☑ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
☑ Yes  ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes  ☐ No  ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.  See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer  ☐  Accelerated filer  ☑  Non-accelerated filer  ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  ☐  International Financial Reporting Standards as issued by the International Accounting Standards Board  ☑  Other  ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.  
Item 17  ☐ Item 18  ☑

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
☐ Yes  ☑ No
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F (this “Annual Report”) contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements appear in a number of different places in this Annual Report and can be identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible", "projects", "plans", and similar expressions, or statements that events, conditions or results "will", "may", "could", or "should" occur or be achieved or their negatives or other comparable words. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The statements, including the statements contained in Item 3D “Risk Factors”, Item 4B “Business Overview”, Item 5 “Operating and Financial Review and Prospects” and Item 11 “Quantitative and Qualitative Disclosures About Market Risk”, are inherently subject to a variety of risks and uncertainties that could cause actual results, performance or achievements to differ significantly. Forward-looking statements include statements regarding the outlook for our future operations, plans and timing for our exploration and development programs, statements about future market conditions, supply and demand conditions, forecasts of future costs and expenditures, the outcome of legal proceedings, and other expectations, intentions and plans that are not historical fact. Our actual results may differ materially from those in the forward-looking statements due to risks facing us or due to actual facts differing from the assumptions underlying our predictions. Some of these risks and assumptions include:

- obtaining permits on a timely basis;
- our ability to raise the funds necessary to develop the NorthMet Project and continue operations;
- our ability to execute prospective business plans;
- changes in the general economic and business conditions, including changes in interest rates and exchange rates;
- changes in the resources market, including prices of natural resources, costs associated with mineral exploration and development, and other economic conditions;
- natural phenomena;
- actions by government authorities, including changes in government regulation;
- uncertainties associated with legal proceedings; and
- future decisions by management in response to changing conditions.

All forward-looking statements included in this Annual Report are based on information available to us on the date of this Annual Report. We expressly disclaim any obligation to update publicly or otherwise these statements, whether as a result of new information, future events or otherwise except to the extent required by law, rule or regulation. You should not place undue reliance on forward-looking statements. You should carefully review the cautionary statements and risk factors contained in this and other documents that we file from time to time with the Securities and Exchange Commission (the “SEC”).

NOMENCLATURE

In this Annual Report, unless the context otherwise dictates, “we”, “our”, “us”, “PolyMet” or the “Company” refers to PolyMet Mining Corp. and its subsidiaries.
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected financial data, as at January 31, 2016, 2015, 2014, 2013, and 2012 and for the years ended January 31, 2016, 2015, 2014, 2013, and 2012 are derived from our audited consolidated financial statements either included herein (in respect of as the consolidated financial statements as at January 31, 2016 and 2015 and for the years ended January 31, 2016, 2015 and 2014) and as filed previously. The selected financial data should be read in conjunction with “Item 5 - Operating and Financial Review and Prospects”, the consolidated financial statements and related notes of the Company included under “Item 18 – Financial Statements” and other financial information included elsewhere in this Annual Report.

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Unless otherwise indicated, all monetary amounts in this Annual Report are expressed in United States dollars, our reporting currency.

<table>
<thead>
<tr>
<th>Selected Financial Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>($'000s, except loss per share and weighted average shares)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
</tr>
<tr>
<td>Income (loss) from Operations</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
</tr>
<tr>
<td>Net Loss</td>
<td>$(9,346)</td>
<td>$(7,276)</td>
<td>$(8,132)</td>
<td>$(6,626)</td>
<td>$(3,045)</td>
</tr>
<tr>
<td>Basic &amp; Diluted Loss Per Share</td>
<td>$(0.03)</td>
<td>$(0.03)</td>
<td>$(0.04)</td>
<td>$(0.04)</td>
<td>$(0.02)</td>
</tr>
<tr>
<td>Dividends Per Share</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
<td>$ –</td>
</tr>
<tr>
<td>Weighted Average Shares</td>
<td>276,812,958</td>
<td>275,726,953</td>
<td>236,303,304</td>
<td>178,949,306</td>
<td>160,358,498</td>
</tr>
<tr>
<td>Working Capital (Deficiency)</td>
<td>$ 2,162</td>
<td>$(31,672)</td>
<td>$(0.04)</td>
<td>$ 2,629</td>
<td>$ 16,375</td>
</tr>
<tr>
<td>Net Assets</td>
<td>$ 184,657</td>
<td>$ 192,376</td>
<td>$ 196,332</td>
<td>$ 142,912</td>
<td>$ 132,366</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 337,660</td>
<td>$ 313,229</td>
<td>$ 287,525</td>
<td>$ 236,127</td>
<td>$ 189,571</td>
</tr>
<tr>
<td>Share Capital (includes Share Capital Premium)</td>
<td>$ 244,068</td>
<td>$ 244,496</td>
<td>$ 243,337</td>
<td>$ 184,222</td>
<td>$ 170,566</td>
</tr>
</tbody>
</table>

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.
D. Risk Factors

Our business is subject to many risks and uncertainties, which may affect our future financial performance. If any of the events or circumstances described below occurs, our business and financial performance could be harmed, our actual results could differ materially from our expectations and the market value of our securities could decline. The risks and uncertainties discussed below are not the only ones we face. There may be additional risks and uncertainties not currently known to us or that we currently do not believe are material that may harm our business and financial performance.

RISKS RELATING TO OUR BUSINESS

We depend on a single mineral project.

The NorthMet Project accounts for all of our mineral resources and mineral reserves and exclusively represents the current potential for the future generation of revenue. Mineral exploration and development involves a high degree of risk that even a combination of careful evaluation, experience and knowledge cannot eliminate and few properties that are explored are ultimately developed into producing mines. Any adverse development affecting the NorthMet Project may have a material adverse effect on our business, prospects, financial position, results of operations and cash flows.

We may experience delays, higher than expected costs, difficulties in obtaining environmental permits and other obstacles when implementing our capital expenditure projects.

We are investing heavily in various facets of our NorthMet Project. Our NorthMet Project is subject to a number of risks that may make it less successful than anticipated, including:

- delays in the issuance of permits;
- delays or higher than expected costs in obtaining the necessary equipment or services to build and operate our projects; and
- adverse mining conditions may delay and hamper our ability to produce the expected quantities of minerals.

Our future activities could be subject to environmental laws and regulations, which may have a materially adverse effect on our future operations, in which case our operations could be suspended or terminated.

We, like other companies doing business in the United States and Canada, are subject to a variety of federal, provincial, state and local statutes, rules and regulations designed to, among other things:

- protect the environment, including the quality of the air and water in the vicinity of exploration, development, and mining operations;
- remediate the environmental impacts of those exploration, development, and mining operations;
- protect and preserve wetlands and endangered species; and
- mitigate negative impacts on certain archaeological and cultural sites.

Compliance with statutory environmental quality requirements described above may require significant capital outlays, impacting our earning power, or cause material changes in our intended activities. Environmental standards imposed by federal, state, or local governments may be changed or become more stringent in the future, which could materially and adversely affect our proposed activities.

Moreover, governmental authorities and private parties may bring lawsuits based upon damage to property and injury to persons resulting from the environmental, health and safety impacts of prior and current operations. These lawsuits could lead to the imposition of substantial fines, remediation costs, penalties and other civil and criminal sanctions. Substantial costs and liabilities, including for restoring the environment after the closure of mines, are inherent in our operations. We cannot assure that any such
law, regulation, enforcement or private claim would not have a material adverse effect on our financial condition, results of operations or cash flows.

**Land reclamation requirements for the NorthMet Project may be burdensome.**

Land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance. In order to carry out reclamation obligations imposed on us in connection with exploration, potential development and production activities, we must allocate financial resources that might otherwise be spent on further exploration and development programs. In addition, regulatory changes could increase our obligations to perform reclamation and mine closing activities. If we are required to carry out unanticipated reclamation work, our financial position could be adversely affected.

**We are subject to significant governmental regulations and related costs and delays may negatively affect our business.**

Mining activities are subject to extensive federal, state, local and foreign laws and regulations governing environmental protection, natural resources, prospecting, development, production, post-closure reclamation, taxes, labor standards and occupational health and safety laws and regulations, including mine safety, toxic substances and other matters. The costs associated with compliance with such laws and regulations are substantial. Possible future laws and regulations, or more restrictive interpretations of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of operations and delays in the development of new properties.

We are required to obtain various governmental permits to conduct exploration, development, construction and mining activities at our properties. Obtaining the necessary governmental permits is often a complex and time-consuming process involving numerous United States or Canadian federal, provincial, state, and local agencies. The duration and success of each permitting effort is contingent upon many variables not within our control. In the context of obtaining permits or approvals, we must comply with known standards, existing laws, and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. The failure to obtain certain permits or the adoption of more stringent permitting requirements could have a material adverse effect on our business, operations, and properties and we may be unable to proceed with our exploration and development programs.

Federal legislation and implementing regulations adopted and administered by the United States Environmental Protection Agency, Army Corp of Engineers, Forest Service, Fish and Wildlife Service, Mine Safety and Health Administration, and other federal agencies, and legislation such as the Federal Clean Water Act, Clean Air Act, National Environmental Policy Act, Endangered Species Act, and Comprehensive Environmental Response, Compensation, and Liability Act, have a direct bearing on exploration, development and mining operations United States. Due to the uncertainties inherent in the permitting process, we cannot be certain that we will be able to obtain required approvals for proposed activities at any of our properties in a timely manner, or that our proposed activities will be allowed at all.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which may require corrective measures including capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may be subject to civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such penalties, fines, sanctions or shutdowns could have a material adverse effect on our business and results of operations.
Because the prices of metals fluctuate, if the prices of metals in our ore body decrease below a specified level, it may no longer be profitable to develop our NorthMet Project for those metals and we will cease operations.

Prices of metals are determined by some of the following factors:

- global and regional supply and demand;
- political and economic conditions and production costs in major metal producing regions;
- the strength of the United States dollar; and
- expectations for inflation.

The aggregate effect of these factors on metals prices is impossible for us to predict. In addition, the prices of metals are sometimes subject to rapid short-term and/or prolonged changes because of speculative activities. The current demand for and supply of various metals affect the prices of copper, nickel, cobalt, platinum, palladium and gold, but not necessarily in the same manner as current supply and demand affect the prices of other commodities. The supply of these metals primarily consists of new production from mining. If the prices of copper, nickel, cobalt, platinum, palladium and gold are, for a substantial period, below our foreseeable costs of production, we could cease operations.

We are dependent on our key personnel.

Our success depends on key members of our management. The loss of the services of one or more of such key management personnel could have a material adverse effect on us. Our ability to manage exploration and development activities, and hence our success, will depend in large part on the efforts of these individuals. We face intense competition for qualified personnel, and we cannot be certain that we will be able to attract and retain such personnel.

In addition, we anticipate that if we bring the NorthMet Project into production, we will experience significant growth in our operations. We expect this growth to create new positions and responsibilities for management and technical personnel and to increase demands on its operating and financial systems. There can be no assurance that we will successfully meet these demands and effectively attract and retain additional qualified personnel to manage our anticipated growth. The failure to attract such qualified personnel to manage growth would have a material adverse effect on our business, financial position, results of operations and cash flows.

We may not be able to raise the funds necessary to develop the NorthMet Project. If we are unable to raise such additional funds, we will have to suspend or cease operations.

We will need to seek additional financing to complete our development and construction of the NorthMet Project. Sources of such external financing may include future equity and debt offerings, advance payments by potential customers to secure long-term supply contracts, grants and low-cost debt from certain state financial institutions, and commercial debt secured by the NorthMet Project. If we cannot raise the money necessary to continue to explore and develop our property, we will have to suspend or cease operations.

Our metals exploration and development efforts are highly speculative in nature and may be unsuccessful.

As a development stage company, our work is speculative and involves unique and greater risks than are generally associated with other businesses.

The development of mineral deposits involves uncertainties, which careful evaluation, experience, and knowledge cannot eliminate. Few properties explored are ultimately developed into producing mines. It is impossible to ensure that the current development program we have planned will result in a profitable commercial mining operation.
We are subject to all the risks inherent to the mining industry, which may have an adverse affect on our business operations.

We are subject to all of the risks inherent in the mining industry, including, without limitation, the following:

- Success in discovering and developing commercially viable quantities of minerals is the result of a number of factors, including the quality of management, the interpretation of geological data, the level of geological and technical expertise and the quality of land available for exploration;
- Operations are subject to a variety of existing laws and regulations relating to exploration and development, permitting procedures, safety precautions, property reclamation, employee health and safety, air and water quality standards, pollution and other environmental protection controls, all of which are subject to change and are becoming more stringent and costly to comply with;
- A large number of factors beyond our control, including fluctuations in metal prices and production costs, inflation, the proximity and liquidity of precious metals and energy fuels markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection, and other economic conditions, will affect the economic feasibility of mining;
- Substantial expenditures are required to construct mining and processing facilities;
- Title to mining properties may be subject to other claims; and
- In the development stage of a mining operation, our mining activities could be subject to substantial operating risks and hazards, including metal bullion losses, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit-wall failures, flooding, rock falls, periodic interruptions due to inclement weather conditions or other unfavorable operating conditions and other acts of God. Some of these risks and hazards are not insurable or may be subject to exclusion or limitation in any coverage which we obtain or may not be insured due to economic considerations.

Our actual mineral reserves and mineral resources may not conform to our established estimates.

The figures for mineral reserves and mineral resources stated in this Annual Report are estimates and no assurances can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the prices of metals may render reserves and mineral resources uneconomic. Moreover, short-term operating factors relating to the mineral deposits, such as the need for the orderly development of the deposits or the processing of new or different grades of ore, may cause a mining operation to be unprofitable in any particular accounting period.

The estimating of mineral reserves and mineral resources is a subjective process that relies on the judgment of the persons preparing the estimates. Estimates of mineral resources are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques. This information is used to calculate estimates of the configuration of the mineral resource, expected recovery rates, anticipated environmental conditions and other factors. As a result, mineral resource estimates for the NorthMet Project may require adjustments or downward revisions based upon further exploration or development work or upon actual production experience, thereby adversely impacting the economics of the NorthMet Project. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition.

There is no assurance that any of our mineral resources, not currently classified as mineral reserves, will ever be classified as mineral reserves under the disclosure standards of the SEC.

Item 4.D of this Annual Report discusses our mineral resources in accordance with NI 43-101. Resources are classified as “measured resources”, “indicated resources” and “inferred resources” under NI 43-101. However, U.S. investors are cautioned that the SEC does not recognize these resource classifications. There is no assurance that any of our mineral resources, not currently classified as mineral reserves, will be converted into mineral reserves under the disclosure standards of the SEC.
We have had no production history and we do not know if we will generate revenues in the future.

While we were incorporated in 1981, we have no history of producing minerals. We have not developed or operated any mines and we have no operating history upon which an evaluation of our future success or failure can be made. We currently have no mining operations of any kind. Our ability to achieve and maintain profitable mining operations is dependent upon a number of factors, including our ability to successfully build and operate mines, processing plants and related infrastructure ourselves. We may not successfully establish mining operations or profitably produce metals at any of our properties. As such, we do not know if we will ever generate revenues.

We have a history of losses, which we expect will continue for the future. If we do not begin to generate revenues we may either have to suspend or cease operations.

As a development stage company with no holdings in any producing mines, we continue to incur losses and expect to incur losses in the future. As at January 31, 2016, we had an accumulated deficit of $113.2 million. We may not be able to achieve or sustain profitability in the future. If we do not begin to generate revenues, we may either have to suspend or cease operations.

We have prepared our consolidated financial statements on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations.

We currently have negative cash flow from operating activities and cannot predict if or when we will operate profitably to generate positive cash flows. We have taken steps to fund our operations through the issuance of equity and debt. We plan to meet our financial obligations to the point at which all regulatory approvals for our NorthMet Project have been obtained and which will allow us to raise capital to construct our mine and commence commercial production.

Since September 2006, we have raised approximately $177 million in equity, $70 million of initial principal debt of which $25 million is exchangeable into equity upon receipt of permits necessary to build and operate our NorthMet Project, $4 million is secured by land acquired with proceeds from the loan and $41 million is secured by our assets.

We will need to raise sufficient funds to meet our current obligations as well as fund ongoing development, capital expenditures and administration expenses, in accordance with our spending plans for the next year. While in the past the Company has been successful in closing financing agreements, there can be no assurance it will be able to do so again in the future. Factors that could affect the availability of financing include the state of debt and equity markets, investor perceptions and expectations, and the metals markets.

We may not have adequate, if any, insurance coverage for some business risks that could lead to economically harmful consequences to us.

Our businesses are generally subject to a number of risks and hazards, including:

- industrial accidents;
- railroad accidents;
- labor disputes;
- environmental hazards;
- electricity stoppages;
- equipment failures; and
- severe weather and other natural phenomena.

These occurrences could result in damage to, or destruction of, mineral properties, production facilities, transportation facilities, or equipment. They could also result in personal injury or death, environmental damage, waste of resources or intermediate products, delays or interruption in mining, production or
transportation activities, monetary losses and possible legal liability. The insurance we maintain against risks that are typical in our business may not provide adequate coverage. Insurance against some risks (including liabilities for environmental pollution or certain hazards or interruption of certain business activities) may not be available at a reasonable cost or at all. As a result, accidents or other negative developments involving our mining, production or transportation facilities could have a material adverse effect on our operations.

**We may be subject to and future litigation and regulatory proceedings which may have an adverse effect on our business operations.**

We may be subject to civil claims (including class action claims) based on allegations of negligence, breach of statutory duty, public nuisance or private nuisance or otherwise in connection with its operations or investigations relating thereto. While we are presently unable to quantify its potential liability under any of the above, such liability may be material to the Company and may have a material adverse effect on its ability to continue in operation.

In addition, we may be subject to actions or related investigations by governmental or regulatory authorities. Such actions may include civil or criminal prosecution for breach of relevant statutes, regulations or rules or failure to comply with the terms of our licenses and permits and may result in liability for pollution, other fines or penalties, revocation of consents, permits, approvals or licenses or similar action, which could be material and may affect the Company's results of operations. Exposures to fines and penalties generally are uninsurable as a matter of public policy.

**The mining industry is an intensely competitive industry, and we may have difficulty effectively competing with other mining companies in the future.**

We face intense competition from other mining and producing companies. In recent years, the mining industry has experienced significant consolidation among some of our competitors. We cannot assure you that the result of current or further consolidation in the industry will not adversely affect us.

In addition, because mines have limited lives we must periodically seek to replace and expand our reserves by acquiring new properties. Significant competition exists to acquire properties producing, or capable of producing, copper, nickel and other metals.

If we are unable to successfully manage these risks, our growth prospects and profitability may suffer.

**We are dependent on information technology and its systems and infrastructure face certain risks, including cybersecurity risks and data leakage risks.**

We utilize a variety of information technology systems and infrastructure. Any significant breakdown, invasion, destruction or interruption of these systems by employees, others with authorized access to the systems, or unauthorized persons could negatively impact operations. There is also a risk that we could experience a business interruption, theft of information, or reputational damage as a result of a cyber-attack, such as a data leakage of confidential information either internally or by third-party providers. While we have invested in the protection of our data and information technology to reduce these risks and periodically test the security of its information systems network, there can be no assurance that these efforts will prevent breakdowns or breaches in our systems that could adversely affect our business.

**We may be subject to risks relating to the global economy.**

Market events and conditions in recent years, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions could impede our access to capital or increase the cost of capital. These disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, including us. These disruptions could, among other things, make it more difficult for us to obtain, or increase our cost of obtaining capital and financing for our operations.
RISKS RELATED TO THE OWNERSHIP OF OUR COMMON SHARES

We may experience volatility in our share price.

Our common shares are listed for trading on the TSX and on the NYSE MKT. Our shareholders may be unable to sell significant quantities of the common shares into the public trading markets without a significant reduction in the price of our shares, if at all. The market price of our common shares may be affected significantly by factors such as changes in our operating results, the availability of funds, fluctuations in the price of metals, the interest of investors, traders and others in development stage public companies such as us and general market conditions. In recent years the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly development companies similar to us, have experienced wide fluctuations, which have not necessarily been related to the operating performances, underlying asset values, or the future prospects of such companies. There can be no assurance that future fluctuations in the price of our shares will not occur.

A large number of shares will be eligible for future sale and may depress our share price.

Our shares that are eligible for future sale may have an adverse effect on the price of our common shares. As at January 31, 2016 there were 277,557,082 of our common shares outstanding. The average trading volume for the three months prior to January 31, 2016 was approximately 13,300 shares per day on the TSX and 185,500 shares per day on the NYSE MKT. Sales of substantial amounts of our common shares, or a perception that such sales could occur, and the existence of options or warrants to purchase common shares and debt convertible into common shares at prices that may be below the then current market price of our common shares, could adversely affect the market price of our common shares and could impair our ability to raise capital through the sale of our equity securities.

Your ownership interest, voting power and the market price of our common shares may decrease because we have issued, and may continue to issue, a substantial number of securities convertible or exercisable into our common shares.

We have issued common shares, options, restricted shares, restricted share units, convertible debt and warrants to purchase our common shares to satisfy our obligations and fund our operations (see Item 5.A). Since we currently do not have a source of revenue, we will likely issue additional common shares, options, warrants, preferred shares or other securities exercisable for or convertible into our common shares to raise money for our continued operations or as non-cash incentives to our own and our subsidiaries’ directors, officers, and key employees. If conversions of warrants and/or options into common shares or additional sales of equity occur, your ownership interest and voting power in us will be diluted and the market price of our common shares may decrease.

Under our 2007 Omnibus Share Compensation Plan, as amended and restated (“Omnibus Plan”), the aggregate number of share options, restricted shares, restricted share units, and other share-based awards is restricted to 10% of our issued and outstanding common shares on the grant date, excluding 2,500,000 common shares pursuant to an exemption approved by the Toronto Stock Exchange.

We have a Shareholders Rights Plan Agreement and certain employment and management contracts that contain provisions designed to discourage a change of control.

A Shareholders Rights Plan was approved in May 2004, modified and further ratified and reconfirmed by shareholders most recently in July 2013. Under the Shareholders’ Rights Plan, if a shareholder individually or in concert with other shareholders acquires 20% or more of our outstanding common shares without complying with the Shareholders’ Rights Plan or without the approval of our Board of Directors, all holders of record will have a right to one common share for each common share owned. We have also entered into agreements with certain key employees and officers that contain severance provisions in the event of a take-over bid. The Shareholders’ Rights Plan and the preceding agreements may make it more difficult for a third party to acquire control of us, even if such a change of control is more beneficial to shareholders.
Because we believe that we will be classified as a passive foreign investment company, or “PFIC”, U.S. holders of our common shares may be subject to United States federal income tax consequences that are worse than those that would apply if we were not a PFIC.

Because we believe that we will be classified as a PFIC, U.S. holders of our common shares may be subject to United States federal income tax consequences that are worse than those that would apply if we were not a PFIC, such as ordinary income treatment plus a charge in lieu of interest upon a sale or disposition of our common shares even if the shares were held as a capital asset. See further discussion in Item 10(E).

Absence of Dividends.

We have never declared or paid cash dividends on our common shares and do not anticipate doing so in the foreseeable future. There can be no assurance that our board of directors will ever declare cash dividends, which action is exclusively within its discretion. Investors cannot expect to receive a dividend on our common shares in the foreseeable future, if at all.
ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

PolyMet Mining Corp. was incorporated under the British Columbia Companies Act and continued under the Business Corporations Act (British Columbia) in British Columbia, Canada on March 4, 1981, under the name Fleck Resources Ltd., which we changed to PolyMet Mining Corp. on June 10, 1998.

Our corporate office is located at 100 King Street West, Suite 5700, Toronto, ON M5X 1C7, Canada and our principal executive office of our wholly owned Minnesota subsidiary, Poly Met Mining, Inc. ("PMI"), is located at 444 Cedar Street, Suite 2060, St. Paul, MN 55101, USA. Our registered and records office is located at our legal counsel’s offices situated at 2500 – 700 West Georgia Street, Vancouver, B.C. V7Y 1B3, Canada. Our operational headquarters is located at 6500 County Road 666, Hoyt Lakes, MN 55750-0475, USA.

We are a reporting issuer in the following Canadian provinces: Alberta, British Columbia, and Ontario. Our common shares have been listed on the Toronto Stock Exchange ("TSX") since February 1, 2007 and on the TSX Venture Exchange ("TSX-V") from April 13, 1984 to January 31, 2007 under the symbol "POM" and since June 26, 2006, our common shares have been listed on the NYSE MKT under the symbol "PLM".

Our registrar and transfer agent is Computershare Investor Services Inc. located at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, Canada.

B. Business Overview

We are a development stage company engaged in the exploration and development of natural resource properties. Currently our sole mineral property is the NorthMet Project located in the established mining district of the Mesabi Iron Range in northeastern Minnesota, USA. The NorthMet Project comprises the NorthMet copper-nickel-precious metals ore body, the Erie Plant, a large processing facility located approximately six miles from the ore body, and associated infrastructure.

In the years ended January 31, 2016, 2015, and 2014, we conducted exploration, development and acquisition activities only and did not conduct any operations that generated revenues. Thus, we rely principally on equity or debt to fund our projects and expenditures.

Since 2003, we have focused on five main areas:

Acquisition of the Erie Plant.
We acquired the Erie Plant and associated infrastructure from Cliffs Erie LLC, a subsidiary of Cliffs Natural Resources Inc. (together "Cliffs"). The Erie Plant facility comprises a 100,000 ton-per-day crushing and milling facility, a railroad and railroad access rights connecting the Erie Plant to the NorthMet ore body, tailing storage facilities, 120 railcars, locomotive fueling and maintenance facilities, water rights and pipelines, administrative offices on site and approximately 6,000 acres of land to the east and west of and contiguous to the existing tailing storage facilities. As partial consideration, we have agreed to indemnify Cliffs for the reclamation and remediation obligations of the acquired property.

See additional discussion in Item 4(D)(c)(ii).

Environmental Review and Permitting.
Under the Minnesota Environmental Policy Act ("MEPA") and the National Environmental Policy Act ("NEPA"), state and federal agencies are required to complete an Environmental Impact Statement ("EIS") with periods for public review and comment before permits to construct and operate the Project can be issued. We are also proposing to exchange land that we own with surface rights above and around our leased mineral rights to the NorthMet ore body currently owned by the U.S. Forest Service ("USFS").
The Minnesota Department of Natural Resources ("MDNR"), the U.S. Army Corps of Engineers ("USACE"), and the USFS were Co-lead Agencies for preparation of the NorthMet EIS and the U.S. Environmental Protection Agency ("EPA") joined as a Cooperating Agency in 2011. In November 2015, the Co-lead Agencies published the Final EIS and the USFS issued its draft Record of Decision ("ROD") on the proposed land exchange. On March 3, 2016, the MDNR issued its ROD that the Final EIS meets the requirements under MEPA. With the state environmental review process completed, the regulatory focus moves to formal permits to construct and operate our NorthMet Project.

We are incorporating technical data and analyses developed during the Final EIS to prepare state permit applications, including a formal plan for financial assurance. We anticipate submitting formal permit applications by mid-2016. The permitting process is managed by the regulatory agencies and, therefore, timelines are not under our control.

See additional discussion in Item 4(D)(d).

Advancing the NorthMet ore body.

The NorthMet ore body is at the western end of a series of known copper-nickel-precious metals deposits in the Duluth Complex. Completion of the DFS in 2006 established proven and probable reserves, positioning NorthMet as the most advanced of the four advanced projects in the Duluth Complex: namely, from west to east NorthMet, Mesaba, Serpentine, and Maturi/Nokomis. We have continued exploration of NorthMet since the DFS and increased both reserves and resources.

See additional discussion in Items 4(D)(e) and 4(D)(f).

Engineering and feasibility.

In September 2006, Bateman Engineering Pty Ltd ("Bateman") published a DFS that confirmed the economic and technical viability of our NorthMet Project.

Since 2006, we have made numerous process and project improvements, including extensive environmental controls designed to reduce and mitigate the environmental impact of the NorthMet Project. Our plan is to develop a new open pit mine at our NorthMet ore body, use existing rail infrastructure to move the run-of-mine rock to the Erie Plant, where we will reuse existing and new equipment to produce a copper concentrate and a nickel bulk concentrate. We are also seeking permits to build and operate a new autoclave to upgrade the nickel bulk concentrate to nickel-cobalt hydroxide and a precious metals precipitate, with copper recombined into the copper concentrate.

We plan to complete a Definitive Cost Estimate and Project Update, which will incorporate these changes. The Project Update will include detailed capital and operating costs reflecting the advanced stage of engineering and design and will be filed as a National Instrument 43-101 technical report.

See additional discussion in Item 4(D)(g).

Financing and corporate development.

Since September 2006, we have raised approximately $177 million in equity, $70 million of initial principal debt of which $25 million is exchangeable into equity upon receipt of permits necessary to build and operate our NorthMet Project, $4 million is secured by land acquired with proceeds from the loan and $41 million is secured by our assets.

Prior to receipt of permits, we will seek to secure construction debt financing that would be available upon receipt of key permits, with construction and ramp-up to commercial production anticipated to take approximately 24 months from receipt of key permits. The Company is in discussion with commercial banks and other financial institutions regarding construction finance.

See additional discussion in Item 5(b).
C. Organizational Structure

Poly Met Mining, Inc., incorporated in Minnesota, USA on February 16, 1989, is our only material, wholly owned operating subsidiary.

D. Property, Plant and Equipment

Mineral Property - NorthMet Project, Minnesota, USA

Our primary mineral property is the NorthMet Project, which comprises the NorthMet copper-nickel-precious metals ore body and the nearby Erie Plant facilities and associated infrastructure.

In the years ended January 31, 2016, 2015, and 2014, we conducted exploration, development and acquisition activities only and did not conduct any operations.

(a) History

The NorthMet ore body is located immediately south of the eastern end of the historic Mesabi Iron Range in northeastern Minnesota. Mining in the Iron Range dates back to the 1880’s when high grade iron ore known as hematite was first mined commercially. During the 1940’s and 1950’s, with reserves of hematite dwindling, the iron industry began to focus on taconite, a lower-grade iron ore.

In the 1940’s, copper and nickel were discovered nearby, following which, in the 1960’s, United States Steel Corporation (“US Steel”) drilled what is now our NorthMet ore body.

In 1987, the Minnesota Natural Resources Research Institute (“NRRI”) published data suggesting the possibility of a large resource of PGMs in the base of the Duluth Complex. In 1989, we acquired a perpetually renewable mining lease over NorthMet from US Steel and commenced an investigation into the potential for mining and recovery of copper, nickel, and PGMs.

We commissioned a pre-feasibility study on the Project that was completed in 2001. The study found the economics of the NorthMet Project were unacceptably low owing to the capital cost of building a new plant facility combined with low metal prices prevailing at that time.

In March 2003, a new management team took over and commenced a detailed review of the Project recognizing that the Erie Plant and associated infrastructure had the potential to substantially reduce the capital cost and to simplify the permitting process. See additional discussion of the Erie Plant Acquisition in Item 4D(c)(ii).

Since inception, we have a cumulative deficit of $113.2 million, much of which has been incurred directly and indirectly in connection with our NorthMet Project. These expenditures supported drilling, sampling, assaying, environmental, metallurgical testing, and the pre-feasibility studies.
(b) Location / Access / Climate

The NorthMet Project covers a total of approximately 16,700 acres or 25.9 square miles comprising two areas: the NorthMet mine site totaling approximately 4,300 acres or 6.5 square miles of leased mineral rights and the Erie Plant site totaling approximately 12,400 acres or 19.4 square miles of freehold land located approximately six miles west of the mine site. The property is located in St. Louis County in the Mesabi Iron Range mining district about 60 miles north of Duluth, Minnesota. The NorthMet Project is easily accessible via state and county roads. The surfaced County Highway 666 links the plant to the town of Hoyt Lakes, itself approximately 25 miles east of Virginia, Minnesota which is located on State Highway 53. The mine site is accessible by an all-season gravel road from the plant site and a private railroad crosses the property immediately south of the deposit and runs to the plant site. The plant site is serviced by commercial railroad which connects into the US national and Trans-Canadian railroad systems, as well as a private railroad providing access to port facilities located on Lake Superior. High-voltage power lines owned by Minnesota Power, with whom PolyMet has already secured a 10 year power supply contract, supply the plant site and there is ready access to industrial electric power at the mine site.

The northern Minnesota climate is continental, characterized by wide variations in temperature. The temperature in the nearby town of Babbitt averages -14ºC (7ºF) in January and 19ºC (66ºF) in July. The average annual precipitation is 28 inches with approximately 30% during the months from November to April and 70% from May through October.
(c) Claims and ownership

(i) NorthMet Leases

Pursuant to two lease agreements, we lease certain lands covering 4,282 acres or 6.5 square miles located in St. Louis County, Minnesota, known as the NorthMet Project:

- Pursuant to an agreement dated January 4, 1989, subsequently amended and assigned, we lease 4,612 acres in St. Louis County, Minnesota from RGGS Land & Minerals Ltd., L.P ("RGGS"). The initial term of the perpetually renewable lease was 20 years and called for total lease payments of $1.475 million. We can, at our 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 term by continuing to make $150,000 annual lease payments on each successive anniversary date. All lease payments have been paid to January 31, 2016. The next payment is due in January 2017. 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 per ton received by us. Our recovery of $2.525 million in 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 an agreement effective December 1, 2008, we lease 120 acres in St. Louis County, Minnesota from LMC Minerals. The initial term of the renewable lease is 20 years and calls for minimum annual lease payments of $3,000 for the first four years after which the minimum annual lease payment increased to $30,000. The initial term may be extended for up to four additional five-year periods on the same terms. All lease payments have been paid to January 31, 2016. The next payment is due in November 2016. The lease payments are considered advance royalty payments and will be deducted from future production royalties payable to the lessor, which range from 3% to 5% based on the net smelter return per ton received by us. Our recovery of $0.129 million in 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 these leases, we hold mineral rights and the right to mine upon receiving the required permits. We have proposed to acquire surface rights through a land exchange.

(ii) The Erie Plant

The Erie Plant was built by a consortium of steel companies in the mid-1950’s and processed low grade iron ore known as taconite that was transported to the facility by railroad from nearby mines. In the mid-1980’s, the consortium was consolidated into a single owner – LTV Steel. Pickands, Mather and Company and its successor Cliffs, operated the plant on behalf of the owners, processing approximately 100,000 tons per day of taconite ore. The plant was shut down in 2001 after LTV Steel filed for bankruptcy protection. Since then it has been maintained initially by Cliffs and, since November 15, 2005, by us. The plant did not operate during the 12 months ended January 31, 2016.

The plant is located approximately six miles west of our NorthMet ore body, about five miles north-northwest of the town of Hoyt Lakes, itself located about 25 miles west of Virginia, Minnesota. The plant site covers approximately 12,400 acres, or 19.4 square miles, and is powered by electricity from local power lines. Established plant infrastructure includes a 225 MVA high voltage electrical substation, water supply, roads, tailings basins and rail facilities. We also acquired a 120-railcar fleet, locomotive fueling and maintenance facilities, water rights and pipelines, and large administrative offices on site.

Until the plant was closed in 2001, Cliffs had undertaken numerous programs to update and modernize control systems. The plant is generally in good physical condition and was operating at or near full capacity prior to its closure. We are not yet utilizing the Erie Plant but we have examined the plant in detail and have restarted certain pieces of equipment and believe it to be serviceable.
By a Memorandum of Understanding in December 2003 and an option agreement in February 2004, we obtained the right to acquire certain property, plant, and equipment located near our NorthMet ore body from Cliffs, including the Erie Plant. As consideration for the option, we paid $0.500 million and issued to Cliffs 1,000,000 of our common shares valued at $0.229 million to maintain our exclusive rights until June 30, 2006.

In November 2005 we exercised our option and agreed to pay Cliffs $1.0 million in cash, 6,200,547 million of our common shares valued at $7.564 million, and $2.4 million plus interest at 4% per annum in quarterly payments of $250,000 starting in March 2006.

In September 2006, we entered into an agreement through two separate contracts for deed with Cliffs whereby we would acquire additional property and associated rights ("Cliffs II") for 2,000,000 of our common shares valued at $6.160 million, $1.0 million in cash and two notes each for $7.0 million. We repaid the two $7 million notes plus accrued interest in December 2011.

We have agreed to indemnify Cliffs for reclamation and remediation obligations in connection with acquired property. Once we obtain our permit to mine and Cliffs is released from its obligations by certain state agencies, we will be directly obligated to comply with applicable obligations. Until operating permits are granted to us, Cliffs remains the "Regulated Party" for such obligations.

In January 2010, Cliffs received a notice of intent to sue pursuant to Section 505 of the Clean Water Act on behalf of the Center for Biological Diversity, Save Lake Superior Association and the Indigenous Environmental Network. Pursuant to the notice, these environmental groups intended to file a lawsuit in Federal court for alleged violations by Cliffs of National Pollutant Discharge Elimination System ("NPDES") permits at three separate locations on the Cliffs Erie property.

In April 2010, Cliffs entered a consent decree with the Minnesota Pollution Control Agency ("MPCA") under which it is obligated to proceed with both short and long-term mitigation of the alleged violations. As the indemnifying party, we are working closely with Cliffs on fulfillment of Cliff's obligations under the consent decree. Field study activities were completed in 2010 and 2011 and short-term mitigations were initiated in 2011, as outlined in the plans and approved by the MPCA. Long-term mitigation plans were submitted to the MPCA in April 2012. In October 2012, a response was received from the MPCA approving plans for pilot tests of various treatment options to determine the best course of action. Although there is substantial uncertainty related to applicable water quality standards, engineering scope, and responsibility for the financial liability, the October 2012 response from the MPCA and subsequent communication amongst MPCA, Cliffs and us provide increasing clarification of the potential liability for the long-term mitigation included in our environmental rehabilitation provision.

As at January 31, 2016 we estimate the total reclamation and remediation liability to be approximately $69.5 million in present day costs and, based on the expected timing of such payments, our cost of capital, and anticipated inflation rates, we made a provision of $65.7 million in our financial statements at that date. As at January 31, 2015, present day costs were $72.6 million and the provision was $72.3 million. See additional discussion in Item 18 - Notes to Consolidated Financial Statements.

(d) Environmental Review and Permitting

Under the Minnesota Environmental Policy Act ("MEPA") and the National Environmental Policy Act ("NEPA"), state and federal agencies are required to complete an EIS with periods for public review and comment before permits to construct and operate can be issued.

We commenced the environmental review and permitting process in 2004. In 2005, the MDNR published its Environmental Assessment Worksheet Decision Document establishing the MDNR as the lead state agency and the USACE as the lead federal agency for preparation of the NorthMet EIS.
In November 2009, the Co-lead Agencies published the NorthMet draft EIS, which marked the start of a period for public review and comment including two public meetings.

In June 2010, the Co-lead Agencies announced that they intended to complete the EIS process by preparing a supplemental draft EIS incorporating a proposed land exchange with the USFS and expanding government agency cooperation. The USFS joined the USACE as a federal Co-lead Agency and in June 2011, the EPA joined as a Cooperating Agency.

On December 6, 2013, the Co-lead Agencies published the SDEIS, which started a new period for public review and comment, including three public meetings, which ended on March 13, 2014. The EPA issued comments on the supplemental draft EIS, which included an EC-2 rating, which is the highest rating for a proposed mining project, so far as we are aware. The highest rating LO (Lack of Objections) is typically applied to non-industrial projects such as the Upper Mississippi National Wildlife and Fish Refuge Comprehensive Conservation Plan Implementation. The EC-2 (Environmental Concerns) rating is the same as received by some other notable Minnesota projects including the Central Corridor Light Rail Project in the Twin Cities and the St. Croix River Crossing which have been built or are in the process of being constructed

On November 6, 2015, the Co-lead Agencies published the Final EIS incorporating responses to comments on the draft and supplemental draft EIS’s. On November 17, 2015, the USFS issued its Draft ROD on the proposed land exchange which concluded that the land exchange was in the public interest and meets the desired conditions in the Superior National Forest Land and Resource Management Plan.

On March 3, 2016, the MDNR issued its ROD that the Final Environmental Impact Statement ("EIS") addresses the objectives defined in the EIS scoping review, meets procedural requirements, and responds appropriately to public comments. The 30-day period allowed by law to challenge the state’s ROD has passed without any legal challenge being filed.

With publication of the ROD on the Final EIS, PolyMet is now focused on submission and regulatory review of state permit applications, completion of the USFS ROD and associated land exchange, and progress toward issuance of the Section 404 Wetlands Final ROD and Permit. On April 19, 2016 the MDNR held a Pre-application Public Informational Meeting that included an overview of the NorthMet Project and the permit to mine process together with a summary of other state permits, such as tailings dam safety, water quality, air quality and wetlands.

The permitting process is managed by the regulatory agencies and, therefore, timelines are not under our control. PolyMet expects that, under state guidelines, there should be decisions on draft state permits within 150 days of the applications being accepted.

The key permits are:

**U.S. Army Corps of Engineers**
- Section 404 Individual Permit for Impacted Wetlands

**Minnesota Department of Natural Resources**
- Permit to Mine
- Water Appropriations Permit
- Dam Safety Permit
- Wetland Replacement Plan

**Minnesota Pollution Control Agency**
- National Pollutant Discharge Elimination System (NPDES) Permit (storm water)
- State Disposal System (SDS) Permit
- Air Emissions Permit
As at January 31, 2016, we had spent approximately $102.2 million on environmental review and permitting activities comprising $6.5 million expensed prior to October 2006 and $95.7 million since October 2006.

(e) Mineral Resources and Mineral Reserves

<table>
<thead>
<tr>
<th>Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section uses the terms &quot;measured resources&quot;, &quot;indicated resources&quot;, and &quot;inferred resources&quot;. We advise United States investors that while these terms are recognized and required by Canadian regulations (under NI-43-101), the SEC does not recognize them. <strong>United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted to reserves.</strong> In addition, &quot;inferred resources&quot; have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian Rules, estimates of Inferred Mineral Resources may not form the basis of Feasibility or Pre-Feasibility Studies, or economic studies except for a Preliminary Assessment as defined under NI 43-101. <strong>United States investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.</strong></td>
</tr>
</tbody>
</table>

Important Notes and Assumptions Throughout.

1. The terms Mineral Resources and Reserves as used herein conform to the definitions contained in NI 43-101.

2. Reserves are contained within the envelope of Measured & Indicated Mineral Resource. Mineral Resources are not Reserves and do not have demonstrated economic viability.

3. Mineral Resources and Reserves have been calculated using the following metal prices: Copper - $1.25/lb, Nickel - $5.60 per pound, Cobalt - $15.25/lb, Palladium - $210 per ounce, Platinum - $800 per ounce and Gold - $400 per ounce.

4. Base Case economics for the purpose of the 2006 DFS and associated NI 43-101 Technical Report are the weighted average of the three-year trailing (60%) and two-year forward (40%) market prices using July 31, 2006 as a reference for the three-year trailing price and average forward prices during July 2006 for forward prices. Specifically, these prices are: Copper - $2.25/lb, Nickel - $7.80 per pound, Cobalt - $16.34/lb, Palladium - $274 per ounce, Platinum - $1,040 per ounce and Gold - $540 per ounce.

5. The copper equivalent grade is calculated by multiplying the grade of each metal by the metal price (in the same units) used in reserve and resource modeling (see note 3) and dividing the product by the copper price.

6. The Net Metal Value (NMV) is calculated by summing the product of the grade of each metal, the metal price (in the same units) used in reserve and resource modeling (see note 3), the expected metal recovery, and the expected payment terms.

Within the overall mineralized envelope defined by these exploration programs, the DFS defined measured and indicated mineral resources above the 500-foot elevation (approximately 1,120 feet below surface.) The results of additional drilling through October 2007 resulted in a further increase in measured and indicated mineral resources to 694 million short tons from the 422 million short tons reported in the DFS. The 2008 updated mineral resource estimates are based on the same cut-off grades used in the DFS – namely a Net Metal Value ("NMV") of $7.42 per ton, reflecting mine planning at a copper price of $1.25 per pound and a nickel price of $5.60 per pound – see notes to the following table.
Details of the mineral resources are set out in the following table:

### 2008 Updated Mineral Resources compared with 2006 DFS Mineral Resources

<table>
<thead>
<tr>
<th></th>
<th>Short Tons (million)</th>
<th>Copper (%)</th>
<th>Nickel (%)</th>
<th>Cobalt (%)</th>
<th>Precious Metals (oz/st)</th>
<th>Precious Metals (g/mt)</th>
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<tbody>
<tr>
<td><strong>2008 Updated Mineral Resource Estimate</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Measured (M)</td>
<td>202.5</td>
<td>0.29</td>
<td>0.08</td>
<td>0.01</td>
<td>0.010</td>
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<tr>
<td>Indicated (I)</td>
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<td>0.08</td>
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<td>Measured &amp; Indicated (M&amp;I)</td>
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<td>0.08</td>
<td>0.01</td>
<td>0.011</td>
<td>0.385</td>
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<tr>
<td><strong>2006 DFS Mineral Resource Estimate</strong></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Measured (M)</td>
<td>133.7</td>
<td>0.30</td>
<td>0.09</td>
<td>0.01</td>
<td>0.011</td>
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<td>Indicated (I)</td>
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<td>Measured &amp; Indicated (M&amp;I)</td>
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<td>0.08</td>
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<td>Inferred</td>
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<td>0.07</td>
<td>0.01</td>
<td>0.009</td>
<td>0.315</td>
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The increase in mineral resources reflects two changes:

- Data from the 2007 drill program which confirmed the continuity of the main mineralized zone and the size of the Magenta Zone, which was extended down dip and to the west.
- Extension of the overall mineral envelope to approximately 1,620 feet below surface (0’ – elevation), compared with the prior cutoff at approximately 1,120 feet below surface (500’ – elevation).

The mineral resource estimate update was completed by Pierre Desautels of AGP Mining Consultants in Toronto working closely with PolyMet’s chief geologist, at the time, Richard Patelke. A NI 43-101 Technical Report describing this increase is filed on EDGAR and SEDAR.

The 2006/2007 drill program also increased proven and probable mineable reserves at the NorthMet Project. Reserves are constrained to mineable blocks associated with material contained in the measured and indicated resource blocks in the DFS for which detailed mining cost estimates, infrastructure planning, and waste rock stockpile locations were prepared as part of a larger study supporting the DFS. It should be noted that the inferred resources were not included in the DFS or in this interim reserve update.

In conjunction with this increase in reserves, the strip (waste:ore) ratio for the revised mine plan declined to 1.46:1 from 1.66:1.

Details of the mineral reserves are set out in the following table:

### Updated Mineral Reserves compared with DFS Mineral Reserves

<table>
<thead>
<tr>
<th></th>
<th>Short Tons (millions)</th>
<th>Copper (%)</th>
<th>Nickel (%)</th>
<th>Cobalt (%)</th>
<th>Precious Metals (oz/st)</th>
<th>Precious Metals (g/mt)</th>
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<tr>
<td><strong>2008 Updated Reserves</strong></td>
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<tr>
<td>Proven</td>
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<td>Waste</td>
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<tr>
<td>Strip Ratio</td>
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<td><strong>2006 DFS Reserves</strong></td>
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<tr>
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<tr>
<td>Strip Ratio</td>
<td>1.66</td>
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</tbody>
</table>
The reserve estimate update was completed by Gordon Zurowski of AGP Mining Consultants (formerly Wardrop) in Toronto working closely with our then team of Don Hunter and Richard Patelke. Gordon Zurowski of AGP Mining Consultants and Don Hunter of PolyMet were the Qualified Persons.

While we believe that we have completed sufficient exploration work required for the initial phases of production, we plan to conduct further in-fill drilling during construction and operations.

(f) Geology and Mineralization

The geology of northeastern Minnesota is predominantly Precambrian in age. Approximately 1.1 billion years ago, mid-continent rifting resulted in mafic volcanism and associated intrusions along a portion of the Midcontinent Rift System, which extends from Ohio, through the Lake Superior region to Kansas. The Midcontinent Rift consists of three parts: thick lava flows, intrusive rock and overlying sedimentary rock. There are three major intrusive complexes: the Coldwell Complex of Ontario, the Mellen Complex along the south shore of Lake Superior and the Duluth Complex along the north shore.

The Duluth Complex hosts the NorthMet mineralization. The Complex extends in an arcuate belt from Duluth to the northeastern tip of Minnesota. Emplacement of the intrusion appears to have been along a system of northeast-trending normal faults that form half-grabens stepping down to the southeast. The magma was intruded as sheet-like bodies along the contact between the Early Proterozoic sedimentary rocks of the Animikie Group and the mafic lava flows of the North Shore Volcanic Group.

The Duluth Complex is represented by the Partridge River intrusion which overlies the Biwabik Iron Formation – the Partridge River intrusion is locally sub-divided into seven troctolitic units:

- Unit 7 and Unit 6 – texturally homogeneous plagioclase-rich troctolite, each with a persistent ultramafic base. Units 6 and 7 are each about 400 ft. thick.
- Unit 5 – coarse grained anorthositic troctolite (300 ft.) grading down to Unit 4.
- Unit 4 – homogeneous augite troctolite and troctolite, with a less persistent ultramafic horizon. The contact between Unit 4 and Unit 5 is difficult to establish and the two units may actually be a single unit.
- Unit 3 – the most easily recognized unit because of its mottled appearance due to olivine oikocrysts. It is fine grained troctolitic anorthosite to anorthositic troctolite. Average thickness is 250 ft. but locally can be up to 500 ft.
- Unit 2 – homogeneous troctolite with abundant ultramafic units and a generally persistent basal ultramafic. This unit shows the most variation in thickness and may be locally absent. Units 2 & 3 are modeled as a single package for resource estimation.
- Unit 1 – the most heterogeneous unit, both texturally and compositionally. Grain size is generally coarser at the top of the unit and fines downward. The unit contains abundant inclusions of the footwall rock and is noritic towards the base. This is the main sulfide mineral bearing unit. Two internal ultramafic layers are generally present. Unit 1 is probably the result of multiple pulses of magma injection. Average thickness is about 450 ft.

The general trend of the sedimentary rocks at the base of the NorthMet deposit is striking east-northeast and dipping to the southeast at about 15-25°; the Partridge River intrusion appears to follow this general trend.

The majority of the rock at NorthMet is unaltered, with minor alteration comprising serpentine, chlorite and magnetite replacing olivine, uralite and biotite replacing pyroxene, and saussurite and sericite replacing plagioclase. Sulfide mineralization does not appear to be directly related to the alteration.

The metals of interest at NorthMet are copper, nickel, cobalt, platinum, palladium, gold, and silver with lesser amounts of rhodium and ruthenium. With the exception of cobalt, the metals are generally
positively correlated with copper mineralization. Unit 1 mineralization is found throughout the deposit. A shallow dipping, near surface though less extensively mineralized zone that is copper-rich relative to sulfur is found in Units 4, 5, and 6 in the western part of the deposit.

Sulfide mineralization consists of chalcopyrite, cubanite, pyrrhotite and pentlandite with minor bornite, violarite, pyrite, sphalerite, galena, talnakhite, mackinawite and vallerite. Sulfide minerals occur mainly as blebs interstitial with plagioclase, olivine and augite grains, but also occur within plagioclase and augite grains, as intergrowths with silicates, or as fine veinlets. The percentage of sulfides average less than 1%, varying from trace to about 5%. Precious metals are associated with the sulfides.

The NorthMet deposit has been identified over a length of approximately 2.5 miles and has been found to a depth of more than 2,600 feet. It is covered by a thin layer of glacial till but otherwise reaches to the surface at the northern edge.

(g) Development Plans

The DFS, prepared by Bateman, contemplated the development of a new open pit mine at our NorthMet ore body, using existing rail infrastructure to transport ore from the mine site to our Erie Plant, where we would use our existing facilities to crush and mill the rock. The finely ground material would then pass to a new flotation circuit with waste material sent to existing tailing storage facilities. The 2006 plan contemplated a hydrometallurgical plant to recover value-added metals from the concentrate.

From 2008 to 2013, we incorporated numerous project improvements that were reflected in the draft and supplemental draft EIS’s published in 2009 and 2013 respectively. The changes included Phase I production of separate copper and nickel concentrates with Phase II installation of an autoclave to upgrade the nickel concentrate as well as numerous modifications that will result in reduced environmental impacts, including: reductions in sulfur dioxide, mercury and greenhouse gas emissions at the plant site, capture of groundwater and surface seepage with the construction of an in ground containment system to the north and west of the existing tailings basin, and all contact water discharged from the NorthMet Project will be treated through reverse osmosis plants.

We plan to complete a Definitive Cost Estimate and Project Update prior to commencement of construction. The Project Update will incorporate numerous process and project improvements, environmental controls described in the Final EIS. The Project Update will also include detailed capital and operating costs reflecting the advanced stage of engineering and design and will be filed as a NI 43-101 Technical Report.

Saleable Products
During Phase I, we anticipate that we will sell copper concentrate and a nickel bulk concentrate.

In October 2008, we entered into an agreement with Glencore whereby Glencore will purchase our production of concentrates, metals, or intermediate products at prevailing market terms at the time of delivery for at least the first 5 years of production.

Capital Costs
Our 2008 DFS Update set out total capital cost of $601.9 million, reflecting both cost inflation and design scope changes since the DFS to that date, including facilities needed to ship concentrate during the construction and commissioning of Phase II. Further simplification of the metallurgical process reported in 2011 eliminated the planned copper solvent-extraction/electro-winning circuit.
h) Regulations and Government Rules

The mining industry has been subject to increasing government controls and regulations in recent years. We have obtained all necessary permits for exploration work performed to date and anticipate no material problems obtaining the necessary permits to proceed with further development.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction & Syria Human Rights Act

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 ("ITRA"), effective August 10, 2012, added a new subsection (r) to Section 13 of the Exchange Act, which requires issuers that file periodic reports with the SEC to disclose in their annual and quarterly reports whether, during the reporting period, they or any of their “affiliates” (as defined in Rule 12b-2 under the Exchange Act) have knowingly engaged in specified activities or transactions relating to Iran, including activities not prohibited by U.S. law and conducted outside the U.S. by non-U.S. affiliates in compliance with applicable laws. Issuers must also file a notice with the SEC if any disclosable activity under ITRA has been included in an annual or quarterly report.

Because the SEC defines the term “affiliate” broadly, our largest shareholder may be considered an affiliate of the Company despite the fact that the Company has no control over our largest shareholder’s actions or the actions of its affiliates. As such, pursuant to Section 13(r)(1)(D)(iii) of the Exchange Act, the Company hereby discloses the following information provided by our largest shareholder regarding transactions or dealings with entities controlled by the Government of Iran (the “GOI”):

During the period from February 1, 2015 until January 31, 2016, a non-U.S. affiliate of the largest shareholder of the Company (the “non-U.S. Shareholder Affiliate”) entered into sales contracts for agricultural products for delivery to Iranian entities wholly or majority owned by the GOI. The non-U.S. Shareholder Affiliate performed its obligations under the contracts in compliance with applicable sanction laws and, where required, with the necessary prior approvals by the relevant governmental authorities.

The gross revenue of the non-US Shareholder Affiliate related to these contracts did not exceed the value of $16 million for the twelve months ended January 31, 2016. At the same time as providing this information to us, our largest shareholder amended the information that it provided us for the prior year to state that the gross revenue of the non-U.S. Shareholder Affiliate related to these contracts did not exceed the value of $152 million for the twelve months ended January 31, 2015. The non-U.S. Shareholder Affiliate does not allocate net profit on a country-by-country or activity-by-activity basis, but estimates that the net profit attributable to the contracts would not exceed a small fraction of the gross revenue from such contracts. It is not possible to determine accurately the precise net profit attributable to such contracts.

The contracts disclosed above do not violate applicable sanctions laws administered by the U.S. Department of the Treasury, Office of Foreign Assets Control, and are not the subject of any enforcement action under Iran sanction laws.

In compliance with applicable economic sanctions and in conformity with U.S. secondary sanctions, the non-U.S. Shareholder Affiliate expects to continue to engage in similar activities in the future.

Neither the Company nor any of its subsidiaries (i) engaged in any transactions or activities requiring disclosure under ITRA nor (ii) were involved in the transactions described in this section. As of the date of this report, the Company is not aware of any other activity, transaction or dealing by us or any of its affiliates during the fiscal year ended January 31, 2016 that requires disclosure in this report under Section 13(r) of the Exchange Act.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

(a) Operating Results

This discussion and analysis should be read in conjunction with our consolidated financial statements and related notes for the years ended January 2016, 2015, and 2014 appearing under Item 18 – Financial Statements and listed under Item 19 – Exhibits.

Our functional currency is the United States dollar and our financial statements are presented in United States Dollar (presentation currency) and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Summary of Key Developments During and Subsequent to the Fiscal Year Ended January 31, 2016

During the year ended January 31, 2016, and through the date of the filing of this Annual Report, we continued to advance our NorthMet Project including the activities noted below:

- Publication of the NorthMet Final EIS on November 6, 2015;
- USFS Draft ROD on the proposed land exchange on November 17, 2015;
- MDNR ROD on the Adequacy of the Final EIS on March 3, 2016. See additional discussion in Item 8(B);
- Initiation of the formal permit process with a public meeting in Aurora, MN to layout the permit process on April 19, 2016;
- Continued development of a Definitive Cost Estimate and Project Update incorporating project modifications incorporated into the Final EIS and permit applications;
- $33.0 million secured debentures issued to Glencore AG, a wholly owned subsidiary of Glencore plc (together “Glencore”) to fund environmental review, permitting and general corporate purposes; and
- Extension of the Glencore convertible and non-convertible loans to March 31, 2017 and clarification of PolyMet’s right to repay at any time without penalty, with an interest rate of 12-month US dollar LIBOR plus 15.0% from January 1, 2016.

Net cash used in operating and investing activities was $32,050 million, of which approximately $19 million was spent on environmental review and permitting. We pay our own engineering and legal consultants and also reimburse the state of Minnesota for its internal staff costs and the cost of the EIS Contractor. Other spending relates to engineering and cost estimates, maintaining existing infrastructure, financing, and general corporate purposes.

Goals and Outlook for the remainder of fiscal 2017

- USFS Final ROD on the proposed land exchange and transfer of title to the surface rights over and around the NorthMet mineral rights to PolyMet;
- Submission of state permit applications;
- Section 404 wetlands permit preparation for review;
- Completion of Definitive Cost Estimate and Project Update;
- Completion of project implementation plan;
- Repayment / conversion of Glencore and IRRRB loans; and
- Completion of construction finance plan including commitment of debt prior to the issuance of permits but subject to typical conditions precedent such as receipt of key permits.

We expect to spend approximately $30 million in the year to January 31, 2017. The primary focus remains completion of the permitting process. Other areas of focus include engineering and updated cost estimates that will be reported in an Updated Technical Report under National Instrument 43-101, maintaining existing infrastructure and financing.
Prior to receipt of permits, we will seek to secure construction financing that would be available upon receipt of key permits, with construction and ramp-up to commercial production anticipated to take approximately 24 months from receipt of key permits. We are in discussion with commercial banks and other financial institutions regarding construction finance.

Upon completion of the land exchange, which we anticipate will be completed during the current fiscal year, we will own surface rights to approximately 19,050 acres or 29.8 square miles of contiguous surface rights stretching from west of the Erie Plant to east of the proposed east pit at NorthMet.

See additional discussion of environmental review and permitting in Item 4(D)(d) and development plans in Item 4(D)(g).

**Summary of Operating Results**
*(All figures in Thousands of U.S. dollar except Loss per share)*

<table>
<thead>
<tr>
<th></th>
<th>Year Ended January 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Revenue</td>
<td>-</td>
</tr>
<tr>
<td>Loss for the Year</td>
<td>(9,346)</td>
</tr>
<tr>
<td>Basic and Diluted Loss per Share</td>
<td>(0.03)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>337,660</td>
</tr>
<tr>
<td>Long-Term Debt including Convertible Debt</td>
<td>79,009</td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td>184,657</td>
</tr>
</tbody>
</table>

**Year ended January 31, 2016 compared with the year ended January 31, 2015**

**Overall:**
Our focus for the fiscal year ended January 31, 2016 was on the environmental review and permitting process for the NorthMet Project, maintenance of existing infrastructure and financing.

**Loss for the year:**
During the year ended January 31, 2016, we incurred a loss of $9.346 million ($0.03 loss per share) compared to a loss of $7.276 million ($0.03 loss per share) during the year ended January 31, 2015. The increase in the net loss for the year was primarily attributable to a non-cash loss on disposal of Wetland Credit Intangible as the proceeds are anticipated to be received over many years.

**Cash Flows for the year:**
Cash used in operating activities in the year ended January 31, 2016 was $4.822 million compared to cash used in the year ended January 31, 2015 of $4.196 million. The variance in cash is primarily due to changes in non-cash working capital balances.

Cash provided by financing activities for the year ended January 31, 2016 was $33.015 million compared to cash provided in the year ended January 31, 2015 of $7.977 million. The current year includes $33.0 million funding of the non-convertible loan and proceeds from share option exercises. The prior year includes $7.9 million funding of the non-convertible loan and proceeds from share option exercises.

Cash used in investing activities for the year ended January 31, 2016 was $27.228 million compared to cash used in the year ended January 31, 2014 of $27.253 million. Increased spending on engineering and cost estimates were mostly offset by decreased environmental technical support costs as the EIS process winds down.

Including the effect of foreign exchange, total cash for the year ended January 31, 2016 increased by $0.955 million for a balance of $10.256 million compared to the year ended January 31, 2015 where cash decreased $23.489 million for a balance of $9.301 million.
Capital Expenditures for the year:
During the year ended January 31, 2016 we capitalized $25.402 million (prior year - $50.219 million) of mineral property, plant, and equipment costs related to the acquisition, development and preservation of the NorthMet Project and other fixed assets. The decrease is primarily due to a decrease in the environmental rehabilitation provision of $7.269 million during the year ended January 31, 2016 as compared to an increase of $20.454 million during the year ended January 31, 2015. The change in the environmental rehabilitation provision includes a decrease of $4.230 million (prior year increase of $9.867 million) as a result of clarification of the potential liability for the long-term mitigation at the tailings basin and a decrease of $3.039 million (prior year increase of $10.587 million) as a result of changes in the risk free-interest rate. In addition, we capitalized $0.100 million (prior year - $0.100 million) of wetland credit intangible costs related to wetland credit options and development agreements.

Year ended January 31, 2015 compared with the year ended January 31, 2014

Overall:
Our focus for the fiscal year ended January 31, 2015 was to provide the Co-lead Agencies with input into the Final EIS and permit work at our NorthMet Project and obtain additional financing.

Loss for the year:
During the year ended January 31, 2015, we incurred a loss of $7.276 million ($0.03 loss per share) compared to a loss of $8.132 million ($0.04 loss per share) during the year ended January 31, 2014. The decrease in the net loss for the year was primarily attributable to a decrease in investor and public relations in the current year to $1.276 million (prior year - $2.075 million) relating to the Rights Offering in the prior year. This was partially offset by an increase in finance costs in the current year to $1.816 million, (prior year - $1.465 million) relating to an increase in the accretion of the environmental rehabilitation provision.

Cash flows for the year:
Cash used in operating activities in the year ended January 31, 2015 was $4.196 million compared to cash used in the year ended January 31, 2014 of $8.034 million. The variance in cash is primarily due to changes in non-cash working capital balances and the above noted operating variances.

Cash provided by financing activities for the year ended January 31, 2015 was $7.977 million compared to cash provided in the year ended January 31, 2014 of $58.269 million. The current year includes funding of the non-convertible loan and proceeds from share option exercises. The prior year includes proceeds from the rights offering, funding of the Glencore bridge loan, and repayment of the Glencore bridge loan.

Cash used in investing activities for the year ended January 31, 2015 was $27.253 million compared to cash used in the year ended January 31, 2014 of $25.523 million. The increase was primarily due to increased work surrounding the SDEIS public comment period and review of comments received.

Including the effect of foreign exchange, total cash for the year ended January 31, 2015 decreased by $23.489 million for a balance of $9.301 million compared to the year ended January 31, 2014 where cash increased $24.702 million for a balance of $32.790 million.

Capital Expenditures for the year:
During the year ended January 31, 2015 we capitalized $50.219 million (prior year - $25.599 million) of mineral property, plant, and equipment costs related to the acquisition, development and preservation of the NorthMet Project and other fixed assets. The increase is primarily due to an increase in the environmental rehabilitation provision of $20.454 million during the year ended January 31, 2015 as compared to a decrease of $2.350 million during the year ended January 31, 2014. The increase comprises $9.867 million (prior year increase of $2.430 million) for an increase to the estimated liability as a result of clarification of the long-term mitigation at the tailings basin and $10.587 million (prior year decrease of $4.780 million) for changes in the risk free-interest rate. In addition, we capitalized $0.100
million (prior year - $0.100 million) of wetland credit intangible costs related to wetland credit options and development agreements.

(b) Liquidity and Capital Resources

Liquidity risk is the risk we will not be able to meet our financial obligations as they become due and arises through the excess of financial obligations over available financial assets due at any point in time. Our objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time and is achieved by maintaining sufficient cash.

Our capital management objective is to safeguard our ability to continue as a going concern in order to pursue the development of our mineral property. In the management of capital, we include the components of shareholders’ equity, convertible debt and non-convertible debt. We manage the capital structure and make adjustments to it depending on economic conditions and the rate of anticipated expenditures. To maintain or adjust the capital structure, we may attempt to issue new shares, issue new debt, acquire or dispose of assets. We have no externally imposed capital requirements.

In order to assist in management of our capital requirements, we prepare budgets that are updated as necessary depending on various factors. The budgets are approved by our Board of Directors.

Although we plan to have the resources to carry out our plans and operations through January 31, 2017, we do not currently have sufficient capital to meet our estimated project capital expenditure requirements and are in discussions to arrange sufficient capital to meet these requirements. During the upcoming fiscal year, our objective is to identify the source or sources from which we will obtain the capital required to complete the Project.

Year Ended January 31, 2016 compared with the year ended January 31, 2015


Year Ended January 31, 2015 compared with the year ended January 31, 2014

Financing Activities

Glencore Financing
Since October 2008, the Company and Glencore have entered into a series of financing agreements comprising:

- Convertible debt – $25.0 million initial principal secured convertible debentures drawn in four tranches (together the “2008 Debentures”);
- Equity – four separate agreements comprising a $25.0 million placement of PolyMet common shares in calendar 2009 in two tranches; a $30.0 million placement of PolyMet common shares in calendar 2010 in three tranches; a $20.0 million placement of PolyMet common shares in calendar 2011 in one tranche; and a $20.960 million purchase of PolyMet common shares in the 2013 Rights Offering (see 2013 Glencore Agreement below);
- Non-convertible debt – two separate agreements comprising $30.0 million initial principal secured debentures in calendar 2015 drawn in four tranches (the “2015 Debentures”) and $11.0 million initial principal secured debenture in calendar 2016 drawn in one tranche (the “2016 Debenture”) (see 2015 Glencore Agreements below).

As a result of these financing transactions and the purchase by Glencore of PolyMet common shares previously owned by Cliffs, Glencore's ownership and ownership rights of PolyMet as at January 31, 2016 comprises:

- 78,724,821 shares representing 28.4% of PolyMet's issued shares;
- The 2008 Debentures are exchangeable through the exercise of an Exchange Warrant at $1.2920 per share into 27,853,358 common shares of PolyMet (including capitalized and accrued interest as at January 31, 2016) until the Repayment Date, which is the earlier of March 31, 2017, availability of $80 million of debt or equity financing, or an earlier date on which PolyMet can demonstrate that it is prudent to repay the debentures, subject to ten days notice during which time Glencore can elect to exercise the Exchange Warrant. The exercise price of the Exchange Warrant is and the number of shares issuable are subject to conventional anti-dilution provisions; and
- Warrants (“Purchase Warrants”) to purchase 6,458,001 million common shares at $0.8231 per share at any time until December 31, 2017, subject to mandatory exercise if the 20-day volume weighted average price (“VWAP”) of PolyMet common shares is equal to or greater than 150% of the exercise price and PolyMet has received permits and construction finance is available (“Early Maturity Event”). The exercise price of the Purchase Warrants and the number of warrants are subject to conventional anti-dilution provisions.

If Glencore were to exercise all of its rights and obligations under these agreements, it would own 113,036,180 common shares of PolyMet, representing 36.2% on a partially diluted basis, that is, if no other options or warrants were exercised or 34.0% on a fully diluted basis, if all other options and warrants were exercised, whether they are in-the-money or not.

2013 Glencore Agreement
On April 10, 2013, we issued a Tranche E debenture (“2013 Debenture”) with the principal amount of $20.0 million to Glencore and Glencore agreed to a Standby Purchase Agreement (“Standby”) related to the $60.480 million Rights Offering by us. Under the Standby, Glencore agreed to purchase any common shares offered under the Rights Offering that were not subscribed for by holders of the Rights, subject to certain conditions and limitations. The 2013 Debenture carried a fixed interest rate of 4.721% per annum, was issued on April 11, 2013 and repaid upon closing of the Rights Offering on July 5, 2013. We recognized the 2013 Debenture issued initially at fair value and subsequently accounted for the debenture at its amortized cost. Transaction costs for the financing were $0.103 million. All borrowing costs were eligible for capitalization and 100% of these costs were capitalized during the year ended January 31, 2014.

2014 Glencore Agreement
On April 25, 2014, we extended the term of the 2008 Debentures and the expiration date of the associated Exchange Warrant to the earlier of the Early Maturity Event or September 30, 2015. All other terms of both the debentures and the warrant were unchanged.

2015 Glencore Agreements
On January 28, 2015, we agreed to issue to Glencore new Tranche F, G, H, and I secured debentures with the total principal amount of $30.0 million. Tranche F in the amount of $8.0 million was issued on January 30, 2015. Tranche G in the amount of $8.0 million was issued on April 15, 2015. Tranche H in the amount of $8.0 million was issued on July 1, 2015. Tranche I in the amount of $6.0 million was issued on October 1, 2015. The interest rate on these debentures was 12-month US dollar LIBOR plus 8.0% per annum payable in cash upon maturity and the maturity was the earlier of (i) the availability of at least $100 million of construction finance or (ii) March 31, 2016. We provided security by way of a guarantee and a pledge of the assets of the Company and its wholly-owned subsidiary. We recognized these debentures initially at fair value and subsequently accounted for the debentures at amortized cost. Transaction costs for the financing were $0.150 million.

On July 30, 2015, we extended the term of the 2008 Debentures and the expiration date of the associated Exchange Warrant to the earlier of the Early Maturity Event or March 31, 2016 and the interest rate was increased from 12-month US dollar LIBOR plus 4.0% to 12-month US dollar LIBOR plus 8.0% effective August 1, 2015. The Purchase Warrant expiration date was extended to the earlier of the Early Maturity Event or December 31, 2016 and the exercise price was reduced from $1.3022 per share to $0.9292 per share. The transaction has been accounted for as a modification of the existing convertible debt with the $1.241 million difference in the fair value of the purchase warrants as a result of the extension in term and price reduction being recorded within equity.

On December 15, 2015, we extended the term of the 2008 Debentures and expiration date of the associated Exchange Warrant and extended the term of the 2015 Debentures to the Repayment Date, which is the earlier of March 31, 2017, availability of $80 million of debt or equity financing or an earlier date on which PolyMet can demonstrate that it is prudent to repay the debentures, subject to ten days notice during which time Glencore can elect to exercise the Exchange Warrant. The interest rate was increased from 12-month US dollar LIBOR plus 8.0% to 12-month US dollar LIBOR plus 15.0% effective January 1, 2016. The Purchase Warrant expiration date was extended to December 31, 2017, and the exercise price was reduced from $0.9292 per share to $0.8231 per share. The transactions have been accounted for as a modification of the existing convertible debt with the $0.615 million difference in the fair value of the purchase warrants as a result of the extension in term and price reduction being recorded within equity.

2016 Glencore Agreement
On January 27, 2016, we issued to Glencore a Tranche J secured debenture with the total principal amount of $11.0 million. The interest rate on this debenture was 12-month US dollar LIBOR plus 15.0% per annum payable in cash upon maturity and the maturity was the Repayment Date, which is the earlier of March 31, 2017, availability of $80 million of debt or equity financing or an earlier date on which PolyMet can demonstrate that it is prudent to repay the debentures. We provided security by way of a guarantee and a pledge of the assets of the Company and its wholly-owned subsidiary. We recognized this debenture initially at fair value and subsequently accounted for the debenture at amortized cost. Transaction costs for the financing were $0.050 million.

Iron Range Resources & Rehabilitation Board ("IRRRB") Financing
In June 2011, we closed a $4.0 million loan from IRRRB, a development agency created by the State of Minnesota to stabilize and enhance the economy of northeastern Minnesota. At the same time, we exercised our options to acquire two tracts of land as part of the proposed land exchange with the USFS. The loan is secured by the land acquired, carries a fixed interest rate of 5% per annum, compounded annually, and is repayable on the earlier of June 30, 2016 or the date which the related land is exchanged with the USFS. We have issued warrants giving the IRRRB the right to purchase 461,286 shares of our
common shares at $2.1678 per share at any time until the earlier of June 30, 2016 and one year after permits are received.

AG for Waterfowl, LLP ("AG") Financing
In March 2012, we acquired a secured interest in land owned by AG that is permitted for wetland restoration. AG subsequently assigned the agreement to EIP Minnesota, LLC ("EIP") in September 2012. EIP will restore the wetlands and, upon completion, wetland credits are to be issued by the proper governmental authorities.

As part of the initial consideration, AG received warrants to purchase 1,249,315 common shares at $1.3007 per share. These warrants expired on December 31, 2015.

On April 6, 2015, we entered into a revised agreement with EIP whereby EIP will seek to sell credits that PolyMet does not need to third parties and, over time, reimburse PolyMet for its costs. The financial asset has been designated as available for sale. Upon closing of the transaction, we recognized the receivable at fair value calculated using a 9.25% discount rate and 12 year term resulting in a receivable of $2.552 million and a non-cash loss of $1.852 million. We will account for subsequent fair value changes through other comprehensive income or loss. Under the agreement, PolyMet retains the right to purchase up to 300 credits until February 28, 2017 with additional payments due only if PolyMet exercises that right in part or in full.

Rights Offering
On May 24, 2013, we filed the final prospectus for an offering of rights ("Rights") to holders of common shares of us (the "Rights Offering"). Every shareholder received one Right for each common share owned on June 4, 2013, the Record Date, and two Rights entitled the holder to acquire one new common share of us at $0.66 per share.

Upon the closing of the Rights Offering on July 5, 2013, we issued a total of 91,636,202 common shares for gross proceeds of $60.480 million. Expenses and fees relating to the Rights Offering were $2.108 million, including the $1.061 million standby commitment fee paid to Glencore, and reduced the gross proceeds recorded as share capital. The closing of the Rights Offering triggered customary anti-dilution provisions for outstanding warrants, share options, and unissued restricted share units.

Other Financings
During the year ended January 31, 2016, we issued 275,000 shares (prior year – 75,000 shares) upon exercise of options for proceeds of $0.216 million (prior year - $0.081 million).

Escrowed Securities
As at January 31, 2016, we had the following outstanding securities held in escrow:

<table>
<thead>
<tr>
<th>Designation of Class</th>
<th>Number of Securities held in Escrow</th>
<th>Percentage of Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common shares (1)</td>
<td>236,000</td>
<td>0.01%</td>
</tr>
</tbody>
</table>

(1) Common shares held by Farris, Vaughan, Wills & Murphy LLP and were issued as restricted shares to U.S. employees.
(c) Research and Development, Patents and Licenses, Etc.

We are engaged in the exploration and development of mineral properties. See Item 5(a) and 5(b) above for a discussion of the expenditures incurred in connection with our business activities.

We hold a royalty-free license to use the PLATSOL technology originally developed for our NorthMet Project by International PGM Technologies to recover precious metals from a hydrometallurgical circuit. Separately, we have filed for patents related to copper concentrate enrichment technology that we have developed. PLATSOL and the copper concentrate enrichment technology will not be used in Phase I of the project development but we do plan to use them in Phase II upgrading of the nickel-PGM concentrate.

(d) Trend Information

There are no major trends anticipated to have a material effect on our financial condition and results of operations in the near future.

(e) Off-Balance Sheet Arrangements

None.

(f) Tabular Disclosure of Contractual Obligations

The following table lists as at January 31, 2016 information with respect to our known contractual obligations and environmental rehabilitation provision:

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>Carrying Value</th>
<th>Contractual Cash Flows</th>
<th>Less than 1 year</th>
<th>1 – 3 years</th>
<th>3 – 5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 3,348</td>
<td>$ 3,348</td>
<td>$ 3,348</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Convertible debt</td>
<td>35,986</td>
<td>43,292</td>
<td>-</td>
<td>43,292</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-convertible debt</td>
<td>47,985</td>
<td>56,974</td>
<td>5,111</td>
<td>51,863</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental rehabilitation provision</td>
<td>65,684</td>
<td>69,529</td>
<td>1,498</td>
<td>6,703</td>
<td>15,956</td>
<td>45,372</td>
</tr>
<tr>
<td>Commitments</td>
<td>-</td>
<td>2,243</td>
<td>2,068</td>
<td>175</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 153,003</td>
<td>$ 175,386</td>
<td>$ 12,025</td>
<td>$ 102,033</td>
<td>$ 15,956</td>
<td>$ 45,372</td>
</tr>
</tbody>
</table>

(g) Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, which requires the use of certain critical accounting estimates. These critical accounting estimates require management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements.

Critical accounting estimates and judgments made in the preparation of these consolidated financial statements are as follows:

(i) Determination of mineral reserves

Reserves are estimates of the amount of product that can be economically and legally extracted from our property. In order to estimate reserves, estimates are required about a range of geological, technical and economic factors, including quantities, production techniques, production costs, capital
costs, transport costs, demand, prices and exchange rates. Estimating the quantity of reserves requires the size, shape and depth of deposits to be determined by analyzing geological data. This process may require complex and difficult geological judgments to interpret the data. In addition, management will form a view of forecast sales prices, based on current and long-term historical average price trends. Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment, rehabilitation provisions, recognition of deferred tax amounts and depreciation, depletion and amortization.

(ii) Impairment of non-financial assets

The carrying amounts of our non-financial assets, including mineral property, plant and equipment, and wetland credit intangible are reviewed at each reporting date or when events or changes in circumstances occur that indicate the asset may not be recoverable to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated at the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. An impairment loss previously recorded is reversed if there has been a change in the estimates used to determine the recoverable amount resulting in an increase in the estimated service potential of an asset.

For its mineral property interest, we consider both external and internal sources of information in assessing whether there are any indications of impairment. External sources of information we consider include changes in the market, economic and legal environment in which we operate that are not within its control and affect the recoverable amount of mineral property interests. Internal sources of information we consider include indications of economic performance of the asset. No impairment loss for of the mineral property interests was recorded for the year ended January 31, 2016 or January 31, 2015.

(iii) Provisions for Environmental Rehabilitation Costs

Provisions for environmental rehabilitation costs associated with mineral property, plant and equipment, are recognized when we have a present legal or constructive obligation that can be estimated reliably, and it is probable an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

It is possible that our estimates of our ultimate environmental rehabilitation liabilities could be affected by changes in regulations, changes in the extent of environmental rehabilitation required, changes in the means of rehabilitation, changes in the extent of responsibility for the financial liability or changes in cost estimates. Our operations may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon us may vary greatly and are not predictable.

Our provision for environmental rehabilitation cost obligations represents management’s best estimate of the present value of the future cash outflows required to settle the liability.

See discussion of other significant accounting policies and future accounting changes in Item 18 - Notes to Consolidated Financial Statements.
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Each Director serves until the next annual general meeting of shareholders or until his/her successor is duly elected, unless his/her office is vacated in accordance with our Articles of Incorporation. Vacancies on the Board of Directors are filled by election from nominees chosen by the remaining Directors and the persons filling those vacancies will hold office until the next annual general meeting of shareholders, at which time they may be re-elected or replaced.

The following is a list of the names and ages of our directors and senior management:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Ian L. Forrest</td>
<td>77</td>
<td>Chairman, Director</td>
</tr>
<tr>
<td>Jonathan Cherry</td>
<td>46</td>
<td>Director, President, and Chief Executive Officer</td>
</tr>
<tr>
<td>Matthew Daley</td>
<td>37</td>
<td>Director</td>
</tr>
<tr>
<td>David Dreisinger</td>
<td>58</td>
<td>Director</td>
</tr>
<tr>
<td>Alan R. Hodnik</td>
<td>56</td>
<td>Director</td>
</tr>
<tr>
<td>William Murray</td>
<td>67</td>
<td>Director</td>
</tr>
<tr>
<td>Stephen Rowland</td>
<td>54</td>
<td>Director</td>
</tr>
<tr>
<td>Michael M. Sill</td>
<td>54</td>
<td>Director</td>
</tr>
<tr>
<td>Douglas J. Newby</td>
<td>57</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Bradley Moore</td>
<td>55</td>
<td>Executive Vice President, Environmental &amp; Governmental Affairs</td>
</tr>
</tbody>
</table>

W. Ian L. Forrest has served as a member of our board of directors since October 2003 and our Chairman since July 2012. Mr. Forrest previously served as Chairman of our board until from May 2004 to February 2008 and Co-Chairman from January 2011 to July 2012. He also serves as the Chair on both our Business Development and Risk Management and our Nominating and Corporate Governance committees and serves on our Audit, our Compensation, and our Capital Finance committees. Mr. Forrest played an important role in our revival in 2003. Mr. Forrest is a member of the Institute of Chartered Accountants of Scotland. Mr. Forrest has more than 40 years of experience with public companies in the resource sector. His experience encompasses the areas of promotion, financing, exploration, production and company management. He has also participated in several notable projects including Gulfstream's North Dome gas discovery, Qatar, Reunion Mining’s Scorpion zinc, Namibia, which was subsequently developed by Anglo American, and Ocean Diamond Mining, which pioneered the independent diamond dredging industry off the west coast of southern Africa. He also served as a director of Tanager Energy Inc. (formerly MGold Resources Inc.) until October, 2011 and Belmore Resources (Holdings) plc until July, 2011 when it was acquired by Lundin Mining Ltd. He currently serves on the boards of Georex SA and Poros SAS. Mr. Forrest was a director of Viatrade plc, which was put into receivership in August 2009. Mr. Forrest currently resides in Vaud, Switzerland.

Jonathan Cherry has served as our President and Chief Executive Officer and as a member of our board of directors since July 2012. He also serves as the Chair on both our Safety, Health and Environmental and our Capital Finance committees and serves on our Technical Steering committee. Prior to July 2012, Mr. Cherry’s career spanned more than 20 years with Rio Tinto where he worked in a number of positions, including general manager, where he was responsible for permitting and the initial development of the Eagle Mine in Michigan’s Upper Peninsula. His last position was Vice President with Rio Tinto, responsible for strategic direction in environmental permitting and compliance, legal matters and external relations related to mine development of the Resolution copper project in Arizona. Mr. Cherry is a licensed Professional Engineer. Mr. Cherry currently resides in Minnesota, United States.

Matthew Daley has served as a member of our board of directors since July 2014. He also serves on both our Technical Steering and our Safety, Health and Environmental committees. Mr. Daley started his career with Mount Isa Mines in Australia, then held senior management positions with Xstrata plc in Australia, Asia and South America before joining Glencore Xstrata plc in Canada in 2013. He is responsible for technical and project support for Glencore’s copper assets in Australia, Asia and the Americas. Mr. Daley currently resides in Ontario, Canada.
Dr. David Dreisinger has served as a member of our board of directors since October 2003. He serves on our Safety, Health and Environmental, our Audit, our Technical Steering and on our Nominating and Corporate Governance committees. Since 1988, Dr. Dreisinger has been a member of the faculty at the University of British Columbia in the Department of Materials Engineering and is currently Professor and Chairholder of the Industrial Research and Chair in Hydrometallurgy. He has published over 250 papers and has been extensively involved as a process consultant in industrial research programs with metallurgical companies. Dr. Dreisinger has participated in 19 U.S. patents for work in areas such as pressure leaching, ion exchange removal of impurities from process solutions, use of thiosulfate as an alternative to cyanide in gold leaching, and leach-electrolysis treatment of copper recovery from sulfide ores, and the Sepon Copper Process for copper recovery from sulfidic-clayey ores. Dr. Dreisinger serves as a director of Search Minerals, Inc. and as Vice President – Metallurgy for each of Baja Mining Corp, Search Minerals Inc., and TriMetals Mining Inc. Dr. Dreisinger currently resides in British Columbia, Canada.

Alan R. Hodnik has served as a member of our board of directors since March 2011. He also serves as the Chair on our Compensation Committee and serves on our Safety, Health and Environmental, our Business Development and Risk Management and our Nominating and Corporate Governance committees. Mr. Hodnik was named President of ALLETE, Inc. in May 2009, CEO in May 2010, and Chairman of that company in May 2011. Since joining ALLETE in 1982, Mr. Hodnik has served as Vice President-Generation Operations, Senior Vice President of Minnesota Power Operations, and Chief Operating Officer. As Chief Operating Officer, he led BNI Coal Mining, Superior Water Light & Power (SWLP) and transmission, distribution, generation, customer service and engineering for all aspects of Minnesota Power. Mr. Hodnik also serves on the Edison Electric Institute (EEI) Board of Directors. Mr. Hodnik was elected and served as Mayor of the City of Aurora, Minnesota from 1987-1998. The cities of Aurora and Hoyt Lakes co-host our PolyMet Erie Mine site location. He is a member of the board of Essentia Health-East Region and the Area Partnership for Economic Expansion (APEX). Mr. Hodnik currently resides in Minnesota, United States.

William Murray served as our Executive Chairman from February 2008 to December 2010 and has served as a member of our board of directors since March 2003. He previously served as our President and Chief Executive Officer from March 2003 until February 2008. He also serves as the Chair of our Technical Steering Committee and serves on our Business Development and Risk Management, Capital Finance and our Compensation committees. Mr. Murray is an engineer in the mining industry with more than 35 years of experience in construction management, project evaluation in North America and Africa. From April 1993 to 2003, Mr. Murray provided consulting services to the mining industry as a principal of Optimum Project Services Ltd. Prior to that, Mr. Murray was employed by Fluor Daniel, a large U.S. Engineering & Construction contractor, as the Director of New Business from October 1989 to April 1993. From September 1981 to May 1986, Mr. Murray was a Director of Project Services at Denison Mines where he was part of the core team than built the $1.2 billion Quintette Coal project. From September 1970 to August 1981, Mr. Murray held a number of positions at Anglo American Corp in South Africa, principally in the Gold Division. Mr. Murray is also a director of Aura Minerals, Inc., and Prospero Silver Corp. Mr. Murray currently resides in British Columbia, Canada.

Stephen Rowland has served as a member of our board of directors since October 2008. He also serves on our Technical Steering Committee and as an ex-officio member of our Nominating and Corporate Governance Committee. Mr. Rowland has been an executive with Glencore, a diversified natural resources company, since 1988. Mr. Rowland has held various positions with responsibility for international trading in metals and minerals in London, Switzerland, and the United States. Prior to joining Glencore, Mr. Rowland started his career in 1985 with Cargill, Inc. in Minneapolis. Mr. Rowland currently resides in Connecticut, United States.

Michael M. Sill has served as a member of our board of directors since March 2011. He also serves as the Chair on our Audit Committee and serves on our Capital Finance, our Safety, Health and Environmental and our Compensation committees. Mr. Sill has served as President and CEO of Road Machinery & Supplies Co. since 1994, having joined Road Machinery in 1988. Road Machinery is a
distributor of construction, mining and forestry equipment. Educated at Dartmouth College and J.L. Kellogg Graduate School of Management, Mr. Sill started his career as a financial analyst and commercial lending officer with The Northern Trust Company. He has served on the boards of the Associated Equipment Distributors, Associated General Contractors of Minnesota, the Twin Cities Regional Board of US Bank, and Dunwoody College of Technology. Mr. Sill currently resides in Minnesota, United States.

Douglas J. Newby has served as our Chief Financial Officer since November 2005. Mr. Newby has more than 30 years of experience in the evaluation and financing of mining companies and projects around the world. Before coming to PolyMet, Mr. Newby served variously as a Director, Executive Vice President, interim Chairman, President and Chief Executive Officer of Western Goldfields, Inc. (now New Gold, Inc.) a US-based gold mining company. Mr. Newby has also been President of Proteus Capital Corp., a corporate advisory firm that specializes in the natural resource industries, since July 2001. Mr. Newby served as Managing Director of Proteus Consultants Ltd. from January 1991 to July 2001. Prior to January 1991, Mr. Newby held senior positions with the investment banking firms of S.G. Warburg & Co., Inc., Morgan Grenfell & Co., and James Capel & Co. From June 2011 to August 2014 Mr. Newby served as a director of Coronet Metals, Inc., a Canadian company developing a gold mine in Peru. Mr. Newby currently resides in New York, United States.

Bradley Moore has served as our Executive Vice President, Environmental & Government Affairs since January 2011. Mr. Moore has nearly 30 years experience in regulatory and government relation positions. He served as Commissioner of the Minnesota Pollution Control Agency from 2006 to 2008, and as Assistant Commissioner for Operations of the MDNR from January 1999 to August 2006. Prior to that, he worked in leadership and policy analyst positions with the MDNR and the Minnesota Department of Public Service (now the Department of Commerce). In December 2008, Mr. Moore joined Barr Engineering as Senior Advisor, Public and Governmental Affairs where he advised several companies on environmental strategy. Mr. Moore currently resides in Minnesota, United States.

B. Statement of Executive Compensation

During the fiscal year ended January 31, 2016, we had five Named Executive Officers (“NEOs”) (for the purposes of applicable securities legislation): Jonathan Cherry, President and Chief Executive Officer; Douglas Newby, Chief Financial Officer; Bradley Moore, Executive Vice President, Environmental & Governmental Affairs; Andrew Ware, Chief Geologist; and Bruce Richardson, Vice President, Corp Communications and External Affairs. Mr. Ware and Mr. Richardson are not executive officers (for the purposes of applicable securities legislation) but constitute NEOs.

The following table sets forth the compensation paid to our Named Executive Officers for the fiscal year ended January 31, 2016:

<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>Salaries Commissions and Bonuses</th>
<th>Options / Restricted Share Units</th>
<th>Pension, Retirement and Similar Benefits¹</th>
<th>Total Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Cherry, Director, President and Chief Executive Officer</td>
<td>$ 812,500</td>
<td>$ -</td>
<td>$ 15,900</td>
<td>$ 828,400</td>
</tr>
<tr>
<td>Douglas Newby, Chief Financial Officer</td>
<td>$ 367,300</td>
<td>$ -</td>
<td>$ 7,600</td>
<td>$ 374,900</td>
</tr>
<tr>
<td>Bradley Moore, Executive Vice President, Environmental and Governmental Affairs</td>
<td>$ 355,200</td>
<td>$ -</td>
<td>$ 12,300</td>
<td>$ 367,500</td>
</tr>
<tr>
<td>Andrew Ware, Chief Geologist</td>
<td>$ 225,700</td>
<td>$ -</td>
<td>$ 9,200</td>
<td>$ 234,900</td>
</tr>
<tr>
<td>Bruce Richardson, Vice President, Corp Communications and External Affairs</td>
<td>$ 220,400</td>
<td>$ -</td>
<td>$ 9,100</td>
<td>$ 229,500</td>
</tr>
</tbody>
</table>

¹ Balances represent Company contributions under 401k pension plans.
We have no pension plan or other arrangement for non-cash compensation to the NEOs.

Other than the arrangements noted in the tables above and below, during the fiscal year ended January 31, 2016, no compensation was paid or is payable by us to the directors of the Company, or our subsidiaries, if any, for their services in their capacity as directors, including any amounts payable for committee participation or special assignments:

<table>
<thead>
<tr>
<th>Director</th>
<th>Director's Fees</th>
<th>Options / Restricted Share Units</th>
<th>Total Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Ian L. Forrest</td>
<td>$50,000</td>
<td>$-</td>
<td>$50,000</td>
</tr>
<tr>
<td>Matthew Daley</td>
<td>$40,000</td>
<td>$-</td>
<td>$40,000</td>
</tr>
<tr>
<td>David Dreisinger</td>
<td>$40,000</td>
<td>$-</td>
<td>$40,000</td>
</tr>
<tr>
<td>Alan R. Hodnik</td>
<td>$40,000</td>
<td>$-</td>
<td>$40,000</td>
</tr>
<tr>
<td>William Murray</td>
<td>$40,000</td>
<td>$-</td>
<td>$40,000</td>
</tr>
<tr>
<td>Stephen Rowland</td>
<td>$40,000</td>
<td>$-</td>
<td>$40,000</td>
</tr>
<tr>
<td>Michael M. Sill</td>
<td>$40,000</td>
<td>$-</td>
<td>$40,000</td>
</tr>
</tbody>
</table>

Other than the President and Chief Executive Officer, none of our other directors has a service contract with us providing for benefits upon termination of his employment.

**C. Board Practices**

All of our directors hold office until the next annual meeting of shareholders and until their successors have been elected and qualified. Our officers are elected by the Board of Directors at the first Board of Directors meeting after each annual meeting of shareholders and hold office until death, resignation, or upon removal from office.

Our Audit Committee consists of Michael M. Sill (Chair), W. Ian L. Forrest, and Dr. David Dreisinger, all of whom are independent directors. Mr. Forrest meets the criteria of an “Audit Committee Financial Expert” under the applicable rules and regulations of the SEC and such designation has been ratified by the Board of Directors. The Audit Committee oversees our auditing procedures, receives and accepts the reports of our independent chartered professional accountants, oversees our internal systems of accounting and management controls, and makes recommendations to the Board of Directors as to the selection and appointment of our auditors.

Our Compensation Committee consists of Alan R. Hodnik (Chair), W. Ian L. Forrest, William Murray and Michael M. Sill, all of whom are independent directors. The function of the Compensation Committee is to administer the 2007 PolyMet Omnibus Share Compensation Plan and to have authority over the salaries, bonuses, and other compensation arrangements of our executive officers.

Our Nominating and Corporate Governance Committee consists of W. Ian L. Forrest (Chair), Alan R. Hodnik, and David Dreisinger, all of whom are independent directors. Stephen Rowland is an ex-officio member as he is not considered independent. The committee (1) identifies individuals qualified to become members of the Board, (2) selects, or recommends to the Board, the director nominees for the next annual shareholders meeting, (3) selects candidates to fill any vacancies on the Board, and (4) develops and recommends to the Board a set of corporate governance principles applicable to PolyMet.

**D. Employees**

As at January 31, 2016 we had 21 full-time employees, with 1 located in our Toronto office, 12 located in our Hoyt Lakes office, and 8 located in our St. Paul office. None of our employees are covered by a collective bargaining agreement. We believe that our relations with our employees are good.

**E. Share Ownership**

See Item 7(A) for shareholdings of persons listed in Item 6(B).
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth certain information that has been provided to us regarding the beneficial ownership of our common shares as of April 15, 2016 by those known to our management to be (i) the beneficial owner of more than 5% of our outstanding common shares, (ii) our directors, (iii) our current executive officers identified under Item 6(A), and (iv) all directors and executive officers as a group.

<table>
<thead>
<tr>
<th>Name and Address of Beneficial Owner (1)</th>
<th>Amount and Nature of Beneficial Ownership (2)</th>
<th>Percent of Common Shares (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Cherry</td>
<td>4,659,356</td>
<td>1.7%</td>
</tr>
<tr>
<td>W. Ian L. Forrest</td>
<td>3,259,262</td>
<td>1.2%</td>
</tr>
<tr>
<td>William Murray</td>
<td>2,573,816</td>
<td>*</td>
</tr>
<tr>
<td>Douglas J. Newby</td>
<td>1,618,553</td>
<td>*</td>
</tr>
<tr>
<td>Bradley Moore</td>
<td>1,247,608</td>
<td>*</td>
</tr>
<tr>
<td>Michael M. Sill</td>
<td>1,059,963</td>
<td>*</td>
</tr>
<tr>
<td>David Dreisinger</td>
<td>987,292</td>
<td>*</td>
</tr>
<tr>
<td>Stephen Rowland</td>
<td>929,762</td>
<td>*</td>
</tr>
<tr>
<td>Alan R. Hodnik</td>
<td>880,262</td>
<td>*</td>
</tr>
<tr>
<td>Matthew Daley</td>
<td>250,000</td>
<td>*</td>
</tr>
<tr>
<td>Total directors and executive officers as a group (14)</td>
<td>17,465,874</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

5% or more shareholders:

<table>
<thead>
<tr>
<th>Name and Address of Beneficial Owner (1)</th>
<th>Amount and Nature of Beneficial Ownership (2)</th>
<th>Percent of Common Shares (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glencore</td>
<td>113,777,209</td>
<td>36.4%</td>
</tr>
<tr>
<td>Baarerstrasse 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH-6341 Baar, Switzerland</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Less than 1.0%

(1) The address of each person, unless otherwise noted, is c/o PolyMet Mining Corp., 100 King Street West, Suite 5700, Toronto, Ontario M5X 1C7.

(2) The number of shares beneficially owned by each person or group includes common shares that such person or group had the right to acquire on or within 60 days after that date, including, but not limited to, upon the exercise of options and vesting and release of restricted stock units. To our knowledge, except as otherwise indicated in the footnotes to this table and subject to applicable community property laws, each shareholder named in the table has the power to vote or direct the voting of (voting power) and the power to sell or otherwise direct the disposition of (dispositive power) the shares set forth opposite such shareholder’s name.

(3) For each person and group included in the table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group as described above by the sum of the 277,672,970, common shares outstanding on April 15, 2016 and the number of common shares that such person or group had the right to acquire on or within 60 days of that date, including, but not limited to, upon the exercise of options and upon vesting and payment of restricted stock units.

(4) Includes 781,689 common shares directly owned by Mr. Cherry, 1,666,667 common shares issuable upon exercise of options at an exercise price of $0.7613 per share set to expire on June 21, 2022, 562,000 common shares issuable upon exercise of options at an exercise price of $0.98 set to expire January 17, 2024, 502,000 common shares issuable upon exercise of options at an exercise price of $1.0700 set to expire January 5, 2020, and 1,147,000 common shares issuable upon exercise of options at an exercise price of $0.7600 set to expire February 1, 2021. In addition, Mr. Cherry holds currently un-exercisable options to acquire 833,333 common shares.
at an exercise price of $0.7613 per share set to expire on June 21, 2022 and has the right, upon certain milestones, to receive 544,317 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.

(5) Includes 29,762 common shares directly owned by Mr. Forrest, 2,217,000 common shares owned in the name of Micor Trading SA of which Mr. Forrest is a director and has voting and dispositive control, 562,500 common shares owned in the name of Panares Resources Inc. of which he is a director and has voting and dispositive control, 150,000 common shares issuable upon exercise of options at an exercise price of $0.7110 per share set to expire on February 17, 2019 and 300,000 common shares issuable upon exercise of options at an exercise price of $0.9800 per share set to expire December 16, 2023. In addition, Mr. Forrest has the right, upon certain milestones, to receive 52,879 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.

(6) Includes 963,852 common shares directly owned by Mr. Murray and 959,964 common shares held in the name of Group 4 Ventures of which he is the sole shareholder, 200,000 common shares issuable upon exercise of options at an exercise price of $0.7110 per share set to expire on February 17, 2019, 150,000 common shares issuable upon exercise of options at an exercise price of $0.8237 per share set to expire July 11, 2022 and 300,000 common shares issuable upon exercise of options at an exercise price of $0.9800 per share set to expire December 16, 2023. In addition, Mr. Murray has the right, upon certain milestones, to receive 93,133 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.

(7) Includes 229,553 common shares directly owned by Mr. Newby, 100,000 common shares held indirectly by Kathryn Levy, the spouse of Mr. Newby, 25,000 common shares held in the name of Proteus Capital Corp. of which Mr. Newby is the President and controlling shareholder, 45,000 restricted common shares for which he has voting power but does not currently have dispositive control, 200,000 common shares issuable upon exercise of options at an exercise price of $1.0318 per share set to expire on March 8, 2022, 100,000 common shares issuable upon exercise of options at an exercise price of $0.7977 per share set to expire on January 7, 2023, 219,000 common shares issuable upon exercise of options at an exercise price of $0.9800 set to expire January 17, 2024, 213,000 common shares issuable upon exercise of options at an exercise price of $1.0700 set to expire January 5, 2020 and 487,000 common shares issuable upon exercise of options at an exercise price of $0.7600 set to expire February 1, 2021. In addition, Mr. Newby has the right, upon certain milestones, to receive 231,252 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.

(8) Includes 39,608 common shares directly owned by Mr. Moore, 300,000 common shares issuable upon exercise of options at an exercise price of $1.8816 per share set to expire on January 25, 2021, 100,000 common shares issuable upon exercise of options at an exercise price of $1.0318 per share set to expire on March 8, 2022, 160,000 common shares issuable upon exercise of options at an exercise price of $0.9800 per share set to expire January 17, 2024, 138,000 common shares issuable upon exercise of options at an exercise price of $1.0700 per share set to expire on January 5, 2020, and 510,000 common shares issuable upon exercise of options at an exercise price of $0.7600 set to expire February 1, 2021. In addition, Mr. Moore has the right, upon certain milestones, to receive 216,498 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.

(9) Includes 281,262 common shares directly owned by Mr. Sill, 6,201 common shares held in the name of Matthew Sill, 22,500 common shares held in the name of Michael R. Sill Family Trust, of which Mr. Sill is a trustee, 250,000 common shares issuable upon exercise of options by Mr. Sill at an exercise price of USD $1.7689 per share set to expire on March 10, 2021, 200,000 common shares issuable upon exercise of options at an exercise price of $1.0318 per share set to expire on March 8, 2022 and 300,000 common shares issuable upon exercise of options at an exercise price of $0.9800 per share set to expire December 16, 2023. In addition, Mr. Sill has the right, upon certain milestones, to receive 52,879 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.
(10) Includes 387,292 common shares directly owned by Dr. Dreisinger, 150,000 common shares issuable upon exercise of options at an exercise price of $0.7110 per share set to expire on February 17, 2019, 150,000 common shares issuable upon exercise of options at an exercise price of $0.7977 per share set to expire on January 7, 2023 and 300,000 common shares issuable upon exercise of options at an exercise price of $0.9800 per share set to expire December 16, 2023. Mr. Dreisinger has the right, upon certain milestones, to receive 52,879 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.

(11) Includes 179,762 common shares directly owned by Mr. Rowland, 250,000 common shares issuable upon exercise of options at an exercise price of $1.0318 per share set to expire on March 8, 2022, 300,000 common shares issuable upon exercise of options at an exercise price of $0.9800 per share set to expire December 16, 2023 and 200,000 common shares issuable upon exercise of options at an exercise price of $0.9300 per share set to expire January 9, 2024. In addition, Mr. Rowland has the right, upon certain milestones, to receive 52,879 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.

(12) Includes 130,262 common shares directly owned by Mr. Hodnik, 250,000 common shares issuable upon exercise of options at an exercise price of USD $1.7689 per share set to expire on March 10, 2021, 200,000 common shares issuable upon exercise of options at an exercise price of $1.0318 per share set to expire on March 8, 2022 and 300,000 common shares issuable upon exercise of options at an exercise price of $0.9800 per share set to expire December 16, 2023. In addition, Mr. Hodnik has the right, upon certain milestones, to receive 52,879 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.

(13) Includes 250,000 common shares issuance upon exercise of options at an exercise price of $1.0700 per share set to expire on July 9, 2024. In addition, Mr. Daley has the right, upon certain milestones, to receive 52,879 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.

(14) Includes 6,916,207 common shares owned, 10,504,667 common shares issuable upon exercise of options, and 45,000 restricted common shares for which the holder has voting power but does not currently have dispositive control. Does not include 1,402,474 common shares issuable under Restricted Share Units for which the holder currently has neither voting nor dispositive rights nor currently un-exercisable options to acquire 833,333 common shares.

(15) Includes 78,724,821 common shares owned, $25.0 million initial principal debentures exchangeable into 28,594,387 of our common shares (including interest capitalized as at March 31, 2016) and warrants to acquire 6,458,001 of our common shares at $0.8231 per share.

Our shareholder who beneficially owns more than 5% of our common shares outstanding do not have voting rights different from any other shareholders of common shares.

As at April 15, 2016, there were 338 holders of record of our common shares of which 264 were U.S. residents owning 24.26% of our outstanding common shares.
B. Related Party Transactions

We conducted transactions with senior management, directors and persons or companies related to these individuals, and paid or accrued amounts as follows:

<table>
<thead>
<tr>
<th>(in $000’s)</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and other short-term benefits</td>
<td>$1,825</td>
<td>$1,509</td>
<td>$1,718</td>
</tr>
<tr>
<td>Other long-term benefits</td>
<td>34</td>
<td>49</td>
<td>60</td>
</tr>
<tr>
<td>Share-based payments (1)</td>
<td></td>
<td>1,093</td>
<td>2,366</td>
</tr>
<tr>
<td>Total</td>
<td>$1,861</td>
<td>$2,651</td>
<td>$4,144</td>
</tr>
</tbody>
</table>

(1) Share-based payment represents the fair value determined at grant date to be expensed over the vesting period.

There are agreements with key employees that contain severance provisions for termination without cause or in the event of a take-over. Other than the President and Chief Executive Officer, none of PolyMet’s other directors has a service contract with us providing for benefits upon termination of his employment.

As a result of Glencore’s ownership of 28.4% of us it is also a related party. We have entered into a Technical Services Agreement with Glencore whereby PolyMet reimburses Glencore for costs associated with providing technical support to PolyMet, primarily in detailed project design and mineral processing where PolyMet requests assistance under an agreed scope of work. Transactions with Glencore are described in Item 5(b) above.

To our knowledge, except as disclosed above, none of the directors, executive officers or other insiders, as applicable, of us or any affiliate of us has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect us.

C. Interests of experts and counsel.

Not applicable.
ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Item 18.

Legal Proceedings and Regulatory Actions

To the knowledge of Company’s management, there are no material legal proceedings or regulatory actions outstanding to which we are a party, or to which any of its property is subject to, during the financial year ended January 31, 2016, and no such proceedings or regulatory actions are known to us to be threatened or pending, as of the date hereof.

Dividend Policy

Since our incorporation, we have not declared or paid, and have no present intention to declare or to pay in the foreseeable future, any cash dividends with respect to our common shares. Earnings will be retained to finance further growth and development of our business. However, if our board of directors declares dividends, all common shares will participate equally, and, in the event of liquidation, in our net assets.

B. Significant Changes

On March 3, 2016, the MDNR issued its ROD that the Final EIS addresses the objectives defined in the EIS scoping review, meets procedural requirements, and responds appropriately to public comments. The 30-day period allowed by law to challenge the state’s ROD has passed without any legal challenge being filed.

The state’s decision also lays the foundation for permits to construct and operate the NorthMet Project. On April 19, 2016 the MDNR held a Pre-application Public Informational Meeting that included an overview of the NorthMet Project and the permit to mine process together with a summary of other state permits, such as tailings dam safety, water quality, air quality and wetlands. After consultation with the MDNR and the MPCA, PolyMet will begin to submit the various state permit applications that will be required to construct and operate the project.
ITEM 9. THE OFFER AND LISTING

A. The Offer and Listing Details

The following table outlines the annual high and low market prices for the five most recent fiscal years:

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>High (CDN$)</th>
<th>Low (CDN$)</th>
<th>High (US$)</th>
<th>Low (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 31, 2016</td>
<td>1.70</td>
<td>0.79</td>
<td>1.33</td>
<td>0.61</td>
</tr>
<tr>
<td>January 31, 2015</td>
<td>1.66</td>
<td>1.08</td>
<td>1.50</td>
<td>1.00</td>
</tr>
<tr>
<td>January 31, 2014</td>
<td>1.34</td>
<td>0.69</td>
<td>1.28</td>
<td>0.67</td>
</tr>
<tr>
<td>January 31, 2013</td>
<td>1.37</td>
<td>0.73</td>
<td>1.37</td>
<td>0.70</td>
</tr>
<tr>
<td>January 31, 2012</td>
<td>2.61</td>
<td>1.00</td>
<td>2.65</td>
<td>0.97</td>
</tr>
</tbody>
</table>

The following table outlines the high and low market prices for each fiscal financial quarter for the two most recent fiscal periods:

<table>
<thead>
<tr>
<th>Fiscal Quarter Ended</th>
<th>High (CDN$)</th>
<th>Low (CDN$)</th>
<th>High (US$)</th>
<th>Low (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 31, 2016</td>
<td>1.45</td>
<td>0.97</td>
<td>1.10</td>
<td>0.70</td>
</tr>
<tr>
<td>October 31, 2015</td>
<td>1.27</td>
<td>0.79</td>
<td>0.98</td>
<td>0.61</td>
</tr>
<tr>
<td>July 31, 2015</td>
<td>1.62</td>
<td>1.18</td>
<td>1.33</td>
<td>0.92</td>
</tr>
<tr>
<td>April 30, 2015</td>
<td>1.70</td>
<td>1.26</td>
<td>1.33</td>
<td>1.04</td>
</tr>
<tr>
<td>January 31, 2015</td>
<td>1.38</td>
<td>1.17</td>
<td>1.18</td>
<td>1.01</td>
</tr>
<tr>
<td>October 31, 2014</td>
<td>1.36</td>
<td>1.14</td>
<td>1.25</td>
<td>1.04</td>
</tr>
<tr>
<td>July 31, 2014</td>
<td>1.38</td>
<td>1.08</td>
<td>1.26</td>
<td>1.00</td>
</tr>
<tr>
<td>April 30, 2014</td>
<td>1.66</td>
<td>1.13</td>
<td>1.50</td>
<td>1.02</td>
</tr>
</tbody>
</table>

The following table outlines the high and low market prices for the periods indicated:

<table>
<thead>
<tr>
<th>Month Ended</th>
<th>High (CDN$)</th>
<th>Low (CDN$)</th>
<th>Total Volume (#)</th>
<th>High (US$)</th>
<th>Low (US$)</th>
<th>Total Volume (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1 – 15, 2016</td>
<td>1.25</td>
<td>1.10</td>
<td>108,600</td>
<td>0.98</td>
<td>0.84</td>
<td>1,649,700</td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>1.52</td>
<td>1.05</td>
<td>884,900</td>
<td>1.13</td>
<td>0.80</td>
<td>9,665,000</td>
</tr>
<tr>
<td>February 29, 2016</td>
<td>1.24</td>
<td>1.10</td>
<td>191,600</td>
<td>0.89</td>
<td>0.80</td>
<td>2,552,100</td>
</tr>
<tr>
<td>January 31, 2016</td>
<td>1.20</td>
<td>0.97</td>
<td>237,600</td>
<td>0.85</td>
<td>0.70</td>
<td>2,588,400</td>
</tr>
<tr>
<td>December 31, 2015</td>
<td>1.33</td>
<td>1.09</td>
<td>282,300</td>
<td>0.98</td>
<td>0.79</td>
<td>3,184,900</td>
</tr>
<tr>
<td>November 30, 2015</td>
<td>1.45</td>
<td>1.06</td>
<td>306,000</td>
<td>1.10</td>
<td>0.85</td>
<td>5,542,500</td>
</tr>
<tr>
<td>October 31, 2015</td>
<td>1.25</td>
<td>0.79</td>
<td>604,400</td>
<td>0.98</td>
<td>0.61</td>
<td>4,504,200</td>
</tr>
<tr>
<td>September 30, 2015</td>
<td>1.20</td>
<td>0.90</td>
<td>457,100</td>
<td>0.93</td>
<td>0.68</td>
<td>3,925,700</td>
</tr>
<tr>
<td>August 31, 2015</td>
<td>1.27</td>
<td>1.10</td>
<td>340,700</td>
<td>0.97</td>
<td>0.82</td>
<td>3,956,600</td>
</tr>
<tr>
<td>July 31, 2015</td>
<td>1.41</td>
<td>1.18</td>
<td>203,600</td>
<td>1.12</td>
<td>0.92</td>
<td>5,490,600</td>
</tr>
<tr>
<td>June 30, 2015</td>
<td>1.62</td>
<td>1.31</td>
<td>852,000</td>
<td>1.33</td>
<td>1.08</td>
<td>5,716,500</td>
</tr>
<tr>
<td>May 31, 2015</td>
<td>1.42</td>
<td>1.30</td>
<td>230,500</td>
<td>1.19</td>
<td>1.09</td>
<td>3,164,600</td>
</tr>
<tr>
<td>April 30, 2015</td>
<td>1.61</td>
<td>1.40</td>
<td>196,900</td>
<td>1.29</td>
<td>1.16</td>
<td>3,324,400</td>
</tr>
<tr>
<td>March 31, 2015</td>
<td>1.70</td>
<td>1.35</td>
<td>642,900</td>
<td>1.33</td>
<td>1.09</td>
<td>6,998,000</td>
</tr>
<tr>
<td>February 28, 2015</td>
<td>1.38</td>
<td>1.26</td>
<td>516,900</td>
<td>1.10</td>
<td>1.04</td>
<td>3,209,400</td>
</tr>
</tbody>
</table>

B. Plan of Distribution

Not applicable.
C. Markets
On April 13, 1984, our common shares commenced trading on what is now the TSX Venture Exchange under the symbol “POM.” On February 1, 2007, our common shares graduated to trading on the TSX under the symbol “POM”. In August 2000, our common shares began trading on the OTCBB under the symbol “POMGF.” On June 26, 2006, our common shares commenced trading on what is now the NYSE MKT under the symbol “PLM.”

D. Selling Shareholders
Not applicable.

E. Dilution
Not applicable.

F. Expenses of the Issue
Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital
Not Applicable.

B. Memorandum and Articles of Association

Incorporation
We were incorporated under the name Fleck Resources Ltd. pursuant to the Companies Act (British Columbia) and continued under the Business Corporations Act (British Columbia) by registration of our memorandum in British Columbia, Canada, under Certificate of Incorporation #BC0228310 on March 4, 1981. We changed our name to PolyMet Mining Corp. on June 10, 1998. We do not have any stated “objects” or “purposes” as such that are not required by the corporate laws of the Province of British Columbia. Rather, we are, by such corporate laws, entitled to carry on any activities whatsoever that are not specifically precluded by other statutory provisions of the Province of British Columbia.

Powers and Functions of the Directors
The powers and functions of the directors are set forth in our Articles, the current version of which were adopted on October 6, 2004, and in the Business Corporations Act (British Columbia). They provide that:

(a) a director who holds office or possesses any property, right, or interest that could result, directly or indirectly, in the creation of a duty of interest that materially conflicts with his duty or interest as a director must disclose the nature and extent of the conflict and abstain from voting on the approval of the proposed contract or transaction, unless all the directors have a disclosable interest, in which case the director may vote on such resolution, and moreover, may be liable to account to us for any profit that accrued under such an interest contract or transaction;

(b) a director is not deemed to be interested in a proposed contract or transaction merely because it relates to the remuneration of a director in that capacity. The directors may, in the absence of an independent quorum, vote compensation to themselves;

(c) there are no specific limitations on the exercise by the directors of our borrowing powers;
(d) there are no provisions for the retirement or non-retirement of directors under an age limit; and

(e) there is no requirement for a director to hold any shares in us.

Rights and Restrictions Attached to the Shares

As all of our authorized and issued shares are of one class of common shares, there are no special rights or restrictions of any nature or kind attached to any of the shares, including any dividend rights. All authorized and issued shares rank equally in respect to the declaration and receipt of dividends and rights to share in any profits or surplus upon our liquidation, dissolution or winding-up. Each share has attached to it one non-cumulative vote. Shareholders are not liable to further capital calls made by us. There is no specific sinking fund provision or any provision discriminating against any existing or prospective holder of shares as a result of such shareholder owning a substantial number of shares. See further discussion of Shareholder Rights Plan in Item 14.

Alteration of Share Rights

The rights of holders of our issued common shares may be altered by special resolution, which requires the approval of the holders of two-thirds or more of the votes cast at a meeting of our shareholders called and held in accordance with applicable law. See further discussion of Shareholder Rights Plan in Item 14.

Annual General Meetings

Annual General Meetings are called and scheduled upon decision by the Board of Directors. Pursuant to the Business Corporations Act (British Columbia), we are required to hold an annual meeting in each year, not more than 15 months after the date of the most recent annual meeting. The directors may call a meeting of the shareholders whenever they see fit. All meetings of the shareholders may be attended by registered shareholders or persons who hold powers of attorney or proxies given to them by registered shareholders.

Foreign Ownership Limitations

Our Articles and other charter documents do not contain limitations prohibiting non-residents, foreigners or any other group from holding or voting shares.

Change of Control

There are no provisions in our Articles or charter documents that currently have the effect of delaying, deferring or preventing a change in the control in us, or that would operate with respect to any proposed merger, acquisition or corporate restructuring involving us or any of our subsidiaries.

Share Ownership Reporting Obligations

There are no provisions in our Articles requiring share ownership to be disclosed.

Securities legislation in Canada requires that shareholder ownership must be disclosed once a person owns beneficially or has control or direction, directly or indirectly, over greater than 10% of the issued voting shares of a corporation, such as us. This threshold is higher than the 5% threshold under U.S. securities legislation at which shareholders must report their share ownership.
C. Material Contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which we are a party, for the two years preceding the date of this document:

- Acquisition of the mine site lease, see Item 4(D)(c)(i) for a complete description;
- Acquisition of the Erie Plant and associated infrastructure acquired in the Asset Purchase Agreements I and II, see Item 4(D)(c)(ii) for a complete description; and
- Share purchase agreement entered into with Glencore, see Item 5(B) for a complete description.

D. Exchange Controls

There are no governmental laws, decrees or regulations in Canada relating to restrictions on the export or import of capital, or affecting remittance of interest, dividends or other payments to non-resident holders of our common shares. Any remittances of dividends to United States residents are, however, subject to a 15% withholding tax (5% if the shareholder is a company owning at least 10% of the outstanding common shares) pursuant to the reciprocal tax treaty between Canada and the United States. See the section of this Form 20-F entitled “Taxation.”

Except as provided in the Investment Canada Act (the “ICA”), which has provisions which govern the acquisition of a control block of voting shares by a person who is not a Canadian resident (a “non-Canadian”) of a company carrying on a Canadian business, there are no limitations specific to the rights of non-Canadians to hold or vote the common shares under the laws of Canada or the Province of British Columbia or in our charter documents.

E. Taxation

This summary is not exhaustive of all possible income tax consequences. It is not intended as legal or tax advice to any particular holder of our common shares and should not be so construed. The tax consequences to any particular holder of common shares will vary according to the status of that holder as an individual, trust, corporation, or member of a partnership, the jurisdiction in which that holder is resident and, generally, according to that holder’s particular circumstances. Each holder should consult his own tax advisor with respect to the income tax consequences applicable to him in his own particular circumstances.

Certain Canadian Federal Income Tax Consequences

The following is a summary of the material Canadian federal income tax considerations generally applicable to a holder of our common shares who, at all relevant times for the purposes of the Income Tax Act (Canada) and the regulations thereunder (collectively, the “Tax Act”), is not, and is not deemed to be, resident in Canada, deals at “arm’s length” with and is not “affiliated” with us, holds their common shares as capital property and has not and will not enter into a “derivative forward transaction” (as defined in the Tax Act) with respect to the common shares of the Company.

Common shares of the Company will generally be considered to be capital property of a holder unless such common shares are held in the course of carrying on a business in Canada or were acquired in one or more transactions considered to be an adventure in the nature of trade for the purposes of the Tax Act. Special rules, which are not discussed in this summary, may apply to a non-resident holder that is an insurer that carries on business in Canada and elsewhere.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister prior to the date hereof (the “Tax Proposals”), and the current published administrative policies and assessing practices of the Canada Revenue Agency (“CRA”). This summary assumes that all Tax Proposals will be enacted in the form proposed; however no assurance can be given that the Tax Proposals will be enacted in the form proposed or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, administrative or legislative decision or action or changes in CRA’s administrative and assessing policies.
and practices, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from those described herein. The provisions of the Tax Act are subject to income tax treaties to which Canada is a party, including the Canada-United States Income Tax Convention (1980), as amended (the “Convention”). This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular holder. This summary is not exhaustive of all possible Canadian federal income tax consequences that may affect holders of common shares. Accordingly, holders should consult their own tax advisors with respect to their particular circumstances.

Dividends on Common Shares
Under the Tax Act, a non-resident of Canada is generally subject to Canadian withholding tax at the rate of 25 percent on dividends paid or credited, or deemed to have been paid or credited, by the Company. We are responsible for withholding this tax at source. The Convention generally limits the rate of withholding tax on dividends to 15 percent if the shareholder is a resident of the U.S., the dividends are beneficially owned by and paid to such shareholder, and such shareholder is entitled to benefits under the Convention. The rate of withholding tax may be reduced to 5 percent if, in addition to the above, the shareholder is a company that beneficially owns at least 10 percent of the voting stock of the Company.

Disposition of Common Shares
Under the Tax Act, a taxpayer’s capital gain or capital loss from a disposition of a share of the Company is the amount, if any, by which the taxpayer’s proceeds of disposition exceed (or are exceeded by, respectively) the aggregate of the taxpayer’s adjusted cost base of the share and reasonable expenses of disposition. The capital gain or loss is generally computed in Canadian currency using a weighted average adjusted cost base for identical properties.

A non-resident of Canada is generally not subject to tax under the Tax Act in respect of a capital gain realized upon the disposition or deemed disposition of a share of a class that is listed on a “designated stock exchange” (which includes the TSX) unless the share is “taxable Canadian property” of the holder and the holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the holder is resident.

Generally, provided that the common shares of the Company are listed on a “designated stock exchange” (which includes the TSX) at the time of disposition or deemed disposition, a common share will not constitute taxable Canadian property of a holder, unless at any time during the 60-month period immediately preceding the disposition or deemed disposition, (i) the non-resident holder, persons with whom the non-resident holder did not deal at arm’s length, or partnerships in which the holder or persons with whom the holder did not deal at arm’s length holds a membership interest directly or indirectly through one or more partnerships, or the holder together with any such persons and partnerships, owned 25% or more of our issued shares of any class or series of the Company; and (ii) more than 50% of the fair market value of the common shares was derived, directly or indirectly, from one or any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act) and an option in respect of, an interest in, or for civil law rights in, such property. Notwithstanding the foregoing, a common share may be deemed to be taxable Canadian property in certain circumstances set out in the Tax Act. Holders whose common shares may constitute taxable Canadian property should consult with their own tax advisors.

Certain United States Federal Income Tax Consequences
The following discussion is a summary of certain U.S. federal income tax consequences that may be relevant with respect to the ownership and disposition of our common shares by a U.S. Holder (as hereinafter defined). This discussion is based upon the provisions of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations promulgated thereunder, administrative rulings and judicial decisions, in each case as of the date hereof. These authorities are subject to differing interpretations and may be changed, perhaps retroactively, resulting in U.S. federal income tax consequences different from those discussed below. We have not sought any ruling from the U.S. Internal Revenue Service (“IRS”) with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with such statements and conclusions.
For purposes of this discussion, a "U.S. Holder" means a holder of our common shares who is (i) a citizen or an individual resident of the U.S., (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S., any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if it is subject to the primary supervision of a court within the U.S. and one or more "U.S. persons," as defined in the Code, have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. This summary does not apply to you if you are not a U.S. Holder.

This summary applies to you only if you are a U.S. Holder (i) that holds Common Shares as capital assets for tax purposes, and (ii) (a) that is a resident of the United States for purposes of the current Convention between the United States and Canada signed on September 26, 1980 (as amended by the Protocols, the “Treaty”), (b) whose Common Shares are not, for purposes of the Treaty, effectively connected with a permanent establishment in Canada and (c) that otherwise qualifies for the full benefits of the Treaty.

In addition, this discussion does not address the U.S. federal income tax consequences to certain categories of U.S. Holders subject to special rules, including U.S. Holders that are (i) banks, financial institutions or insurance companies; (ii) regulated investment companies or real estate investment trusts; (iii) brokers or dealers in securities or currencies or traders in securities that elect to use a mark-to-market method of accounting; (iv) tax-exempt organizations, qualified retirement plans, individual retirement accounts or other tax-deferred accounts; (v) holders that hold Common Shares as part of a hedge, straddle, conversion transaction or a synthetic security or other integrated transaction; (vi) holders that have a "functional currency" other than the United States dollar; (vii) holders that own directly, indirectly or constructively 10 percent or more of the voting power of the Corporation; and (viii) United States expatriates. If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds our common shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner should consult its own tax advisors as to the U.S. federal income tax consequences of being a partner in a partnership that holds or disposes of our common shares.

This discussion addresses only certain aspects of U.S. federal income taxation to U.S. Holders. In addition, this discussion does not address any U.S. federal alternative minimum tax, U.S. federal estate, gift, or other non-income tax; or state, local or non-U.S. tax consequences of the acquisition, ownership and disposition of Common Shares. U.S. Holders should consult their own tax advisors regarding the U.S. federal, state, local, non-U.S. and other tax consequences of the ownership and disposition of our common shares.

Distributions on Common Shares
Subject to the discussion below under “Passive Foreign Investment Company,” U.S. Holders receiving dividend distributions (including constructive dividends) with respect to our common shares generally are required to include in gross income for U.S. federal income tax purposes the gross amount of such distributions (without reduction for any Canadian income or other tax withheld from such distributions), equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that we have current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits, it will be treated as a return of capital to the extent of a U.S. Holder’s adjusted tax basis in our common shares and thereafter as capital gain from the sale or exchange of such common shares. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that the full amount of a distribution with respect to the common shares will be treated, and reported by us, as a dividend.

Dividends received by U.S. Holders that are individuals, estates or trusts from a “qualified foreign corporation,” as defined in the Code, generally are taxed at the same preferential tax rates applicable to long-term capital gains. A corporation that is a “passive foreign income company” as defined below under “Passive Foreign Investment Company,” for its taxable year during which it pays a dividend, or for its
immediately preceding taxable year, however, is not a “qualified foreign corporation.” We believe we will meet the definition of a PFIC, dividends received by U.S. Holders that are individuals, estates or trusts generally will be subject to U.S. federal income tax at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). Dividends paid on our common shares will not be eligible for the dividends received deduction provided to corporations receiving dividends from certain U.S. corporations.

The maximum rate of withholding tax on dividends paid to you pursuant to the Treaty is 15 percent. You may be required to properly demonstrate to the Company and the Canadian tax authorities your entitlement to the reduced rate of withholding under the Treaty.

Disposition of Common Shares
Subject to the discussion below under “Passive Foreign Investment Company,” U.S. Holders will recognize gain or loss upon the sale of our common shares equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the U.S. Holder’s tax basis in our common shares. Any gain or loss on disposition of our common shares generally will be U.S. source gain or loss and will be capital gain or loss. If, at the time of the disposition, a U.S. holder is treated as holding the common shares for more than one year, such gain or loss will be a long-term capital gain or loss. Long-term capital gain recognized by a non-corporate U.S. holder is currently subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company
We believe that we will meet the definition of “passive foreign investment company” under Section 1297 of the Code. A U.S. Holder that holds shares in a non-U.S. corporation during any year in which such corporation is a PFIC is subject to numerous special U.S. federal income tax rules. A non-U.S. corporation is considered to be a PFIC for any taxable year if either: at least 75% of its gross income is passive income (the “income test”), or at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “asset test”).

For purposes of the income test and the asset test, respectively, we will be treated as earning our proportionate share of the income and owning our proportionate share of the assets of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the shares. In addition, for purposes of the income test, passive income does not include any interest, dividends, rents, or royalties received or accrued by us from certain related persons, to the extent such items are properly allocable to income of such related person that is not passive.

We must make a separate determination each year as to whether or not we are a PFIC. As a result, our PFIC status may change. In particular, because the total value of our assets for purposes of the asset test will be calculated using the market price of our common shares (assuming that we continue to be a publicly traded corporation for purposes of the PFIC rules), our PFIC status will depend in large part on the market price of our common shares. Accordingly, fluctuations in the market price of our common shares may result in our being a PFIC for any year. If we are a PFIC for any year during which a U.S. Holder holds our common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds the common shares, absent a special election. For instance, if we cease to be a PFIC, a U.S. Holder may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to its common shares pursuant to which such U.S. Holder recognizes gain (which will be taxed under the default PFIC tax rules discussed below) as if such common shares had been sold on the last day of the last taxable year for which we were a PFIC. If a non-U.S. corporation is a PFIC for any taxable year and any of its non-U.S. subsidiaries is also a PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules.

If we are a PFIC for any taxable year during which a U.S. Holder holds our common shares, such U.S. Holder will be subject to special tax rules with respect to any “excess distribution” that it receives and any gain it realizes from a sale or other disposition (including a pledge) of the common shares, unless the
U.S. Holder makes a “mark-to-market” election, as discussed below. Distributions received by a U.S. Holder in a taxable year that are greater than 125% of the average annual distributions such U.S. Holder received during the shorter of the three preceding taxable years and its holding period for the common shares will be treated as an excess distribution. Under these special tax rules, (a) the excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we became a PFIC will be treated as ordinary income, and (c) the amount allocated to each other taxable year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year. You will be required to file IRS Form 8621 if you hold our Rights or Common Shares in any year in which we are classified as a PFIC.

The tax liability for amounts allocated to taxable years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the disposition of the common shares cannot be treated as capital.

Alternatively, a U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election with respect to shares of a PFIC to elect out of the tax treatment discussed above. If a U.S. Holder makes a valid mark-to-market election for the common shares, the U.S. Holder will include in income each year an amount equal to the excess, if any, of the fair market value of the common shares as of the close of its taxable year over its adjusted basis in such common shares. The U.S. Holder is allowed a deduction for the excess, if any, of the adjusted basis of the common shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the common shares included in the U.S. Holder’s income for prior taxable years. Amounts included in a U.S. Holder’s income under a mark-to-market election, as well as gain on the actual sale or other disposition of the common shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the common shares, as well as to any loss realized on the actual sale or disposition of the common shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such common shares. A U.S. Holder’s basis in the common shares will be adjusted to reflect any such income or loss amounts. If a U.S. Holder makes such an election, the tax rules that ordinarily apply to distributions by corporations that are not PFICs would apply to distributions by us, except that the preferential tax rates applicable to long-term capital gains on dividends received from a “qualified foreign corporation” discussed above under “Distributions on the Common Shares” would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a “qualified exchange,” including the TSX and the NYSE MKT, or other market, as defined in applicable U.S. Treasury regulations. We cannot provide any assurances that our common shares will continue to be listed on each of the TSX and the NYSE MKT on at least 15 days during each calendar quarter and traded in other than de minimis quantities. You are urged to consult your own tax advisor concerning the availability of the mark-to-market election.

If a non-U.S. corporation is a PFIC, a holder of shares in that corporation can avoid taxation under the rules described above by making a “qualified electing fund” election to include the holder’s share of the corporation’s income on a current basis in gross income. However, a U.S. Holder can make a qualified electing fund election with respect to its common shares only if we furnish the U.S. Holder annually with certain tax information, and we do not intend to prepare or provide such information.

You are urged to consult your own tax advisors concerning the U.S. federal income tax consequences of holding Common Shares if we are considered a PFIC any taxable year.

**Foreign Tax Credits**

Subject to certain conditions and limitations, including potential limitations under the Treaty, Canadian taxes paid on or withheld from distributions from us and not refundable to a U.S. Holder may be, at the election of such U.S. Holder, either credited against such U.S. Holder’s U.S. federal income tax liability or deducted from such U.S. Holder’s taxable income. Generally, a credit will reduce a U.S. Holder’s U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder’s
income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by or withheld from a U.S. Holder that year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder’s U.S. federal income tax liability that such U.S. Holder’s “foreign source” taxable income bears to such U.S. Holder’s worldwide taxable income. In applying this limitation, a U.S. Holder’s various items of income and deduction must be classified, under complex rules, as either “foreign source” or “U.S. source.” In addition, this limitation is calculated separately with respect to specific categories of income. Dividends paid by us generally will constitute “foreign source” income and generally will be categorized as “passive category income.”

Because the rules governing foreign tax credits are complex, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

Additional Tax on Passive Income
For tax years beginning after December 31, 2012, certain individuals, estates and trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on “net investment income” including, among other things, dividends and net gain from dispositions of property (other than property held in a trade or business). U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of Common Shares.

Information Reporting; Backup Withholding Tax
Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, recently enacted legislation generally imposes new U.S. return disclosure obligations (and related penalties) on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of $50,000. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Common Shares are held in an account at a domestic financial institution. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns under these rules, including the requirement to file an IRS Form 8938.

In general, payments made in the U.S. or through certain U.S. related financial intermediaries with respect to the ownership and disposition of our common shares will be required to be reported to the IRS unless the U.S. Holder is a corporation or other exempt recipient and, when required, demonstrates this fact. In addition, a U.S. Holder may be subject to a backup withholding (currently at a rate of 28%) on such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and when required, demonstrates this fact or (ii) provides a taxpayer identification number and otherwise timely complies with applicable certification requirements. U.S. Holders should consult their own tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption, if applicable. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder’s U.S. federal income tax liability and such U.S. Holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS FOR GENERAL INFORMATION PURPOSES ONLY, DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE POTENTIAL TAX CONSIDERATIONS RELATING TO OUR COMMON SHARES AND IS NOT TAX ADVICE. U.S. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF OUR COMMON SHARES.
F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

None of the following companies, partnerships or persons, each being persons or companies who have prepared or supervised the preparation of reports relating to the Corporation's mineral properties and whose profession or business gives authority to such reports, or partner thereof, as applicable, received or has received a direct or indirect interest in the property of the Corporation or of any associate or affiliate of the Corporation. As of the date hereof, the aforementioned persons and persons at the companies specified above who participated in the preparation of such reports, as a group, beneficially own, directly or indirectly, less than 1% of our outstanding securities of any class and less than 1% of the outstanding securities of any class of our associates or affiliates, except for David Dreisinger and William Murray, who are both directors of the Corporation:

- Pierre Desautels, P. Geo., of AGP Mining Consultants Inc., of Barrie, ON;
- Gordon Zurowski, P. Eng., of AGP Mining Consultants Inc., of Barrie, ON;
- Karl Everett, P. E., of Foth Infrastructure & Environment LLC, of Duluth, MN;
- David Dreisinger, Ph.D., P Eng., of Dreisinger Consulting Inc., of Delta, BC; and
- William Murray, P. Eng., of Optimum Project Services Ltd., of Richmond, BC.

None of such persons, or any director, officer or employee, as applicable of any such companies or partnerships, is currently expected to be elected, appointed or employed as a director, officer or employee of the Corporation or any of our associates or affiliates, except for David Dreisinger and William Murray, who are both directors of the Corporation.

H. Documents on Display

All documents referred to in this Form 20-F are available for inspection at our registered and records office, listed below, during normal office hours.

Farris LLP
c/o Farris, Vaughan, Wills & Murphy LLP
2500 - 700 W Georgia St
Vancouver BC
Canada V7Y 1B3

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements, we file reports and other information with the SEC. These materials, including this Annual Report on Form 20-F and its exhibits, may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC's regional office at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the materials may be obtained from the Public Reference Room of the Commission at 100 F. Street, N.E., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Commission’s Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330.

Our reports, registration statements and other information can also be inspected on EDGAR available on the SEC’s website at [www.sec.gov](http://www.sec.gov).

In Canada, additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our Management Information Circular for our most recent annual meeting of security holders that involves the election of directors.
Additional financial information is provided in our financial statements and MD&A, copies of which can be obtained by contacting our Corporate Secretary in writing at 100 King Street West, Suite 5700, Toronto, Ontario M5X 1C7 or by e-mail at info@polymetmining.com. Copies of such documents will be provided to shareholders free of charge.

Additional information relating to PolyMet may be found on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com.

I. Subsidiary Information

Not Applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Currency Risk
We incur expenditures in Canada and in the United States. The functional and reporting currency of the Company and its subsidiary is the US dollar. Foreign exchange risk arises because the amount of Canadian dollar cash and cash equivalents, amounts receivable, or accounts payables and accrued liabilities will vary in US dollar terms due to changes in exchange rates.

As the majority of our expenditures are in US dollars, we have kept a significant portion of our cash and cash equivalents in US dollars. We have not hedged our exposure to currency fluctuations.

Based on net exposures as at January 31, 2016, a 10% change in the Canadian / United States exchange rate would have impacted our loss by approximately $14,400.

Interest Rate Risk
Interest rate risk arises from interest paid on floating rate debt and interest received on cash and short-term deposits. We have not hedged any of our interest rate risk. We currently capitalizes the majority of our interest charges, and therefore the risk exposure is primarily on cash interest payable and net earnings in relation to the subsequent depreciation of capitalized interest charges.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.
PART II

ITEM 13. DEFAULT, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHT OF SECURITY HOLDERS AND USE OF PROCEEDS

Shareholder Rights Plan

The Shareholder Rights Plan is designed to ensure that all shareholders receive equal treatment and to maximize shareholder values in the event of a take-over bid or other acquisition that could lead to a change in control of the Company. It is not intended to deter take-over bids. The Shareholder Rights Plan is intended to provide time for shareholders to properly assess any take-over bid and to provide non-abstaining members of the Board of Directors with sufficient time to explore and develop alternatives for maximizing shareholder value, including, if considered appropriate, identifying and locating other potential bidders.

Effective December 4, 2003, the Company adopted the Shareholder Rights Plan (“Rights Plan”), which was approved by the Company’s shareholders on May 28, 2004, modified and further ratified and reconfirmed by the Company’s shareholders most recently on July 9, 2013. Under the Rights Plan, the Company has issued one right for no consideration in respect of each outstanding common share held by the shareholder of the Company on December 4, 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 Rights Plan expires if not reapproved at every third annual shareholder meeting.

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 non-abstaining Board of Directors. Each Right entitles the registered holder to purchase one common share of the Company at the price of CDN$43.06 per share, subject to adjustment which was triggered upon close of the Rights Offering (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 purchase that number of common shares having a market value at the date of the Flip-in Event equal to twice the Exercise Price upon payment of the Exercise Price.

The Amended and Restated Shareholder Rights Plan is included as Exhibit 4.3.
ITEM 15. CONTROLS AND PROCEDURES

A. Evaluation of Disclosure Controls and Procedures

The Company’s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13(a)-15(e) and 15(d)-15(e) under the "Exchange Act" as of the end of the period covered by this Annual Report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company’s disclosure controls and procedures are effective. Such disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and includes controls and procedures designed to ensure information relating to the Company required to be included in our reports filed or submitted under the Exchange Act is accumulated and communicated to the Company’s management to allow timely decision regarding disclosure.

B. Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements for external reporting purposes in accordance with IFRS as issued by IASB.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting as at January 31, 2016. In making its assessment, management has used the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) to evaluate our internal control over financial reporting.

Based on its assessment, management has concluded that, as at January 31, 2016, our internal control over financial reporting is effective.

C. Attestation Report of the Registered Public Accounting Firm

The effectiveness of the Company’s internal control over financial reporting as of January 31, 2016, has been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their report which appears herein.

D. Changes in Internal Controls

There have been no changes in the Company’s internal control over financial reporting during the period covered by this Annual Report that have materially affected, or is reasonably likely to material affect, the Company’s internal control over financial reporting.
ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Company's Board of Directors has determined that there is at least one audit committee financial expert, as defined under Item 16A of Form 20-F, serving on its audit committee, namely, W. Ian L. Forrest, whose qualifications are set out in Item 6, above. Mr. Forrest is independent, as such term is defined by the listing standards of the NYSE MKT. All other members of the Audit Committee are also independent as defined by the listing standards of the NYSE MKT.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Ethics, effective April 5, 2006, which applies to all our employees, including our directors and executive officers, including our principal executive, financial and accounting officers, and persons performing similar functions. The Code of Ethics covers areas of professional and business conduct, and is intended to promote honest and ethical behavior, including fair dealing and the ethical handling of conflicts of interest, support full, fair, accurate, and timely disclosure in reports and documents we file with, or submit to, the SEC and other governmental authorities, and in its other public communications; deter wrongdoing; encourage compliance with applicable laws, rules, and regulations; and to ensure the protection of our legitimate business interests. We also encourage our directors, officers, employees and consultants to promptly report any violations of the Code of Ethics.

The Code of Ethics is included as Exhibit 11.1.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following outlines the expenditures for accounting fees billed and paid for the last two fiscal periods ended:

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<tr>
<th>Financial Year Ending</th>
<th>Audit Fees</th>
<th>Audit Related Fees</th>
<th>Tax Fees</th>
<th>All Other Fees</th>
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<tr>
<td>January 31, 2016</td>
<td>CDN $203,000</td>
<td>CDN $58,000</td>
<td>CDN $18,950</td>
<td>CDN $Nil</td>
</tr>
<tr>
<td>January 31, 2015</td>
<td>CDN $190,000</td>
<td>CDN $52,500</td>
<td>CDN $27,500</td>
<td>CDN $Nil</td>
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</tbody>
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"Audit Fees" are the aggregate fees billed by PricewaterhouseCoopers LLP for the audit of the Company's consolidated annual financial statements.

"Audit-Related Fees" are fees billed by PricewaterhouseCoopers LLP for services reasonably related to the performance of the audit or interim review and services associated with registration statements and prospectuses.

"Tax Fees" are fees for professional services rendered by PricewaterhouseCoopers LLP for tax compliance, tax advice on actual or contemplated transactions.

Pre-Approval Policies and Procedures

All of the fees paid to our auditors, PricewaterhouseCoopers LLP, were pre-approved by our Audit Committee. This pre-approval involved a submission by our auditors to our Audit Committee of a scope of work to complete the audit and prepare tax returns, an estimate of the time involved, and a proposal for the fees to be charged for the audit. The Audit Committee reviewed this proposal with our management and after discussion with our auditors, pre-approved the scope of work and fees.
ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGES IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Our corporate governance practices do not differ in any significant way from those followed by U.S. domestic companies listed on the NYSE MKT.

ITEM 16H. MINE SAFETY DISCLOSURE

PolyMet is required to report certain mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and that required information is included in Exhibit 16.1.
PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Our financial statements are presented in United States dollars ($) and are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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Management Report

Management’s Responsibility for Consolidated Financial Statements

The accompanying Consolidated Financial Statements of PolyMet Mining Corp. (the “Company) are the responsibility of management. The Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and include certain estimates that reflect management’s best judgments.

The Company’s Board of Directors has approved the information contained in the Consolidated Financial Statements. The Board of Directors fulfills its responsibilities regarding the Consolidated Financial Statements mainly through its Audit Committee, which has a written mandate that complies with current requirements of Canadian securities legislation, United States securities legislation, and the United States Sarbanes-Oxley Act of 2002. The Audit Committee meets at least on a quarterly basis.

Management’s Annual Report on Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements for external reporting purposes in accordance with IFRS as issued by the IASB.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company’s internal control over financial reporting as at January 31, 2016. In making its assessment, management has used the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) to evaluate the Company’s internal control over financial reporting. Based on this assessment, management has concluded that the Company’s internal control over financial reporting was effective as at that date.

The effectiveness of the Company’s internal control over financial reporting as at January 31, 2016 has been audited by PricewaterhouseCoopers LLP, our independent auditors, as stated in their report, which appears herein.

/S/ Jonathan Cherry

Jonathan Cherry
President and Chief Executive Officer

/S/ Douglas Newby

Douglas Newby
Chief Financial Officer
Independent Auditor’s Report

To the Shareholders of PolyMet Mining Corp.

We have completed integrated audits of PolyMet Mining Corp.’s January 31, 2016, January 31, 2015 and January 31, 2014 consolidated financial statements and its internal control over financial reporting as at January 31, 2016. Our opinions, based on our audits are presented below.

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of PolyMet Mining Corp., which comprise the consolidated balance sheets as at January 31, 2016 and January 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for each of the years in the three-year period ended January 31, 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PolyMet Mining Corp. as at January 31, 2016 and January 31, 2015 and its financial performance and its cash flows for each of the three years in the three-year period ended January 31, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on internal control over financial reporting
We have also audited PolyMet Mining Corp.’s internal control over financial reporting as at January 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
Management’s responsibility for internal control over financial reporting
Management is responsible for maintaining effective internal control over financial reporting and for its
assessment of the effectiveness of internal control over financial reporting included in Management’s

Auditor’s responsibility
Our responsibility is to express an opinion on the PolyMet Mining Corp.’s internal control over financial
reporting based on our audit. We conducted our audit of internal control over financial reporting in
accordance with the standards of the Public Company Accounting Oversight Board (United States). Those
standards require that we plan and perform the audit to obtain reasonable assurance about whether
effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal
control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating
the design and operating effectiveness of internal control, based on the assessed risk, and performing
such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the PolyMet Mining
Corp.’s internal control over financial reporting.

Definition of internal control over financial reporting
A company’s internal control over financial reporting is a process designed to provide reasonable
assurance regarding the reliability of financial reporting and the preparation of financial statements for
external purposes in accordance with generally accepted accounting principles. A company’s internal
control over financial reporting includes those policies and procedures that: (i) pertain to the
maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and
dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded
as necessary to permit preparation of financial statements in accordance with generally accepted
accounting principles, and that receipts and expenditures of the company are being made only in
accordance with authorizations of management and directors of the company; and (iii) provide reasonable
assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the
company’s assets that could have a material effect on the financial statements.

Inherent limitations
Because of its inherent limitations, internal control over financial reporting may not prevent or detect
misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk
that controls may become inadequate because of changes in conditions or that the degree of compliance
with the policies or procedures may deteriorate.

Opinion
In our opinion, PolyMet Mining Corp. maintained, in all material respects, effective internal control over
financial reporting as at January 31, 2016, based on criteria established in Internal Control - Integrated
Framework (2013) issued by COSO.

signed “PricewaterhouseCoopers LLP”

Chartered Professional Accountants
Vancouver, British Columbia
April 21, 2016
**PolyMet Mining Corp.**

**Consolidated Balance Sheets**

*All figures in thousands of U.S. Dollars*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$10,256</td>
<td>$9,301</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$3,348</td>
<td>$2,673</td>
</tr>
<tr>
<td>Convertible debt</td>
<td>-</td>
<td>33,451</td>
</tr>
<tr>
<td>Non-convertible debt</td>
<td>$4,962</td>
<td>$4,614</td>
</tr>
<tr>
<td>Environmental rehabilitation provision</td>
<td>$1,498</td>
<td>$1,724</td>
</tr>
<tr>
<td><strong>Non-Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$3,348</td>
<td>$2,673</td>
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<tr>
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<td>$4,614</td>
</tr>
<tr>
<td>Environmental rehabilitation provision</td>
<td>$1,498</td>
<td>$1,724</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$337,660</td>
<td>$313,229</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$3,348</td>
<td>$2,673</td>
</tr>
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<td>$1,724</td>
</tr>
<tr>
<td><strong>Non-Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$3,348</td>
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</tr>
<tr>
<td>Convertible debt</td>
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<td>33,451</td>
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<tr>
<td>Non-convertible debt</td>
<td>$4,962</td>
<td>$4,614</td>
</tr>
<tr>
<td>Environmental rehabilitation provision</td>
<td>$1,498</td>
<td>$1,724</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$153,003</td>
<td>$120,853</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Capital</td>
<td>$242,917</td>
<td>$241,489</td>
</tr>
<tr>
<td>Share Premium</td>
<td>$1,151</td>
<td>$3,007</td>
</tr>
<tr>
<td>Equity Reserves</td>
<td>$53,759</td>
<td>$51,704</td>
</tr>
<tr>
<td>Deficit</td>
<td>$(113,170)</td>
<td>$(103,824)</td>
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<tr>
<td><strong>Total Shareholders’ Equity</strong></td>
<td>$184,657</td>
<td>$192,376</td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholders’ Equity</strong></td>
<td>$337,660</td>
<td>$313,229</td>
</tr>
</tbody>
</table>

**Nature of Business and Liquidity (Note 1)**

**Commitments and Contingencies (Note 14)**

**Subsequent Event (Note 16)**

ON BEHALF OF THE BOARD OF DIRECTORS:

/S/ Jonathan Cherry, Director          /S/ William Murray, Director

- See Accompanying Notes –
PolyMet Mining Corp.
Consolidated Statements of Loss and Comprehensive Loss
All figures in thousands of U.S. Dollars, except for number of shares and loss per share

<table>
<thead>
<tr>
<th>General and Administrative Expenses</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>$1,863</td>
<td>$1,422</td>
<td>$1,379</td>
</tr>
<tr>
<td>Share-based compensation (Note 10)</td>
<td>457</td>
<td>1,121</td>
<td>1,697</td>
</tr>
<tr>
<td>Director fees and expenses</td>
<td>296</td>
<td>295</td>
<td>293</td>
</tr>
<tr>
<td>Professional fees</td>
<td>363</td>
<td>409</td>
<td>426</td>
</tr>
<tr>
<td>Filing and regulatory fees</td>
<td>173</td>
<td>173</td>
<td>81</td>
</tr>
<tr>
<td>Investor and public relations</td>
<td>1,567</td>
<td>1,276</td>
<td>2,075</td>
</tr>
<tr>
<td>Travel</td>
<td>295</td>
<td>323</td>
<td>295</td>
</tr>
<tr>
<td>Rent and other office expenses</td>
<td>260</td>
<td>247</td>
<td>225</td>
</tr>
<tr>
<td>Insurance</td>
<td>202</td>
<td>191</td>
<td>157</td>
</tr>
<tr>
<td>Amortization</td>
<td>32</td>
<td>32</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,508</td>
<td>5,489</td>
<td>6,654</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Expenses (Income)</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance costs - net (Note 11)</td>
<td>2,017</td>
<td>1,816</td>
<td>1,465</td>
</tr>
<tr>
<td>Loss on foreign exchange</td>
<td>17</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>(Gain) / loss on disposal of available-for-sale financial instrument (Note 5)</td>
<td>(16)</td>
<td>-</td>
<td>48</td>
</tr>
<tr>
<td>Loss on disposal of Wetland Credit Intangible (Note 5)</td>
<td>1,852</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rental income</td>
<td>(32)</td>
<td>(40)</td>
<td>(53)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,838</td>
<td>1,787</td>
<td>1,478</td>
</tr>
</tbody>
</table>

Loss for the year

<table>
<thead>
<tr>
<th>Loss for the year</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9,346</td>
<td>7,276</td>
<td>8,132</td>
</tr>
</tbody>
</table>

Other Comprehensive Income

| Reclassified gain (loss) on available-for-sale financial instrument (Note 5) | 16   | -    | (48) |
| Items that may be subsequently reclassified to profit or loss: Unrealized gain on available-for-sale financial instrument (Note 5) | (215)| -    | (7)  |

Other Comprehensive Income for the Year

<table>
<thead>
<tr>
<th>Other Comprehensive Income for the Year</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(199)</td>
<td>-</td>
<td>(55)</td>
</tr>
</tbody>
</table>

Total Comprehensive Loss for the Year – Net of Tax

<table>
<thead>
<tr>
<th>Total Comprehensive Loss for the Year – Net of Tax</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 9,147</td>
<td>$ 7,276</td>
<td>$ 8,077</td>
</tr>
</tbody>
</table>

Basic and Diluted Loss per Share

<table>
<thead>
<tr>
<th>Basic and Diluted Loss per Share</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$(0.03)</td>
<td>$(0.03)</td>
<td>$(0.04)</td>
</tr>
</tbody>
</table>

Weighted Average Number of Shares

<table>
<thead>
<tr>
<th>Weighted Average Number of Shares</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>276,812,958</td>
<td>275,726,953</td>
<td>236,303,304</td>
</tr>
</tbody>
</table>

- See Accompanying Notes -
PolyMet Mining Corp.
Consolidated Statements of Changes in Shareholders’ Equity
All figures in thousands of U.S. Dollars, except for number of shares

<table>
<thead>
<tr>
<th>Share Capital (authorized = unlimited)</th>
<th>Equity Reserves</th>
<th>Total Shareholders’ Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued Shares</td>
<td>Paid-in Share Capital</td>
<td>Share Premium</td>
</tr>
<tr>
<td>Balance - February 1, 2013</td>
<td>183,250,082</td>
<td>$181,215</td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rights offering and issuance costs</td>
<td>91,636,202</td>
<td>58,372</td>
</tr>
<tr>
<td>Payment of land purchase options</td>
<td>140,123</td>
<td>125</td>
</tr>
<tr>
<td>Vesting of restricted shares and RSU’s</td>
<td>548,985</td>
<td>538</td>
</tr>
<tr>
<td>Bonus share cost amortization</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payment of land purchase options (Note 10)</td>
<td>143,130</td>
<td>157</td>
</tr>
<tr>
<td>Exercise of share options (Note 10)</td>
<td>75,000</td>
<td>161</td>
</tr>
<tr>
<td>Vesting of restricted shares and RSU’s (Note 10)</td>
<td>66,750</td>
<td>315</td>
</tr>
<tr>
<td>Share-based compensation (Note 10)</td>
<td>491,292</td>
<td>526</td>
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<tr>
<td>Bonus share cost amortization (Note 10)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Refinace of convertible debenture (Note 7)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payment of land purchase options (Note 10)</td>
<td>224,038</td>
<td>199</td>
</tr>
<tr>
<td>Exercise of share options (Note 10)</td>
<td>275,000</td>
<td>434</td>
</tr>
<tr>
<td>Vesting of restricted shares and RSU’s (Note 10)</td>
<td>729,670</td>
<td>795</td>
</tr>
<tr>
<td>Share-based compensation (Note 10)</td>
<td>(23,000)</td>
<td>-</td>
</tr>
<tr>
<td>Bonus share cost amortization (Note 10)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance - January 31, 2016</td>
<td>277,557,082</td>
<td>$242,917</td>
</tr>
</tbody>
</table>

- See Accompanying Notes -
### PolyMet Mining Corp.
#### Consolidated Statements of Cash Flows

*All figures in thousands of U.S. Dollars*

For the years ended January 31

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss for the year</td>
<td>$(9,346)</td>
<td>$(7,276)</td>
<td>$(8,132)</td>
</tr>
<tr>
<td>Items not involving cash:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>32</td>
<td>32</td>
<td>26</td>
</tr>
<tr>
<td>Environmental rehabilitation provision accretion (Note 6)</td>
<td>1,663</td>
<td>1,639</td>
<td>1,521</td>
</tr>
<tr>
<td>Share-based compensation (Note 10)</td>
<td>457</td>
<td>1,121</td>
<td>1,697</td>
</tr>
<tr>
<td>Unrealized foreign exchange loss</td>
<td>10</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>Loss on disposal of Wetland Credit Intangible (Note 5)</td>
<td>1,852</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(Gain) / Loss on disposal of available-for-sale financial instrument (Note 5)</td>
<td>(16)</td>
<td>-</td>
<td>48</td>
</tr>
<tr>
<td>Changes in non-cash working capital:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts receivable</td>
<td>316</td>
<td>1,039</td>
<td>(590)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(177)</td>
<td>87</td>
<td>(424)</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>387</td>
<td>(855)</td>
<td>(2,190)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(4,822)</td>
<td>(4,196)</td>
<td>(8,034)</td>
</tr>
<tr>
<td><strong>Financing Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share issuance proceeds, net of costs (Note 10)</td>
<td>216</td>
<td>81</td>
<td>58,372</td>
</tr>
<tr>
<td>Debenture funding, net of costs (Notes 7 and 9)</td>
<td>32,954</td>
<td>7,896</td>
<td>19,897</td>
</tr>
<tr>
<td>Debenture repayment (Notes 7 and 9)</td>
<td>-</td>
<td>-</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Restricted share unit settlement (Note 10)</td>
<td>(155)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>33,015</td>
<td>7,977</td>
<td>58,269</td>
</tr>
<tr>
<td><strong>Investing Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment purchases (Note 4)</td>
<td>(27,378)</td>
<td>(27,153)</td>
<td>(25,224)</td>
</tr>
<tr>
<td>Available-for-sale financial instrument disposal proceeds (Note 5)</td>
<td>250</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Interest and fees paid</td>
<td>-</td>
<td>-</td>
<td>(223)</td>
</tr>
<tr>
<td>Wetland credit intangible purchases (Note 5)</td>
<td>(100)</td>
<td>(100)</td>
<td>(100)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(27,228)</td>
<td>(27,253)</td>
<td>(25,523)</td>
</tr>
<tr>
<td><strong>Net Increase (Decrease) in Cash and Cash Equivalents</strong></td>
<td>965</td>
<td>(23,472)</td>
<td>24,712</td>
</tr>
<tr>
<td><strong>Effect of foreign exchange on Cash and Cash Equivalents</strong></td>
<td>(10)</td>
<td>(17)</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents - Beginning of year</strong></td>
<td>9,301</td>
<td>32,790</td>
<td>8,088</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents - End of year</strong></td>
<td>$10,256</td>
<td>$9,301</td>
<td>$32,790</td>
</tr>
<tr>
<td><strong>Reconciliation of Cash and Cash Equivalents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>$10,256</td>
<td>$9,301</td>
<td>$32,765</td>
</tr>
<tr>
<td>Short-term deposits</td>
<td>-</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Cash and Cash Equivalents</strong></td>
<td>$10,256</td>
<td>$9,301</td>
<td>$32,790</td>
</tr>
<tr>
<td><strong>Supplementary information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities related to PP&amp;E</td>
<td>$334</td>
<td>$(325)</td>
<td>727</td>
</tr>
<tr>
<td>Debt accretion and capitalized interest (Notes 7, 8, and 9)</td>
<td>5,050</td>
<td>1,827</td>
<td>1,785</td>
</tr>
<tr>
<td>Share-based compensation related to PP&amp;E (Note 10)</td>
<td>378</td>
<td>1,391</td>
<td>614</td>
</tr>
<tr>
<td>Bonus share amortization related to PP&amp;E (Note 10)</td>
<td>333</td>
<td>570</td>
<td>689</td>
</tr>
<tr>
<td>Fair value of shares issued for land options</td>
<td>$199</td>
<td>$157</td>
<td>$125</td>
</tr>
</tbody>
</table>

- See Accompanying Notes -
1. Nature of Business and Liquidity

PolyMet Mining Corp. ("PolyMet" or the "Company") was incorporated in British Columbia, Canada on March 4, 1981 under the name Fleck Resources Ltd. and changed its name to PolyMet Mining Corp. on June 10, 1998. Through its 100%-owned subsidiary, Poly Met Mining, Inc. ("PolyMet US" and, together with PolyMet Mining Corp., "PolyMet" or the "Company") the Company is engaged in the exploration and development of natural resource properties. The Company’s primary mineral property is the NorthMet Project ("NorthMet" or "Project"), a polymetallic project in northeastern Minnesota, USA which comprises the NorthMet copper-nickel-precious metals ore body and the Erie Plant, a processing facility located approximately six miles from the ore body. The realization of the Company’s investment in NorthMet and other assets is dependent upon various factors, including the existence of economically recoverable mineral reserves, the ability to obtain permits necessary to construct and operate NorthMet, the ability to obtain financing necessary to complete the exploration and development of NorthMet, and future profitable operations or alternatively, disposal of the investment on an advantageous basis.

On September 25, 2006, the Company received the results of a Definitive Feasibility Study ("DFS") prepared by Bateman Engineering Pty Ltd and NorthMet moved from the exploration stage to the development stage. An Updated Technical Report under National Instrument 43-101 incorporating numerous project improvements was filed in January 2013.

The corporate address and records office of the Company are located at 100 King Street West, Suite 5700, Toronto, Ontario, Canada M5X 1C7, and 700 West Georgia, 25th Floor, Vancouver, British Columbia, Canada, V7Y 1B3, respectively. The executive office of Poly Met Mining, Inc. ("PolyMet US"), the Company’s wholly-owned subsidiary, is located at 444 Cedar Street, Suite 2060, St. Paul, Minnesota, United States of America, 55101.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations.

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they become due and arises through the excess of financial obligations over financial assets due at any point in time. As at January 31, 2016, PolyMet had cash of $10.256 million and working capital of $2.162 million.

Management believes, based upon the underlying value of the NorthMet Project, the advanced stage of permitting (see Note 16), the financing arrangements with Glencore AG, a wholly-owned subsidiary of Glencore plc (see Notes 7 and 9) and the ongoing discussions with numerous investment banks and investors regarding potential financing, that financing will continue to be available allowing the Company to meet its current obligations, as well as fund ongoing development, capital expenditures and administration expenses in accordance with the Company’s spending plans for the next twelve months. However, while in the past the Company has been successful in closing financing agreements, there can be no assurance it will be able to do so again. Factors that could affect the availability of financing include the state of debt and equity markets, investor perceptions and expectations, and the metals markets.
2. Summary of Significant Accounting Policies

a) Statement of Compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were approved by the Board of Directors on April 21, 2016.

b) Basis of Consolidation and Presentation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Inter-company balances and transactions have been eliminated on consolidation.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of assets available-for-sale. All dollar amounts presented are in United States ("US") dollars unless otherwise specified.

c) Critical Accounting Estimates and Judgments
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. These critical accounting estimates require management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements.

Critical accounting estimates and judgments used in the preparation of the consolidated financial statements are as follows:

(i) Determination of mineral reserves
Reserves are estimates of the amount of product that can be economically and legally extracted from the Company’s property. In order to estimate reserves, estimates are required about a range of geological, technical and economic factors, including quantities, production techniques, production costs, capital costs, transport costs, demand, prices and exchange rates. Estimating the quantity of reserves requires the size, shape and depth of deposits to be determined by analyzing geological data. This process may require complex and difficult geological judgments to interpret the data. In addition, management will form a view of forecast sales prices, based on current and long-term historical average price trends. Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment, rehabilitation provisions, recognition of deferred tax amounts and depreciation, depletion and amortization.
2. Summary of Significant Accounting Policies - Continued

c) Critical Accounting Estimates and Judgments - Continued

(ii) Impairment of non-financial assets

The carrying amounts of the Company’s non-financial assets, including mineral property, plant and equipment, and wetland credit intangible are reviewed at each reporting date or when events or changes in circumstances occur that indicate the asset may not be recoverable to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated at the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. An impairment loss previously recorded is reversed if there has been a change in the estimates used to determine the recoverable amount resulting in an increase in the estimated service potential of an asset.

For its mineral property interest the Company considers both external and internal sources of information in assessing whether there are any indications of impairment. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral property interests. Internal sources of information the Company considers include indications of economic performance of the asset. No impairment loss on the mineral property interest was recorded for the year ended January 31, 2016 or January 31, 2015.

The carrying value of mineral property, plant, and equipment, and wetland credit intangible at the balance sheet date is disclosed in Note 4 and Note 5, respectively.

(iii) Provision for Environmental Rehabilitation Costs

Provisions for environmental rehabilitation costs associated with mineral property, plant and equipment, are recognized when the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

It is possible that the Company’s estimates of its ultimate environmental rehabilitation liabilities could be affected by changes in regulations, changes in the extent of environmental rehabilitation required, changes in the means of rehabilitation, changes in the extent of responsibility for the financial liability or changes in cost estimates. The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company may vary greatly and are not predictable.

The Company’s provision for environmental rehabilitation cost obligations represents management’s best estimate of the present value of the future cash outflows required to settle the liability. See additional discussion in Note 6.
2. **Summary of Significant Accounting Policies - Continued**

**d) Foreign Currency Translation**

The U.S. dollar is the functional currency of the Company and its wholly-owned subsidiary. Amounts in the consolidated financial statements are expressed in U.S. dollars unless otherwise stated. Transactions in foreign currencies are translated into the functional currency at the exchange rates at the date of the transactions. Monetary assets and liabilities of the Company’s operations denominated in a currency other than the U.S. dollar are translated using exchange rates prevailing at the balance sheet date. Revenue and expense items are translated at the exchange rates in effect at the date of the underlying transaction, except for amortization related to non-monetary assets, which are translated at historical exchange rates. Exchange differences are recognized in net loss in the year in which they arise.

**e) Cash and Cash Equivalents**

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with original maturities of three months or less.

**f) Financial Assets**

All financial assets are initially recorded at fair value and designated upon inception as one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive loss except when there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive loss shall be reclassified from equity to profit or loss as a reclassification adjustment. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. See additional discussion in Note 15.
2. Summary of Significant Accounting Policies - Continued

  g) Mineral Property, Plant and Equipment

Mineral Property
Exploration and evaluation costs incurred prior to a DFS are expensed as incurred. Development costs incurred subsequent to a DFS and mineral property acquisition costs are capitalized until the property is placed into production, sold, allowed to lapse or abandoned. As a result of the DFS, NorthMet entered the development stage effective October 1, 2006. The Company has capitalized development expenditures related to NorthMet from that date.

Upon commencement of production, related property acquisition and development costs are amortized on a unit of production basis over the estimated proven and probable mineral reserves not to exceed the assets’ useful lives.

Plant and Equipment
Plant and equipment are recorded at historical cost less accumulated depreciation and if applicable, accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, if it is probable that the future economic benefits of the expenditure will flow to the Company and its cost can be measured reliably. The carrying amount of a replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the period in which they are incurred. Plant and equipment is depreciated over the estimated life of the related assets calculated on a unit of production or straight-line basis, as appropriate.

Depreciation of plant and equipment is calculated using the cost of the asset, less its residual value, on a straight-line basis over the estimated useful life of the asset. Estimated useful lives are as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>Straight-line over the term of the lease</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>Straight-line over 10 years</td>
</tr>
<tr>
<td>Computers</td>
<td>Straight-line over 5 years</td>
</tr>
<tr>
<td>Computer software</td>
<td>Straight-line over 1 year</td>
</tr>
</tbody>
</table>

h) Wetland Credit Intangible

Wetland Credit Intangible costs and related acquisition costs are capitalized until the wetland credits are used, sold, or abandoned. Wetland credits are used to offset and mitigate wetlands disturbed during construction and operation of NorthMet. As such, costs are amortized on a unit of production basis over the estimated proven and probable mineral reserves not to exceed the assets’ useful lives. See additional discussion in Note 5.
2. Summary of Significant Accounting Policies - Continued

i) Financial Liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. See additional discussion in Note 15.

j) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is substantially complete and ready for its intended use or sale. Where funds have been borrowed specifically to finance an asset, the amount capitalized is the actual borrowing costs incurred. Where the funds used to finance an asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant borrowings of the Company during the period. Other borrowing costs not directly attributable to a qualifying asset are expensed in the year incurred. Classification in the cash flow statement is in accordance with the classification of the underlying asset to which those payments were capitalized.

k) Share-Based Compensation
All share-based compensation awards made to directors, employees and non-employees are measured and recognized using a fair value based method. For directors and employees, or those providing services similar to employees, the fair value of options is determined using the Black-Scholes option pricing model. The fair value of the bonus shares, restricted shares, and restricted share units is calculated using the intrinsic value of the shares at issuance, and is amortised straight-line over the vesting period.

The fair value of the award is accrued and charged either to operations or mineral property plant and equipment, with the offsetting credit to warrants and share-based payment reserve, on a graded method over the vesting period. If and when share options are ultimately exercised or bonus shares, restricted shares, and restricted share units vest, the applicable amounts from the warrants and share-based payment reserve are transferred to share capital.

Certain awards vest upon achievement of a specified performance condition. On a quarterly basis, management assesses the probability of achieving those performance conditions using the best available information, and estimates the appropriate vesting period.

When the Company amends the terms of share options, the incremental change in the fair value of the options due to the amendment, as determined using the Black-Scholes option pricing model, is recognized over the vesting period in the statement of loss or capitalized as appropriate.
2. Summary of Significant Accounting Policies - Continued

1) Share Purchase Warrants
The Company issues share purchase warrants in connection with certain equity transactions. The fair value of the warrants, as determined using the Black-Scholes option pricing model or fair value of goods or services received, is credited to the warrants and share-based payment reserve. The recorded value of share purchase warrants is transferred to share capital upon exercise.

m) Loss Per Share
Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Basic and diluted loss per share for each year presented are the same as the effect of potential issuances of shares under warrant or share option agreements would, in total, be anti-dilutive.

n) Income Taxes and Deferred Taxes
The income tax expense or benefit for the year consists of two components: current and deferred.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date in each of the jurisdictions and include any adjustments for taxes payable or recovery in respect of prior periods.

Taxable profit or loss differs from profit or loss as reported in the Consolidated Statements of Comprehensive Loss because of items of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences not eligible for offset. Deferred tax assets are generally recognized for all deductible temporary differences, loss carry forwards and tax credit carry forwards to the extent that it is probable that taxable profits will be available against which they can be utilized. To the extent that the Company does not consider it to be probable that taxable profits will be available against which deductible temporary differences, loss carry forwards, and tax credit carry forwards can be utilized, a deferred tax asset is not recognized.
2. Summary of Significant Accounting Policies - Continued

o) Future Accounting Changes

The Company anticipates that all of the relevant pronouncements will be adopted in the Company’s accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements and are therefore not discussed below.

IFRS 9 – Financial Instruments - Classification and Measurement

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. This standard replaces parts of IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The new standard will be effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 - Revenue and IAS 11 - Construction Contracts and provides a five step framework for application to customer contracts: identification of customer contract, identification of the contract performance obligations, determination of the contract price, allocation of the contract price to the contract performance obligations, and revenue recognition as performance obligations are satisfied. A new requirement where revenue is variable stipulates that revenue may only be recognized to the extent that it is highly probable that significant reversal of revenue will not occur. The new standard will be effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of adopting IFRS 15 on its consolidated financial statements.

IFRS 16 – Leases

IFRS 16 replaces IAS 17 - Leases and eliminates the classification of leases as either operating or finance leases by the lessee. The treatment of leases by the lessee will require capitalization of all leases resulting in accounting treatment similar to finance leases under IAS 17 - Leases. Exemptions for leases of very low value or short-term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for the lessee. Under the new standard the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest expense component recognized for each lease, in line with finance lease accounting under IAS 17 - Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of adopting IFRS 16 on its consolidated financial statements.
3. Mineral Property Agreements

NorthMet, Minnesota, U.S.A.

Pursuant to an agreement dated January 4, 1989, subsequently amended and assigned, the Company leases certain property in St. Louis County, Minnesota from RGGS Land & Minerals Ltd., L.P. The initial term of the perpetually renewable lease was 20 years and called for total lease payments of $1.475 million. 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 term by continuing to make $150,000 annual lease payments on each successive anniversary date. All lease payments have been paid to January 31, 2016. The next payment is due in January 2017.

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 per ton received by the Company. The Company’s recovery of $2.525 million in 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 an agreement effective December 1, 2008, the Company leases certain property in St. Louis County, Minnesota from LMC Minerals. The initial term of the renewable lease is 20 years and calls for minimum annual lease payments of $3,000 for the first four years after which the minimum annual lease payment increased to $30,000. The initial term may be extended for up to four additional five-year periods on the same terms. All lease payments have been paid to January 31, 2016. The next payment is due in November 2016.

The lease payments are considered advance royalty payments and will be deducted from future production royalties payable to the lessor, which range from 3% to 5% based on the net smelter return per ton received by the Company. The Company’s recovery of $0.129 million in 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 leases, PolyMet holds mineral rights and the right to mine upon receiving the required permits. PolyMet has proposed to acquire surface rights through a land exchange (see Note 9).

4. Mineral Property, Plant and Equipment

Details of Mineral Property, Plant, and Equipment are as follows:

<table>
<thead>
<tr>
<th>Net Book Value</th>
<th>NorthMet</th>
<th>Other fixed assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 31, 2014</td>
<td>$245,880</td>
<td>148</td>
<td>246,028</td>
</tr>
<tr>
<td>Additions</td>
<td>29,768</td>
<td>29</td>
<td>29,797</td>
</tr>
<tr>
<td>Changes to environmental rehabilitation provision (Note 6)</td>
<td>20,454</td>
<td>-</td>
<td>20,454</td>
</tr>
<tr>
<td>Amortization</td>
<td>-</td>
<td>(32)</td>
<td>(32)</td>
</tr>
<tr>
<td>Balance at January 31, 2015</td>
<td>$296,102</td>
<td>145</td>
<td>296,247</td>
</tr>
<tr>
<td>Additions</td>
<td>32,726</td>
<td>19</td>
<td>32,745</td>
</tr>
<tr>
<td>Changes to environmental rehabilitation provision (Note 6)</td>
<td>(7,269)</td>
<td>-</td>
<td>(7,269)</td>
</tr>
<tr>
<td>Amortization</td>
<td>-</td>
<td>(74)</td>
<td>(74)</td>
</tr>
<tr>
<td>Balance at January 31, 2016</td>
<td>$321,559</td>
<td>90</td>
<td>321,649</td>
</tr>
</tbody>
</table>
Erie Plant, Minnesota, U.S.A.

In February 2004, the Company entered into an option with Cliffs Natural Resources Inc. ("Cliffs") to purchase 100% ownership of large parts of the former LTV Steel Mining Company ore processing plant in northeastern Minnesota (the “Erie Plant”). The Company exercised this option on November 15, 2005 under the Asset Purchase Agreement with Cliffs.

In 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. The transaction also included a railcar fleet, locomotive fuelling and maintenance facilities, water rights and pipelines, administrative offices on site and 6,000 acres of land to the east and west of and contiguous to its existing tailings storage facilities.

The consideration paid for the Erie Plant and associated infrastructure was $18.9 million in cash and 9,200,547 shares at a fair market value of $13.953 million.

The Company indemnified Cliffs for reclamation and remediation obligations as a result of the above purchases (see Note 6). These obligations are presently contractual in nature 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 Company’s obligations will be direct with the governing bodies.

During the year ended January 31, 2016, the Company capitalized 100% of the borrowing costs on the convertible debt (see Note 8) and non-convertible debt (see Note 9) in the amount of $5.050 million (January 31, 2015 - $1.827 million) as part of the cost of NorthMet assets. As NorthMet assets are not in use or capable of operating in a manner intended by management, no amortization of these assets has been recorded to January 31, 2016.
5. Wetland Credit Intangible and EIP Receivable

Details of Wetland Credit Intangibles are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended January 31, 2016</th>
<th>Year ended January 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wetland Credit Intangible – beginning of year</td>
<td>$6,192</td>
<td>$6,092</td>
</tr>
<tr>
<td>Additions</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Disposals</td>
<td>(4,404)</td>
<td>-</td>
</tr>
<tr>
<td>Wetland Credit Intangible – end of year</td>
<td>$1,888</td>
<td>$6,192</td>
</tr>
</tbody>
</table>

In March 2012, the Company acquired a secured interest in land owned by AG for Waterfowl, LLP ("AG") that is permitted for wetland restoration. AG subsequently assigned the agreement to EIP Minnesota, LLC ("EIP") in September 2012. EIP will restore the wetlands and, upon completion, wetland credits are to be issued by the proper governmental authorities.

As part of the initial consideration, AG received warrants to purchase 1,249,315 common shares at $1.3007 per share. These warrants expired on December 31, 2015 (see Note 10f).

On April 6, 2015, the Company entered into a revised agreement with EIP whereby EIP will seek to sell credits that PolyMet does not need to third parties and, over time, reimburse PolyMet for its costs. The financial instrument has been designated as available for sale. Upon closing of the transaction, the Company recognized the receivable at fair value calculated using a 9.25% discount rate and 12 year term resulting in a receivable of $2.552 million and a non-cash loss of $1.852 million. The Company will account for subsequent fair value changes through other comprehensive income or loss. Under the agreement, PolyMet retains the right to purchase up to 300 credits until February 28, 2017 with additional payments due only if PolyMet exercises that right in part or in full.

Details of the EIP receivable are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended January 31, 2016</th>
<th>Year ended January 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIP Receivable – beginning of year</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Initial recognition</td>
<td>2,552</td>
<td>-</td>
</tr>
<tr>
<td>Collections from EIP</td>
<td>(250)</td>
<td>-</td>
</tr>
<tr>
<td>Accretion</td>
<td>192</td>
<td>-</td>
</tr>
<tr>
<td>Gain on re-measurement</td>
<td>23</td>
<td>-</td>
</tr>
<tr>
<td>EIP Receivable – end of year</td>
<td>2,517</td>
<td>-</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(364)</td>
<td>-</td>
</tr>
<tr>
<td>Non-current portion</td>
<td>$2,153</td>
<td>$ -</td>
</tr>
</tbody>
</table>

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6. Environmental Rehabilitation Provision

Details of Environmental Rehabilitation Provision are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended January 31, 2016</th>
<th>Year ended January 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Rehabilitation Provision – beginning of year</td>
<td>$72,260</td>
<td>$51,144</td>
</tr>
<tr>
<td>Change in estimated liability</td>
<td>(4,230)</td>
<td>9,867</td>
</tr>
<tr>
<td>Liabilities discharged</td>
<td>(970)</td>
<td>(977)</td>
</tr>
<tr>
<td>Accretion expense</td>
<td>1,663</td>
<td>1,639</td>
</tr>
<tr>
<td>Change in risk-free interest rate</td>
<td>(3,039)</td>
<td>10,587</td>
</tr>
<tr>
<td>Environmental Rehabilitation Provision – end of year</td>
<td>65,684</td>
<td>72,260</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(1,498)</td>
<td>(1,724)</td>
</tr>
<tr>
<td>Non-current portion</td>
<td>$64,186</td>
<td>$70,536</td>
</tr>
</tbody>
</table>

Federal, state and local laws and regulations concerning environmental protection affect the Company’s NorthMet assets. As part of the consideration for the Cliffs Purchase Agreements (see Note 4), the Company indemnified Cliffs for reclamation and remediation obligations of the acquired property. The Company’s provisions are based upon existing laws and regulations. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

In April 2010, Cliffs entered into a consent decree with the Minnesota Pollution Control Agency (“MPCA”) relating to alleged violations on the Cliffs Erie Property. This consent decree required both short-term and long-term mitigation. Field study activities were completed in 2010 and 2011 and short-term mitigations were initiated in 2011 as outlined in the plans and approved by the MPCA. In April 2012, long-term mitigation plans were submitted to the MPCA for its review and approval. In October 2012, a response was received from the MPCA approving plans for pilot tests of various treatment options to determine the best course of action. Although there is substantial uncertainty related to applicable water quality standards, engineering scope, and responsibility for the financial liability, the October 2012 response from the MPCA and subsequent communications to January 31, 2015, amongst the MPCA, Cliffs and the Company provide increasing clarification of the potential liability for the long-term mitigation included in the Company’s environmental rehabilitation provision resulting in a $9.9 million increase to the provision during the year ended January 31, 2015. Additional communications amongst the parties during the year ended January 31, 2016 led to further understanding of the water quality requirements and permissible mitigation plans resulting in a $4.2 million decrease to the provision during the year ended January 31, 2016.

The Company’s best estimate of the environmental rehabilitation provision at January 31, 2016 was $65.7 million (January 31, 2015 - $72.3 million) based on estimated cash flows required to settle this obligation in present day costs of $69.5 million (January 31, 2015 - $72.6 million), an annual inflation rate of 2.00% (January 31, 2015 – 2.00%) and a risk-free interest rate of 2.36% (January 31, 2015 – 2.04%). Payments are expected to occur over a period of approximately 31 years.
7. Glencore Financing

Since October 2008, the Company and Glencore have entered into a series of financing and other agreements comprising:

- Convertible debt – agreement comprising $25.0 million initial principal secured convertible debentures drawn in four tranches (together the “2008 Debentures”) (see Note 8);

- Equity – four separate agreements comprising $25.0 million placement of PolyMet common shares in calendar 2009 in two tranches; a $30.0 million placement of PolyMet common shares in calendar 2010 in three tranches; a $20.0 million placement of PolyMet common shares in calendar 2011 in one tranche; and a $20.960 million purchase of PolyMet common shares in the 2013 Rights Offering (see 2013 Agreement below and Note 10a);

- Non-convertible debt – two separate agreements comprising $30.0 million initial principal secured debentures in calendar 2015 drawn in four tranches (the “2015 Debentures”) and $11.0 million initial principal secured debenture in calendar 2016 drawn in one tranche (the “2016 Debenture”) (see 2015 Agreements, 2016 Agreement and Note 9b);

- Marketing Agreement whereby Glencore committed to purchase all of the Company’s production of concentrates, metal, or intermediate products on market terms at the time of delivery for at least the first five years of production; and

- Corporate Governance Agreement whereby from January 1, 2014 as long as Glencore holds 10% or more of PolyMet’s shares (on a fully diluted basis), Glencore has the right, but not obligation, to nominate at least one director and not more than the number of directors proportionate to Glencore’s fully diluted ownership of PolyMet, rounded down to the nearest whole number, such number to not exceed 49% of the total board.

As a result of these financing transactions and the purchase by Glencore of PolyMet common shares previously owned by Cliffs, Glencore’s ownership and ownership rights of PolyMet comprises:

- 78,724,821 shares representing 28.4% of PolyMet’s issued shares;

- 2008 Debentures exchangeable through the exercise of an Exchange Warrant at $1.2920 per share into 27,853,358 common shares of PolyMet (including capitalized and accrued interest as at January 31, 2016) until the Repayment Date, which is the earlier of March 31, 2017, availability of $80 million of debt or equity financing, or an earlier date on which PolyMet can demonstrate that it is prudent to repay the debentures, subject to ten days notice during which time Glencore can elect to exercise the Exchange Warrant. The exercise price of the Exchange Warrant is and the number of shares issuable are subject to conventional anti-dilution provisions; and

- Warrants (“Purchase Warrants”) to purchase 6,458,001 million common shares at $0.8231 per share at any time until December 31, 2017, subject to mandatory exercise if the 20-day volume weighted average price (“VWAP”) of PolyMet common shares is equal to or greater than 150% of the exercise price and PolyMet has received permits and construction finance is available (“Early Maturity Event”). The exercise price of the Purchase Warrants and the number of warrants are subject to conventional anti-dilution provisions.
7. Glencore Financing - Continued

If Glencore were to exercise all of its rights and obligations under these agreements, it would own 113,036,180 common shares of PolyMet, representing 36.2% on a partially diluted basis, that is, if no other options or warrants were exercised or 34.0% on a fully diluted basis, if all other options and warrants were exercised, whether they are in-the-money or not.

2013 Agreement
On April 10, 2013, the Company issued a Tranche E debenture (“2013 Debenture”) with the principal amount of $20.0 million to Glencore and Glencore agreed to a Standby Purchase Agreement (“Standby”) related to the $60.480 million Rights Offering by the Company (see Note 10a). Under the Standby, Glencore agreed to purchase any common shares offered under the Rights Offering that were not subscribed for by holders of the Rights, subject to certain conditions and limitations. The 2013 Debenture carried a fixed interest rate of 4.721% per annum, was issued on April 11, 2013 and repaid upon closing of the Rights Offering on July 5, 2013. The Company recognized the 2013 Debenture issued initially at fair value and subsequently accounted for the debenture at its amortized cost. Transaction costs for the financing were $0.103 million. All borrowing costs were eligible for capitalization and 100% of these costs were capitalized during the year ended January 31, 2014.

Glencore purchased 31,756,979 common shares of the Company for $20.960 million upon closing of the Rights Offering on July 5, 2013 (see Note 10a).

2014 Agreement
On April 25, 2014, the Company extended the term of the 2008 Debentures and the expiration date of the associated Exchange Warrant to the earlier of the Early Maturity Event or September 30, 2015. All other terms of both the debentures and the warrant were unchanged.

2015 Agreements
On January 28, 2015, the Company agreed to issue to Glencore new Tranche F, G, H, and I secured debentures with the total principal amount of $30.0 million. Tranche F in the amount of $8.0 million was issued on January 30, 2015. Tranche G in the amount of $8.0 million was issued on April 15, 2015. Tranche H in the amount of $8.0 million was issued on July 1, 2015. Tranche I in the amount of $6.0 million was issued on October 1, 2015. The interest rate on these debentures was 12-month US dollar LIBOR plus 8.0% per annum payable in cash upon maturity and the maturity was the earlier of (i) the availability of at least $100 million of construction finance or (ii) March 31, 2016. The Company provided security by way of a guarantee and a pledge of the assets of the Company and its wholly-owned subsidiary. The Company recognized these debentures initially at fair value and subsequently accounted for the debentures at amortized cost. Transaction costs for the financing were $0.150 million. See additional details in Note 9b.

On July 30, 2015, the Company extended the term of the 2008 Debentures and the expiration date of the associated Exchange Warrant to the earlier of the Early Maturity Event or March 31, 2016 and the interest rate was increased from 12-month US dollar LIBOR plus 4.0% to 12-month US dollar LIBOR plus 8.0% effective August 1, 2015. The Purchase Warrant expiration date was extended to the earlier of the Early Maturity Event or December 31, 2016 and the exercise price was reduced from $1.3022 per share to $0.9292 per share. The transaction has been accounted for as a modification of the existing convertible debt with the $1.241 million difference in the fair value of the purchase warrants as a result of the extension in term and price reduction being recorded within equity.
7. Glencore Financing - Continued

On December 15, 2015, the Company extended the term of the 2008 Debentures and expiration date of the associated Exchange Warrant and extended the term of 2015 Debentures to the Repayment Date, which is the earlier of March 31, 2017, availability of $80 million of debt or equity financing or an earlier date on which PolyMet can demonstrate that it is prudent to repay the debentures, subject to ten days notice during which time Glencore can elect to exercise the Exchange Warrant. The interest rate was increased from 12-month US dollar LIBOR plus 8.0% to 12-month US dollar LIBOR plus 15.0% effective January 1, 2016. The Purchase Warrant expiration date was extended to December 31, 2017, and the exercise price was reduced from $0.9292 per share to $0.8231 per share. The transactions have been accounted for as a modification of the existing convertible debt with the $0.615 million difference in the fair value of the purchase warrants as a result of the extension in term and price reduction being recorded within equity.

2016 Agreement
On January 27, 2016, the Company issued to Glencore a Tranche J secured debenture with the total principal amount of $11.0 million. The interest rate on this debenture was 12-month US dollar LIBOR plus 15.0% per annum payable in cash upon maturity and the maturity was the Repayment Date, which is the earlier of March 31, 2017, availability of $80 million of debt or equity financing or an earlier date on which PolyMet can demonstrate that it is prudent to repay the debentures. The Company provided security by way of a guarantee and a pledge of the assets of the Company and its wholly-owned subsidiary. The Company recognized this debenture initially at fair value and subsequently accounted for the debenture at amortized cost. Transaction costs for the financing were $0.050 million. See additional details in Note 9.
8. Convertible Debt

Details of the Convertible Debt are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended January 31, 2016</th>
<th>Year ended January 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convertible Debt – beginning of year</td>
<td>$33,451</td>
<td>$31,967</td>
</tr>
<tr>
<td>Accretion and capitalized interest</td>
<td>2,535</td>
<td>1,484</td>
</tr>
<tr>
<td>Convertible Debt – end of year</td>
<td>35,986</td>
<td>33,451</td>
</tr>
<tr>
<td>Less current portion</td>
<td></td>
<td>(33,451)</td>
</tr>
<tr>
<td>Non-current portion</td>
<td>$35,986</td>
<td>$</td>
</tr>
</tbody>
</table>

Since October 2008, the Company has issued $25.0 million of secured convertible debentures to Glencore that bear interest at 12-month US dollar LIBOR plus 4.0% through July 31, 2015, 12-month US dollar LIBOR plus 8.0% through December 31, 2015, and 12-month US dollar LIBOR plus 15.0% beginning January 1, 2016. Interest is compounded quarterly and payable in cash or by increasing the principal amount of the debentures, at Glencore’s option. At January 31, 2016, $10.986 million (January 31, 2015 - $8.451 million) of interest had been accreted and capitalized to the principal amount of the debenture since inception. The Company has provided security on these debentures covering all of the assets of PolyMet and PolyMet US, including a pledge of PolyMet’s 100% shareholding in PolyMet US.

The due date of these debentures is the earlier of (i) March 31, 2017 or (ii) the availability of at least $80 million of debt or equity financing or (iii) when it is prudent for PolyMet to repay the debt, on which date all principal and interest accrued to such date will be due and payable. Upon receipt of ten days notice of PolyMet’s intention to repay the debentures Glencore can exercise the Exchange Warrant and exchange the initial principal and capitalized interest into common shares of PolyMet at $1.2920 per share. Glencore has the right to exchange some or all of the debentures at any time under the same conversion terms. All borrowing costs were eligible for capitalization and 100% of these costs were capitalized during the year ended January 31, 2016.

9. Non-Convertible Debt

Details of Non-Convertible Debt are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IRRRB (Note 9a)</td>
<td>$4,962</td>
<td>$4,614</td>
</tr>
<tr>
<td>Glencore (Note 9b)</td>
<td>43,023</td>
<td>7,855</td>
</tr>
<tr>
<td>Total Non-Convertible Debt</td>
<td>47,985</td>
<td>12,469</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(4,962)</td>
<td>(4,614)</td>
</tr>
<tr>
<td>Non-current portion</td>
<td>$43,023</td>
<td>$7,855</td>
</tr>
</tbody>
</table>
9. Non-Convertible Debt - Continued

a) IRRRB

In June 2011, the Company closed a $4.0 million loan from Iron Range Resources & Rehabilitation Board ("IRRRB"). At the same time, the Company exercised its options to acquire two tracts of land as part of the proposed land exchange with the United States Forest Service ("USFS"). The loan is secured by the land acquired, carries a fixed interest rate of 5% per annum, compounded annually, and is repayable on the earlier of June 30, 2016 or the date on which the related land is exchanged with the USFS. The Company has issued warrants giving the IRRRB the right to purchase 461,286 shares of its common shares at $2.1678 per share at any time until June 30, 2016. During the year ended January 31, 2016, the Company recorded $0.347 million for accretion and capitalized interest on the IRRRB loan (January 31, 2015 - $0.338 million). All borrowing costs were eligible for capitalization and 100% of these costs were capitalized during the year ended January 31, 2016.

b) Glencore

On January 30, 2015, the Company issued $8.0 million Tranche F secured debentures, on April 15, 2015 it issued $8.0 million Tranche G secured debentures, on July 1, 2015 it issued $8.0 million Tranche H secured debentures, and on October 1, 2015 it issued $6.0 million Tranche I secured debentures to Glencore. Each of the Tranche F-I debentures bore interest at 12-month US dollar LIBOR plus 8.0% through December 31, 2015 and 12-month US dollar LIBOR plus 15.0% beginning January 1, 2016. On December 15, 2015 the maturity date was extended from the earlier of (i) the availability of at least $100 million of finance provided the Company demonstrates repayment is prudent or (ii) March 31, 2016 to the Repayment Date, which is the earlier of March 31, 2017, availability of $80 million of debt or equity financing or an earlier date on which PolyMet can demonstrate that it is prudent to repay the debentures. The Company has provided security on these debentures covering all of the assets of PolyMet and PolyMet US, including a pledge of PolyMet's 100% shareholding in PolyMet US.

On January 27, 2016, the Company issued $11.0 million Tranche J secured debentures to Glencore that bears interest at 12-month US dollar LIBOR plus 15.0%. The Company has provided security on these debentures covering all of the assets of PolyMet and PolyMet US, including a pledge of PolyMet's 100% shareholding in PolyMet US. The due date of these debentures is the earlier of (i) March 31, 2017 or (ii) the availability of at least $80 million of debt or equity financing or (iii) when it is prudent for PolyMet to repay the debt, on which date all principal and interest accrued to such date will be due and payable.

During the year ended January 31, 2016, the Company recorded $2.168 million for accretion and capitalized interest on the Glencore non-convertible debentures (January 31, 2015 - $0.005 million). All borrowing costs were eligible for capitalization and 100% of these costs were capitalized during the year ended January 31, 2016.
10. Share Capital

a) Share Issuances for Cash or Land Acquisition

During the year ended January 31, 2016 the Company issued 275,000 shares (January 31, 2015 – 75,000 shares) pursuant to the exercise of share options for total proceeds of $0.216 million (January 31, 2015 - $0.081 million).

During the year ended January 31, 2016 the Company issued 224,038 shares (January 31, 2015 – 143,130 shares) to maintain land purchase options.

b) Share-Based Compensation

The Omnibus Share Compensation Plan ("Omnibus Plan") was created to align the interests of the Company’s employees, directors, officers and consultants with those of shareholders. Effective May 25, 2007, the Company adopted the Omnibus Plan, which was approved by the Company’s shareholders’ on June 27, 2007, modified and further ratified and reconfirmed by the Company’s shareholders most recently on July 15, 2015. The Omnibus Plan restricts the award of share options, restricted shares, restricted share units, and other share-based awards to 10% of the common shares issued and outstanding on the grant date, excluding 2,500,000 common shares pursuant to an exemption approved by the Toronto Stock Exchange.

During the year ended January 31, 2016, the Company recorded $0.835 million for share-based compensation (January 31, 2015 - $2.512 million) with $0.457 million expensed to share-based compensation (January 31, 2015 - $1.121 million) and $0.378 million capitalized to mineral property, plant and equipment (January 31, 2015 - $1.391 million). The offsetting entries were to equity reserves and share capital. Total share-based compensation for the year comprised $0.146 million for share options (January 31, 2015 - $1.033 million), $0.689 million for restricted shares and restricted share units (January 31, 2015 - $0.953 million), and $nil for issuance of unrestricted shares (January 31, 2015 - $0.526 million). Vesting of restricted share units and exercise of share options and resulted in $1.168 million being transferred from equity reserves to share capital (January 31, 2015 - $0.395 million).
10. Share Capital - Continued

c) Share Options

Share options granted may not exceed a term of ten years and are forfeited if the grantee ceases to be an eligible person under the Omnibus Plan. Details of share options are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended January 31, 2016</th>
<th></th>
<th>Year ended January 31, 2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Options</td>
<td>Weighted Average Exercise Price</td>
<td>Number of Options</td>
<td>Weighted Average Exercise Price</td>
</tr>
<tr>
<td>Outstanding – beginning of year</td>
<td>21,085,002</td>
<td>1.33</td>
<td>18,659,000</td>
<td>1.41</td>
</tr>
<tr>
<td>Granted</td>
<td>338,000</td>
<td>1.50</td>
<td>2,701,002</td>
<td>1.17</td>
</tr>
<tr>
<td>Exercised</td>
<td>(275,000)</td>
<td>0.79</td>
<td>(75,000)</td>
<td>1.08</td>
</tr>
<tr>
<td>Expired</td>
<td>(2,173,000)</td>
<td>1.59</td>
<td>(200,000)</td>
<td>1.02</td>
</tr>
<tr>
<td>Outstanding – end of year</td>
<td>18,975,002</td>
<td>1.29</td>
<td>21,085,002</td>
<td>1.33</td>
</tr>
</tbody>
</table>

(1) For information purposes, those share options granted with an exercise price in Canadian dollars (“CDN”) have been translated to the Company’s reporting currency using the exchange rate as at January 31, 2016 of 1.00 US$ = 1.3975 CDN$.

The weighted average share price when share options were exercised during the year ended January 31, 2016 was $1.15.

The fair value of share options granted was estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

<table>
<thead>
<tr>
<th></th>
<th>Year ended January 31, 2016</th>
<th></th>
<th>Year ended January 31, 2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>0.93%</td>
<td>0.51% to 0.76%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>Nil</td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected forfeiture rate</td>
<td>Nil</td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected volatility</td>
<td>49.61%</td>
<td>50.97% to 57.08%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected life in years</td>
<td>2.50</td>
<td>2.00 to 3.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average fair value of each option</td>
<td>$0.32</td>
<td>$0.20 to $0.41</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The expected volatility reflects the Company’s expectation that historical volatility over a period similar to the life of the option is indicative of future trends, which may or may not necessarily be the actual outcome.
10. Share Capital - Continued

c) Share Options - Continued

Details of share options outstanding as at January 31, 2016 are as follows:

<table>
<thead>
<tr>
<th>Range of Exercise Prices (1)</th>
<th>Number of options outstanding</th>
<th>Number of options exercisable</th>
<th>Weighted Average Exercise Price (1)</th>
<th>Weighted Average Remaining Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.7110 to 0.8671</td>
<td>4,720,000</td>
<td>3,836,667</td>
<td>0.75</td>
<td>5.29</td>
</tr>
<tr>
<td>0.9300 to 1.1500</td>
<td>7,682,002</td>
<td>7,682,002</td>
<td>1.02</td>
<td>5.87</td>
</tr>
<tr>
<td>1.5000 to 1.8816</td>
<td>4,013,000</td>
<td>4,013,000</td>
<td>1.69</td>
<td>2.12</td>
</tr>
<tr>
<td>2.0475 to 2.4886</td>
<td>1,140,000</td>
<td>940,000</td>
<td>2.31</td>
<td>1.60</td>
</tr>
<tr>
<td>2.5059 to 3.0695</td>
<td>1,420,000</td>
<td>1,247,500</td>
<td>2.65</td>
<td>1.65</td>
</tr>
<tr>
<td></td>
<td>18,975,002</td>
<td>17,719,169</td>
<td>1.29</td>
<td>4.36</td>
</tr>
</tbody>
</table>

(1) For information purposes, those share options granted with an exercise price in Canadian dollars (“CDN”) have been translated to the Company’s reporting currency using the exchange rate as at January 31, 2016 of 1.00 US$ = 1.3975 CDN$.

As at January 31, 2016 all outstanding share options had vested and were exercisable, with the exception of 1,255,833, which were scheduled to vest upon completion of specific targets (Permits – 908,333; Construction – 87,500; Production – 200,000; Other – 60,000). The outstanding share options have expiry periods between 0.03 and 8.44 years.

d) Restricted Shares and Restricted Share Units

Restricted shares and restricted share units granted are forfeited if the grantee ceases to be an eligible person under the Omnibus Plan. Details of restricted shares and restricted share units are as follows:

<table>
<thead>
<tr>
<th>Year ended January 31, 2016</th>
<th>Year ended January 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding - beginning of year</td>
<td>2,130,286</td>
</tr>
<tr>
<td>Issued</td>
<td>-</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(64,667)</td>
</tr>
<tr>
<td>Vested</td>
<td>(1,075,148)</td>
</tr>
<tr>
<td>Outstanding - end of year</td>
<td>990,471</td>
</tr>
</tbody>
</table>

As at January 31, 2016 outstanding restricted shares and restricted share units were scheduled to vest upon completion of specific targets (Permits – 157,391; Production – 157,390; December 2016 – 559,802; Other – 115,888).

During the year ended January 31, 2016, there were 254,125 restricted share units settled with cash upon vesting (January 31, 2015 – nil). The current year period also includes 41,667 restricted share units and 23,000 restricted shares forfeited upon individuals ceasing to be eligible persons under the Plan.

During the year ended January 31, 2015, the Company issued 849,522 restricted share units which had a fair value of $0.909 million to be expensed and capitalized over the vesting periods.
10. Share Capital - Continued

e) Bonus Shares

The bonus share incentive plan was established for the Company’s directors and key employees and was approved by the disinterested shareholders at the Company’s shareholders’ meeting held on May 28, 2004. The Company has authorized 3,640,000 bonus shares for the achievement of Milestone 4 representing commencement of commercial production at NorthMet at a time when the Company has not less than 50% ownership interest in NorthMet. At the Company’s Annual General Meeting of shareholders held on June 17, 2008, the disinterested shareholders approved the bonus shares for Milestone 4. Regulatory approval is required prior to issuance of these shares. Details of bonus shares are as follows:

<table>
<thead>
<tr>
<th>Year ended January 31, 2016</th>
<th>Year ended January 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized &amp; Unissued</td>
<td>Authorized &amp; Unissued</td>
</tr>
<tr>
<td>Outstanding – beginning of year</td>
<td>3,150,000</td>
</tr>
<tr>
<td>Forfeited</td>
<td>-</td>
</tr>
<tr>
<td>Outstanding – end of year</td>
<td>3,150,000</td>
</tr>
</tbody>
</table>

The fair value of these unissued bonus shares is being amortized until the estimated date of issuance. During the year ended January 31, 2016, the Company recorded $0.333 million amortization related to Milestone 4 bonus shares (January 31, 2015 – $0.570 million), which was capitalized to Mineral Property, Plant and Equipment. The prior year period includes forfeiture by individuals upon ceasing to be an eligible person under the Plan.

f) Share Purchase Warrants

Details of share purchase warrants are as follows:

<table>
<thead>
<tr>
<th>Year ended January 31, 2016</th>
<th>Year ended January 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted Average Exercise Price</td>
<td>Weighted Average Exercise Price</td>
</tr>
<tr>
<td>Number of Purchase Warrants</td>
<td>Number of Purchase Warrants</td>
</tr>
<tr>
<td>Outstanding – beginning of year</td>
<td>8,168,602</td>
</tr>
<tr>
<td>Expiration (Note 5)</td>
<td>(1,249,315)</td>
</tr>
<tr>
<td>Glencore Adjustments (Note 7)</td>
<td>-</td>
</tr>
<tr>
<td>Outstanding – end of year</td>
<td>6,919,287</td>
</tr>
</tbody>
</table>

On July 30, 2015, the Company amended its previous financing arrangement with Glencore which included extending the purchase warrant expiration date to the earlier of the Early Maturity Event or December 31, 2016 and reducing the purchase price from $1.3022 per share to $0.9292 per share. On December 15, 2015, the Company amended its previous financing arrangements with Glencore which included extending the purchase warrant expiration date to December 31, 2017 and reducing the purchase price from $0.9292 per share to $0.8231 per share. See Note 7 for further discussion.

The outstanding share purchase warrants have expiry periods between 0.41 and 1.92 years.
11. Finance Costs - Net

Details of net finance costs are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended January 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Interest expense:</td>
<td></td>
</tr>
<tr>
<td>Convertible debt <em>(Notes 7 and 8)</em></td>
<td>$2,535</td>
</tr>
<tr>
<td>Non-convertible debt <em>(Notes 7 and 9)</em></td>
<td>2,515</td>
</tr>
<tr>
<td>Environmental rehabilitation provision accretion <em>(Note 6)</em></td>
<td>1,663</td>
</tr>
<tr>
<td>Other finance costs</td>
<td>375</td>
</tr>
<tr>
<td>Total finance costs</td>
<td>$7,088</td>
</tr>
<tr>
<td>Less: amounts capitalized on qualifying assets</td>
<td>(5,050)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>$2,038</td>
</tr>
<tr>
<td>Interest income:</td>
<td></td>
</tr>
<tr>
<td>Bank deposits</td>
<td>(21)</td>
</tr>
<tr>
<td>Finance income</td>
<td>(21)</td>
</tr>
<tr>
<td>Finance costs - net</td>
<td>$2,017</td>
</tr>
</tbody>
</table>

12. Related Party Transactions

The Company conducted transactions with senior management, directors and persons or companies related to these individuals, and paid or accrued amounts, as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended January 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Salaries and other short-term benefits</td>
<td>$1,825</td>
</tr>
<tr>
<td>Other long-term benefits</td>
<td>36</td>
</tr>
<tr>
<td>Share-based payment <em>(1)</em></td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$1,861</td>
</tr>
</tbody>
</table>

*(1)* Share-based payment represents the fair value determined at grant date to be expensed over the vesting period. Share-based payments are described in Note 10.

There are agreements with key employees that contain severance provisions for termination without cause or in the event of a take-over. Other than the President and Chief Executive Officer, none of PolyMet's other directors has a service contract with the Company providing for benefits upon termination of their employment.

As a result of Glencore's ownership of 28.4% of the Company it is also a related party. PolyMet has entered into a Technical Services Agreement with Glencore whereby PolyMet reimburses Glencore for costs associated with providing technical support to PolyMet, primarily in detailed project design and mineral processing where PolyMet requests assistance under an agreed scope of work. During the year ended January 31, 2016, the Company paid $3.350 million (January 31, 2015 - $nil) for services under this agreement. Additional transactions with Glencore are described in Notes 7, 8, and 9.
13. Income Taxes

a) Effective tax rate

The effective tax rate differs from the cumulative Canadian federal and provincial income tax rate due to the following:

<table>
<thead>
<tr>
<th>Year ended January 31</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss for the year before taxes</td>
<td>$(9,346)</td>
<td>$(7,276)</td>
<td>$(8,132)</td>
</tr>
<tr>
<td>Canadian statutory tax rate</td>
<td>26.0%</td>
<td>26.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Expected tax recovery</td>
<td>(2,430)</td>
<td>(1,892)</td>
<td>(2,114)</td>
</tr>
<tr>
<td>Difference in foreign tax rates</td>
<td>(771)</td>
<td>(407)</td>
<td>(454)</td>
</tr>
<tr>
<td>Non-deductible items</td>
<td>119</td>
<td>291</td>
<td>424</td>
</tr>
<tr>
<td>Change in unrecognized deferred tax and other items</td>
<td>3,082</td>
<td>2,008</td>
<td>2,144</td>
</tr>
<tr>
<td>Income Tax Expense / (Recovery)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

b) Deferred income tax assets and liabilities

Deferred income tax assets and liabilities have been recognized in respect of the following items:

<table>
<thead>
<tr>
<th>Year ended January 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-capital loss carry forward assets</td>
<td>$31,488</td>
<td>$25,952</td>
</tr>
<tr>
<td>Mineral property acquisition, exploration and development costs</td>
<td>$(31,488)</td>
<td>$(25,952)</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net deferred income tax liabilities</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Deferred income tax assets have not yet been recognized in respect of the following items:

<table>
<thead>
<tr>
<th>Year ended January 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-capital loss carry forward assets</td>
<td>$22,380</td>
<td>$21,022</td>
</tr>
<tr>
<td>Capital loss carry forward assets</td>
<td>347</td>
<td>347</td>
</tr>
<tr>
<td>Intercompany receivable assets</td>
<td>2,031</td>
<td>2,031</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,074</td>
<td>1,056</td>
</tr>
<tr>
<td>Unrecognized deferred income tax assets</td>
<td>$25,832</td>
<td>$24,456</td>
</tr>
</tbody>
</table>

In each period since inception, the Company has recorded a valuation allowance for the full amount of the deferred tax asset, as the realization of the deferred tax asset is uncertain.

As of January 31, 2016, the Company has Canadian non-capital loss carry forwards of approximately $24.5 million (January 31, 2015 - $20.4 million) and US non-capital loss carry forwards of approximately $115.1 million (January 31, 2015 - $100.6 million). The non-capital loss carry forwards are available to reduce future income for tax purposes and expire between 2019 and 2036, except for US state non-capital loss carry forwards which expire between 2016 and 2031.
14. Commitments and Contingencies

In addition to items described elsewhere in these financial statements:

a) As at January 31, 2016, the Company had firm commitments related to the environmental review process, land options, consultants, and rent of approximately $2.3 million with the majority due over the next year and the remainder due over three years.

b) As at January 31, 2016, the Company had non-binding commitments to maintain its mineral lease rights of $0.180 million with all due in the next year.

c) The following table lists the known contractual obligations as at January 31, 2016:

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>Carrying Value</th>
<th>Contractual Cash flows</th>
<th>Less than 1 year</th>
<th>1 – 3 years</th>
<th>3 – 5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$3,348</td>
<td>$3,348</td>
<td>$3,348</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Convertible debt (Note 8)</td>
<td>35,986</td>
<td>43,292</td>
<td>-</td>
<td>43,292</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-convertible debt (Note 9)</td>
<td>47,985</td>
<td>56,974</td>
<td>5,111</td>
<td>51,863</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commitments</td>
<td>-</td>
<td>2,243</td>
<td>2,068</td>
<td>175</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$87,319</td>
<td>$105,857</td>
<td>$10,527</td>
<td>$95,330</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

15. Financial Instruments and Risk Management

The Company’s financial instruments are classified as loans and receivables, available for sale, and other financial liabilities.

The carrying values of each classification of financial instrument at January 31, 2016 are:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Loans and receivables</th>
<th>Available for sale</th>
<th>Other financial liabilities</th>
<th>Total carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$10,256</td>
<td>$</td>
<td>$</td>
<td>$10,256</td>
</tr>
<tr>
<td>Amounts receivable</td>
<td>65</td>
<td>2,517</td>
<td>-</td>
<td>2,582</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>$10,321</td>
<td>$2,517</td>
<td>$</td>
<td>$12,838</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>Carrying value</th>
<th>Available for sale</th>
<th>Other financial liabilities</th>
<th>Total carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>-</td>
<td>-</td>
<td>$3,348</td>
<td>$3,348</td>
</tr>
<tr>
<td>Convertible debt</td>
<td>-</td>
<td>-</td>
<td>35,986</td>
<td>35,986</td>
</tr>
<tr>
<td>Non-convertible debt</td>
<td>-</td>
<td>-</td>
<td>47,985</td>
<td>47,985</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>-</td>
<td>-</td>
<td>$87,319</td>
<td>$87,319</td>
</tr>
</tbody>
</table>
15. Financial Instruments and Risk Management - Continued

The carrying values of each classification of financial instrument at January 31, 2015 are:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Loans and receivables</th>
<th>Other financial liabilities</th>
<th>Total carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>9,301</td>
<td>$</td>
<td>9,301</td>
</tr>
<tr>
<td>Amounts receivable</td>
<td>381</td>
<td>$</td>
<td>381</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>$ 9,682</td>
<td>$</td>
<td>$ 9,682</td>
</tr>
</tbody>
</table>

| Financial liabilities            |                        |                            |                      |
| Accounts payable and accrued liabilities | $                    | 2,673                      | 2,673                |
| Convertible debt                 |                        | 33,451                     | 33,451               |
| Non-convertible debt             |                        | 12,469                     | 12,469               |
| Total financial liabilities      | $                     | 48,593                     | 48,593               |

**Fair Value Measurements**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – Inputs for the asset or liability that are not based on observable market data.

The fair values of cash, current amounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature.

**Risks Arising from Financial Instruments and Risk Management**

The Company’s activities expose it to a variety of financial risks: market risk (including currency and interest rate), credit risk, and liquidity risk. Reflecting the current stage of development of the Company’s NorthMet Project, the 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 the Company’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.
Currency Risk

The Company incurs expenditures in Canada and in the United States. The functional and reporting currency of the Company and its subsidiary is the United States dollar. Foreign exchange risk arises because the amount of Canadian dollar cash, amounts receivable, or accounts payable and accrued liabilities 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 in United States dollars. The Company has not hedged its exposure to currency fluctuations.

The Company was exposed to currency risk through the following assets and liabilities denominated in Canadian dollars:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$134</td>
<td>$90</td>
</tr>
<tr>
<td>Amounts receivables</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>-</td>
<td>(8)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$144</strong></td>
<td><strong>$90</strong></td>
</tr>
</tbody>
</table>

Based on the above net exposures, as at January 31, 2016, a 10% change in the Canadian / United States exchange rate would have impacted the Company’s loss by approximately $14,400.

Interest Rate Risk

Interest rate risk arises from interest paid on floating rate debt and interest received on cash and short-term deposits. The Company has not hedged any of its interest rate risk. The Company currently capitalizes to qualifying assets the majority of interest charges, and therefore the risk exposure is primarily on cash interest payable and net earnings in relation to the subsequent depreciation of capitalized interest charges.

The Company was exposed to interest rate risk through the following assets and liabilities:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$10,256</td>
<td>$9,301</td>
</tr>
<tr>
<td>Convertible debt</td>
<td>35,986</td>
<td>33,451</td>
</tr>
<tr>
<td>Non-convertible debt</td>
<td>$47,985</td>
<td>$7,855</td>
</tr>
</tbody>
</table>

Credit Risk

Credit risk arises on cash held with banks and financial institutions, as well as credit exposure on outstanding amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets of $12,838 million.

The Company’s cash is primarily held through a large Canadian financial institution.
15. Financial Instruments and Risk Management - Continued

Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they become due and 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 and is achieved by maintaining sufficient cash. See additional discussion in Note 1.

Capital Management

The Company’s capital management objective is to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its mineral property. In the management of capital, the Company includes the components of shareholders’ equity, convertible debt and non-convertible 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. The Company has no externally imposed capital requirements.

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

Although the Company plans to have the resources to carry out its plans and operations through January 31, 2017, it does not currently have sufficient capital to meet its estimated project capital expenditure requirements and is in discussions to arrange sufficient capital to meet these requirements. During the upcoming fiscal year, the Company’s objective is to identify the source or sources from which it will obtain the capital required to complete the Project. See additional discussion in Note 1.

16. Subsequent Event

On March 3, 2016, the Minnesota Department of Natural Resources issued its Record of Decision (“ROD”) that the Final Environmental Impact Statement (“EIS”) addresses the objectives defined in the EIS scoping review, meets procedural requirements, and responds appropriately to public comments. The 30-day period allowed by law to challenge the state’s ROD has passed without any legal challenge being filed.

The state’s decision also lays the foundation for permits to construct and operate the NorthMet Project. On April 19, 2016 the MDNR held a Pre-application Public Informational Meeting that included an overview of the NorthMet Project and the permit to mine process together with a summary of other state permits, such as tailings dam safety, water quality, air quality and wetlands. After consultation with the MDNR and the MPCA, PolyMet will begin to submit the various state permit applications that will be required to construct and operate the project.
**ITEM 19. EXHIBITS**

1.1 Certificate of Incorporation (4)
1.2 Certificate of Change of Name (4)
1.3 Articles of Incorporation (4)

4.1 Shareholder Rights Plan Agreement (4)
4.2 Contract for Deed between us and Cleveland Cliffs, Ohio, dated November 15, 2005 (4)
4.3 Contract for Deed between us and Cleveland Cliffs, Ohio, dated December 20, 2006 (5)
4.4 Shareholder Rights Plan as amended and restated (6)
4.5 Omnibus Share Compensation Plan as amended and restated (11)

4.6 Purchase Agreement between us and Glencore, dated October 31, 2008 (7)
4.7 Form of Floating Rate Secured Debenture between us and Glencore dated October 31, 2008 (7)
4.8 Guarantee between PolyMet Mining Corp. and Glencore, dated October 31, 2008 (7)
4.9 Security Agreement between PolyMet Mining Corp. and Glencore, dated October 31, 2008 (7)
4.10 Security Agreement between Poly Met Mining, Inc. and Glencore, dated October 31, 2008 (7)
4.11 Pledge Agreement between Poly Met Mining, Inc. and Glencore, dated October 31, 2008 (7)
4.12 Amendment to Purchase Agreement between us and Glencore dated October 20, 2009 (8)
4.13 Amendment to Purchase Agreement between us and Glencore dated November 16, 2009 (8)
4.14 Amendment to Purchase Agreement and Waiver between us and Glencore dated November 12, 2010 (9)
4.15 Form of Purchase Warrant between us and Glencore dated November 12, 2010 (9)
4.16 Form of Purchase Warrant between us and Glencore dated November 30, 2011 (10)
4.17 Amendment to Purchase Agreement and Waiver between us and Glencore dated November 30, 2011 (10)
4.18 Amended and Restated Exchange Warrant between us and Glencore dated December 6, 2011 (10)
4.19 Amendment to Purchase Agreement between us and Glencore dated April 10, 2013 (13)
4.20 Amendment to Purchase Agreement and Exchange Warrants between us and Glencore dated April 25, 2014 (15)
4.21 Amendment to Purchase Agreement between us and Glencore dated January 28, 2015 (16)
4.22 Amendment to Purchase Agreement between us and Glencore dated July 30, 2015 (17)
4.23 Amendment to Purchase Agreement between us and Glencore dated December 15, 2015 (18)
Amendment to Purchase Agreement between us and Glencore dated January 27, 2016

List of Subsidiaries

Code of Ethics

Statement of Corporate Governance Practices

Certification of Principal Executive Officer pursuant to 17 C.F.R. 240.13a-14(a)

Certification of Principal Financial Officer pursuant to 17 C.F.R. 240.13a-14(a)

Certification of Principal Executive Officer and Principal Financial Officer pursuant to 17 C.F.R. 240.13a-14(b) and 18 U.S.C. 1350.

Consent of Independent Auditors


Notice of Assignment of the Lease Agreement from U.S. Steel Corporation to RGGS Land and Minerals, Ltd. L.P dated February 26, 2004

Executive employment agreement with Mr. Douglas Newby dated July 1, 2007

Executive employment agreement with Mr. Jonathan Cherry dated July 16, 2012


Consents for use of information, inclusion in the Technical Report and reference in Form 20-F

Disclosure of Mine Safety and Health Administration Safety Data

Filed herewith.

(1) Incorporated by reference to Item 4(c) – Organizational Structure of this report.

(2) Incorporated by reference to our Annual Report on Form 20-F/A filed on July 7, 2005.


(4) Incorporated by reference to our Annual Report on Form 20-F/A filed on July 31 2006.


(6) Incorporated by reference to our Annual Report on Form-20-F/A filed on August 27, 2008.


(8) Incorporated by reference to our Report on Form 6-K filed on November 23, 2009.

(9) Incorporated by reference to our Report on Form 6-K filed on November 18, 2010.

(10) Incorporated by reference to our Report on Form 6-K filed on December 7, 2011.


(12) Incorporated by reference to our Reports on Form 6-K filed on April 5, 2013.

(13) Incorporated by reference to our Report on Form 6-K filed on April 11, 2013.

(14) Incorporated by reference to our Annual Report on Form 20-F filed on April 22, 2013.

(15) Incorporated by reference to our Report on Form 6-K filed on April 25, 2014.

(16) Incorporated by reference to our Report on Form 6-K filed on February 2, 2015.


(18) Incorporated by reference to our Report on Form 6-K filed on December 21, 2015.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Dated: April 21, 2016

POLYMET MINING CORP.

/s/ Jonathan Cherry
Name: Jonathan Cherry
Title: Chief Executive Officer
CERTIFICATION

I, Jonathan Cherry, certify that:

1. I have reviewed this annual report on Form 20-F of PolyMet Mining Corp. (“the Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 21, 2016

/s/ Jonathan Cherry
Name: Jonathan Cherry
Title: Chief Executive Officer (Principal Executive Officer)
CERTIFICATION

I, Douglas Newby, certify that:

1. I have reviewed this annual report on Form 20-F of PolyMet Mining Corp. (“the Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 21, 2016

/s/ Douglas Newby
Name: Douglas Newby
Title: Chief Financial Officer (Principal Financial Officer)
CERTIFICATION
Pursuant to 18 United States Code § 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned hereby certify that the Annual Report on Form 20-F for the fiscal year ended January 31, 2016 of PolyMet Mining Corp. (the “Company”) filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 21, 2016

/s/ Jonathan Cherry
Name: Jonathan Cherry
Title: Chief Executive Officer (Principal Executive Officer)

Date: April 21, 2016

/s/ Douglas Newby
Name: Douglas Newby
Title: Chief Financial Officer (Principal Financial Officer)
CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-192208) of PolyMet Mining Corp. of our report dated April 21, 2016 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting which appears in PolyMet Mining Corp.’s Annual Report on Form 20-F for the year ended January 31, 2016.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 21, 2016
To: PolyMet Mining Corp.
United States Securities and Exchange Commission


I consent to extracts from, or a summary of, the Technical Report in Item 4D(e), 4D(f) and 4D(g) (the “relevant sections”) of PolyMet Mining Corp.’s 20-F filing with the Securities and Exchange Commission, for the year ended January 31, 2016.

I confirm that I have read the relevant sections of the Form 20-F filing for PolyMet Mining Corp. for the year ended January 31, 2016 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 21st day of April, 2016.

/s/ Pierre Desautels
Name: Pierre Desautels, P.Geo.
CONSENT OF AUTHOR

(Gordon Zurowski, P.Eng., of AGP Mining Consultants Inc., with an office at 132 Commerce Park Drive, Suite 246, Barrie, ON, L4N 0Z7)

To: PolyMet Mining Corp.
United States Securities and Exchange Commission


I consent to extracts from, or a summary of, the Technical Report in Item 4D(e), 4D(f) and 4D(g) (the “relevant sections”) of PolyMet Mining Corp.’s 20-F filing with the Securities and Exchange Commission, for the year ended January 31, 2016.

I confirm that I have read the relevant sections of the Form 20-F filing for PolyMet Mining Corp. for the year ended January 31, 2016 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 21st day of April, 2016.  
/s/ Gordon Zurowski

Name: Gordon Zurowski, P.Eng.
CONSENT OF AUTHOR

(Karl D. Everett, P.E., of Foth, with an office at
Eagle Point II, 8550 Hudson Blvd. North, Suite 105, Lake Elmo, MN 55042)

To: PolyMet Mining Corp.
United States Securities and Exchange Commission


I consent to extracts from, or a summary of, the Technical Report in Item 4D(g) (the “relevant section”) of PolyMet Mining Corp.’s 20-F filing with the Securities and Exchange Commission, for the year ended January 31, 2016.

I confirm that I have read the relevant sections of the Form 20-F filing for PolyMet Mining Corp. for the year ended January 31, 2016 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 21st day of April, 2016.

/s/ Karl D. Everett
Name: Karl D. Everett, P.E.
CONSENT OF AUTHOR

(David Dreisinger, Ph.D., P.Eng., of Dreisinger Consulting Inc., with an office at
5233 Bentley Crescent, Delta, BC, V4K4K2)

To: PolyMet Mining Corp.
United States Securities and Exchange Commission

Re: PolyMet Mining Corp.’s Incorporation by Reference of the “Updated NI 43-101
Technical Report on the NorthMet Deposit, Minnesota, USA” with effective date January
14, 2013 and inclusion of references to the Technical Report in the Company’s Form 20-F
for the year ended January 31, 2016.

I, David Dreisinger, Ph.D., P.Eng., consent to the incorporation by reference of extracts of the
Company’s Form 20-F for the year ended January 31, 2016.

I consent to extracts from, or a summary of, the Technical Report in Item 4D(e), 4D(f) and 4D(g)
(the “relevant sections”) of PolyMet Mining Corp.’s 20-F filing with the Securities and Exchange
Commission, for the year ended January 31, 2016.

I confirm that I have read the relevant sections of the Form 20-F filing for PolyMet Mining Corp. for
the year ended January 31, 2016 and that it fairly and accurately represents the information in the
Technical Report that supports the disclosure.

Dated this 21st day of April, 2016. /s/ David Dreisinger
Name: David Dreisinger, Ph.D., P. Eng
To: PolyMet Mining Corp.
United States Securities and Exchange Commission


I consent to extracts from, or a summary of, the Technical Report in Item 4D(e), 4D(f) and 4D(g) (the “relevant sections”) of PolyMet Mining Corp.’s 20-F filing with the Securities and Exchange Commission, for the year ended January 31, 2016.

I confirm that I have read the relevant sections of the Form 20-F filing for PolyMet Mining Corp. for the year ended January 31, 2016 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 21st day of April, 2016. /s/ William Murray
Name: William Murray, P.Eng
Disclosure of Mine Safety and Health Administration ("MSHA") Safety Data

PolyMet is committed to the health and safety of its employees and in providing an incident free workplace. The Company maintains a comprehensive health and safety program that includes extensive training for all employees and contractors, site inspections, emergency response preparedness, crisis communications training, incident investigation, regulatory compliance training and process auditing.

PolyMet’s U.S. mining operations are subject to MSHA regulation under the U.S. Federal Mine Safety and Health Act of 1977 (the “Mine Act”). MSHA inspects our mining operations on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Whenever MSHA issues a citation or order, it also generally proposes a civil penalty, or fine, related to the alleged violation.

The following disclosures are provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”), which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934 that operate mines regulated under the Mine Act.

The information in the table below reflects citations and orders MSHA issued to PolyMet during the year ended January 31, 2016 as reflected in our records. The data in our system may not match or reconcile with the data MSHA maintains on its public website. In evaluating this information, consideration should also be given to factors such as: (i) the number of citations and orders may vary depending on the size and operation of the mine, (ii) the number of citations issued may vary from inspector to inspector and mine to mine, and (iii) citations and orders may be contested and appealed, and in that process, may be reduced in severity and amount, and may be dismissed.

![Table](https://example.com/table.png)

1. MSHA assigns an identification number to each mine or operation and may or may not assign separate identification number to related facilities. The information provided in this table is presented by mine identification number.
2. Represents the total number of citations issued by MSHA for violation of health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.
3. Represents the total number of orders issued, which represents a failure to abate a citation under section 104(a) within the period prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.
4. Represents the total number of citation and orders issued by MSHA for unwarrantable failure to comply with mandatory health or safety standards.
5. Represents the total number of flagrant violations identified.
6. Represents the total number of imminent danger orders issued under section 107(a) of the Mine Act.
7. Amounts represent the total dollar value of proposed assessments received from MSHA.
8. Pending legal actions before the Federal Mine Safety and Health Review Commission (the "Commission") as required to be reported by Section 1503(a)(3) of the Act.
9. The following provides additional information regarding the types or categories of proceedings that may be brought before the commission:
   (i) Contest Proceedings - may be filed with the Commission by an operator to challenge the issuance of a citation or order issued by MSHA;
   (ii) Civil Penalty Proceedings - may be filed with the Commission by an operator to challenge a civil penalty MSHA has proposed for a violation contained in a citation or order;
   (iii) Discrimination Proceedings - involves a miner’s allegation that he or she has suffered adverse employment action because he or she engaged in activity protected under the Mine Act, such as making a safety complaint;
   (iv) Temporary Reinstatement Proceedings - involves cases in which a miner has filed a complaint with MSHA stating that he or she suffered discrimination and the miner lost his or her position;
   (v) Compensation Proceedings - may be filed with the Commission by miners entitled to compensation when a mine is closed by certain closure orders issued by MSHA. The purpose of the proceeding is to determine the amount of compensation if any, due to miners idled by the orders;
   (vi) Applications for Temporary Relief - applications for temporary relief of any order issued under Section 104; and
   (vii) Appeals.