UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended **December 31, 2020** Commission file number **001-32929**

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

British Columbia, Canada
(Province or other jurisdiction of incorporation or organization)

1000
(Primary Standard Industrial Classification Code)

84-1461363
(I.R.S. Employer Identification No.)

444 Cedar Street, Suite 2060
St. Paul, Minnesota 55101
651-389-4100
(Address and telephone number of Registrant's principal executive offices)

Patrick Keenan
c/o Poly Met Mining, Inc.
444 Cedar Street, Suite 2060
St. Paul, Minnesota 55101
651-389-4100
(Name, address (including zip code), and telephone number
(including area code) of agent for service in the United States**)**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	**PLM**	**NYSE American**

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**

For annual reports, indicate by check mark the information filed with this form.
☑ Annual Information Form ☑ Audited Annual Financial Statements

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. **100,733,778**

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 an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

☐ Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXPLANATORY NOTE

PolyMet Mining Corp. (the "Company" or "PolyMet") is a Canadian issuer eligible to file its Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 40-F (this "Annual Report") contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Exchange Act of 1934 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Forward-looking statements are not, and cannot be, a guarantee of future results or events. Forward looking statements are based on, among other things, opinions, assumptions, estimates and analyses that are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking statement.

All statements in this Annual Report that address events or developments that PolyMet expects to occur in the future are forward-looking statements and are generally, although not always, identified by words such as "expect", "plan", "anticipate", "project", "target", "potential", "schedule", "forecast", "budget", "estimate", "intend" or "believe" and similar expressions or their negative connotations, or that events or conditions "will", "would", "may", "could", "should" or "might" occur. These forward-looking statements include, but are not limited to, PolyMet's objectives, strategies, intentions, expectations, production, costs, capital and exploration expenditures, including an estimated economics of future financial and operating performance and prospects for the possible expansion of the operation based on a PEA-level study and a ramp-up evaluation representing production growth and improved margins mine, life projections, recovery rate and concentrate grade projections, ability to obtain all necessary environmental and government approvals to completion and if undertaking an expansion case, ability to obtain at all, the viability and all information with respect to the ability to develop the Project to additional potential by mining additional resources beyond the permit design at a higher production rate. Prior to any decision to apply for permits to develop the project further, PolyMet would need to complete preliminary and definitive feasibility studies, as well as an analysis of the environmental impact and alternatives of any proposal. In addition, any future proposal would be subject to environmental review and permits, public notice and comment, and approval by appropriate federal and state agencies. All forward-looking statements in this Annual Report are qualified by this cautionary note.

The material factors or assumptions applied in drawing the conclusions or making forecasts or projections set in the forward-looking statements include, but are not limited to:

- various economic assumptions, in particular, metal price estimates;
- certain operational assumptions, including mill recovery, operating scenarios;
- construction schedules and timing issues; and
- assumptions concerning timing and certainty regarding the environmental review and permitting process.

The risks, uncertainties, contingencies and other factors that may cause actual results and events to differ materially from those expressed or implied by the forward-looking statement may include, but are not limited to, risks generally associated with the mining industry, such as: economic factors (including future commodity prices, currency fluctuations, inflation rates, energy prices and general cost escalation); uncertainties related to the development of the NorthMet Project; dependence on key personnel and employee relations; risks relating to political and social unrest or change, operational risk and hazards, including unanticipated environmental, industrial and geological events and developments and the inability to insure against all risks; failure of plant, equipment, processes, transposition and other infrastructure to operate as anticipated; compliance with governmental and environmental regulations, including permitting requirements; the outcome of ongoing litigation in connection with PolyMet's permits for the NorthMet Project; the potential impact of COVID-19 on PolyMet, as well as other factors identified and as described in more detail under the heading "Risk Factors" in Item 5 of the Annual Information Form filed as Exhibit 99.1 to this Annual Report. The list is not exhaustive of the factors that may affect the forward-looking statements. There can be no assurance that such statements will prove to be accurate, and actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits or liabilities PolyMet will derive therefrom. The forward-looking statements reflect the current expectations regarding future events and operating performance and speak only as of the date hereof and PolyMet does not assume any obligation to update the forward-looking statements if circumstances or management's beliefs, expectations or opinions should change other than as required by applicable law. For the reasons set forth above, undue reliance should not be placed on forward-looking statements.

CAUTIONARY NOTE TO UNITED STATES READERS REGARDING RESOURCE AND RESERVE ESTIMATES

The Company's Annual Information Form for the year ended December 31, 2020 is filed as Exhibit 99.1 to this Annual Report and the Company's management's discussion and analysis for the years ended December 31, 2020 and 2019 is filed as Exhibit 99.3 to this Annual Report. These documents have been prepared in accordance with requirements of the securities laws in effect in Canada, which differ from requirements of United States securities laws.

Mineral reserves and mineral resources presented in this MD&A have been estimated in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), as required by Canadian securities regulatory authorities. In accordance with NI 43-101, the Company uses the terms mineral reserves and resources as they are defined in accordance with the CIM Definition Standards on mineral reserves and resources ("CIM") adopted by the Canadian Institute of Mining, Metallurgy and Petroleum.

The United States Securities and Exchange Commission ("SEC") has adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC under the U.S. Securities Exchange Act of 1934, as amended. These amendments became effective February 25, 2019 (the "SEC Modernization Rules") with compliance required for the first fiscal year beginning on or after January 1, 2021. The SEC Modernization Rules replace the historical property disclosure requirements for mining registrants that were included in SEC Industry Guide 7 ("Guide 7"), which will be rescinded from and after the required compliance date of the SEC Modernization Rules. As a foreign private issuer that files its annual report on Form 40-F with the SEC pursuant to the multi-jurisdictional disclosure system ("MJDS"), the Company is not required to provide disclosure on its mineral properties under the SEC Modernization Rules and will continue to provide disclosure under NI 43-101. However, if the Company either ceases to be a "foreign private issuer" or ceases to be entitled to file reports under the MJDS and the CIM Definition Standards, then the Company will be required to provide disclosure on its mineral properties under the SEC Modernization Rules. Accordingly, United States investors are cautioned that the disclosure the Company provides on its mineral properties in this annual report on Form 40-F and under its continuous disclosure obligations under the Exchange Act may be different from the disclosure that the Company would otherwise be required to provide as a U.S. domestic issuer or a non-MJDS foreign private issuer under the SEC Modernization Rules.

The SEC Modernization Rules include the adoption of terms describing mineral reserves and mineral resources that are substantially similar to the corresponding terms under the CIM. As a result of the adoption of the SEC Modernization Rules, the SEC now recognizes estimates of "measured", "indicated" and "inferred" mineral resources. In addition, the SEC has amended its definitions of "proven mineral reserves" and "probable mineral reserves" to be substantially similar to the corresponding CIM definitions, as required by NI 43-101.

United States investors are also cautioned that while the SEC will now recognize "measured mineral resources", "indicated mineral resources" and "inferred mineral resources", investors should not assume that any part or all of the mineral deposits in these categories will ever be converted into a higher category of mineral resources or into mineral reserves. These terms have a great amount of uncertainty as to their economic and legal feasibility. Accordingly, United States investors are cautioned not to assume that any "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" of PolyMet are or will be economically or legally mineable. Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies, except in limited circumstances where permitted under NI 43-101.

Accordingly, information contained in this Annual Report and the documents incorporated by reference herein that contain descriptions of the Company's mineral deposits may not be comparable to similar information made by public United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

CAUTIONARY NOTE TO UNITED STATES READERS REGARDING DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Company is permitted, under the multi-jurisdictional disclosure system adopted by the SEC, to prepare this Annual Report in accordance with Canadian disclosure requirements, which differ from those of the United States. The Company has prepared its financial statements, which are filed as Exhibit 99.2 to this Annual Report, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's financial statements may not be comparable to financial statements of other United States companies. Since the Company has prepared its financial statements in accordance with IFRS as issued by the IASB, it is not required to provide a reconciliation to United States generally accepted accounting principles.

ANNUAL INFORMATION FORM

The Company's Annual Information Form for the year ended December 31, 2020 is filed as Exhibit 99.1 to this Annual Report and is incorporated by reference herein.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2020 and 2019, including the report of the Company's independent registered public accounting firms with respect thereto, are filed as Exhibit 99.2 to this Annual Report and incorporated by reference herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis for the years ended December 31, 2020 and 2019, is filed as Exhibit 99.3 to this Annual Report and incorporated by reference herein.

TAX MATTERS

Purchasing, holding, or disposing of securities of the Company may have tax consequences under the laws of the United States and Canada that are not described in this Annual Report. Holders of the Company's common shares should consult their own tax advisors regarding the tax consequences of purchasing, holding or disposing of securities of the Company.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") 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 SEC 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 reports filed or submitted under the Exchange Act is accumulated and communicated to the Company's management to allow timely decision regarding disclosure.

Management's Annual Report on Internal Control over Financial Reporting

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 internal controls over financial reporting as at December 31, 2020. 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 internal controls over financial reporting. Based on this assessment, management has concluded that the Company's internal controls over financial reporting was effective as at that date.

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as at December 31, 2020, has been audited by Deloitte & Touche LLP, the Company's independent registered public accounting firm, as stated in their report included in Exhibit 99.2 to this Annual Report.

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.

CORPORATE GOVERNANCE

The Company is listed on the Toronto Stock Exchange ("TSX") and is required to describe its practices and policies with regards to corporate governance with specific reference to TSX guidelines by way of an annual corporate governance statement in the Company's annual report or information circular filed with the appropriate securities regulators in Canada.

The Company is also listed on the NYSE American and additionally complies as necessary with the rules and guidelines of the NYSE American and SEC.

The Company reviews its governance practices on an ongoing basis to ensure it is in compliance with all applicable requirements. The Company is a "controlled company" (as defined by the NYSE) of which more than 50% of the voting power is held by an individual, group or another company and therefore exempt from certain corporate governance requirements.

The Company's Board of Directors is responsible for the Company's Corporate Governance policies and has determined that during 2020 all the members of the Audit Committee were independent (as required by applicable law), based on the criteria for independence and un-relatedness prescribed by the TSX and Section 803A of the NYSE American Company Guide. The Compensation, and Nominating & Corporate Governance Committees each have a majority of independent directors. The Board of Directors believes it is appropriate for directors who are not considered to be independent to sit on these committees to bring the knowledge and perspective of the controlling shareholder to executive compensation, appointments and board nominations.

Controlled Company

The Company's Common Shares are listed on the NYSE American. Under the rules of the NYSE American, the Company is considered a "controlled company" because Glencore AG holds more than 50% of the voting power of the Company. As a "controlled company," the Company is exempt from certain rules and requirements of the NYSE American related to corporate governance matters, including the rules requiring that (i) the Company's Board of Directors be comprised of at least a majority of independent directors, (ii) the compensation of the Company's executive officers be determined, or recommended to the Board of Directors for determination, either by a compensation committee comprised of independent directors or by a majority of the independent directors, and (iii) nominations for election to the Company's Board of Directors be either selected, or recommended for the Board of Directors' selection, by either a nominating committee comprised solely of independent directors or by a majority of the independent directors.

Compensation Committee

Compensation of the Company's CEO and all other officers is recommended to the Board of Directors for determination by the Compensation Committee. The Compensation Committee develops, reviews and monitors director and executive officer compensation and policies. The Compensation Committee is also responsible for annually reviewing the adequacy of compensation to directors, officers, and other consultants and the composition of compensation packages. The Company's CEO cannot be present during deliberations or vote on the CEO's compensation.

During 2020, the Compensation Committee was composed of Alan R. Hodnik, W. Ian L. Forrest and Stephen Rowland from January 1, 2020 to June 24, 2020 and was composed of Alan R. Hodnik, David J. Fermo, and Stephen Rowland from June 24, 2020 to December 31, 2020. Alan R. Hodnik, W. Ian L. Forrest, and David J. Fermo were, in the opinion of the Board of Directors, independent under the rules of the TSX and pursuant to Sections 803A and 805(c)(1) of the NYSE American Company Guide. Stephen Rowland was, in the opinion of the Board of Directors, not considered to be independent and serves on the Compensation Committee as a result of the Company's status as a "controlled company", as described above. The Company's Compensation Committee Charter is available on the Company's website at www.polymetmining.com.

Nominating & Corporate Governance Committee

Nominees for the election to the Company's Board of Directors are recommended by the Nominating & Corporate Governance Committee. The Company has adopted a formal written board resolution addressing the nomination process and such related matters as may be required under the rules of the TSX and the NYSE American and any applicable securities laws.

During 2020, the Nominating & Corporate Governance Committee was composed of W. Ian L. Forrest, Dr. David Dreisinger, and Michael M. Sill from January 1, 2020 to June 24, 2020 and was composed of Dr. David Dreisinger, Alan R. Hodnik, and Stephen Rowland from June 24, 2020 to December 31, 2020. W. Ian L. Forrest, Dr. David Dreisinger, Michael M. Sill and Alan R. Hodnik were, in the opinion of the Board of Directors, independent under the rules of the TSX and the NYSE American. Stephen Rowland was was, in the opinion of the Board of Directors, not independent and serves on the Nominating & Corporate Governance Committee as a result of the Company's status as a "controlled company", as described above. The Company's Nominating and Corporate Governance Committee Charter is available on the Company's website at www.polymetmining.com.

AUDIT COMMITTEE

Composition and Responsibilities

The Company's Board of Directors has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act and Section 803B of the NYSE American Company Guide.

During 2020, the Company's Audit Committee was composed of Michael M. Sill, Dr. David Dreisinger, and W. Ian L. Forrest from January 1, 2020 to June 24, 2020 and was composed of David J. Fermo, Dr. David Dreisinger, and Alan R. Hodnik from June 24, 2020 to December 31, 2020, each of whom, in the opinion of the Company's Board of Directors, was independent as determined under the rules of the TSX and Rule 10A-3 of the Exchange Act, Section 803A of the NYSE American Company Guide and each of whom is financially literate. The Audit Committee meets the composition requirements set forth by Section 803B(2) of NYSE American Company Guide.

The members of the Audit Committee do not have fixed terms and are appointed and replaced from time to time by the Board of Directors.

The Audit Committee meets four times a year, at a minimum, and has access to all officers, management and employees of the Company and may engage advisors or counsel as deemed necessary to perform its duties and responsibilities as a committee.

The Audit Committee meets with the Company's President and CEO, the Company's CFO, and the Company's independent auditors to review and inquire into matters affecting financial reporting, the system of internal accounting and financial controls, and the Company's audit procedures and audit plans. The Audit Committee also recommends to the Board of Directors the independent auditors to be appointed for each year. In addition, the Audit Committee reviews and recommends to the Board of Directors for approval the annual and quarterly financial statements and management's discussion and analysis. Finally, the Audit Committee undertakes other activities as required by the rules and regulations of the TSX and the NYSE American and other governing regulatory authorities.

The full text of the Audit Committee Charter is set forth in the Company's Annual Information Form incorporated by reference in this Annual Report.

Audit Committee Financial Expert

During 2020, the Board of Directors determined that W. Ian L. Forrest qualified as the Audit Committee's "financial expert" from January 1, 2020 to June 24, 2020 and that David J. Fermo qualified as the Audit Committee's "financial expert" from June 24, 2020 to December 31, 2020 as defined in Item 407(d)(5)(ii) of Regulation S-K under the Exchange Act and both were "financially sophisticated" as determined under Section 803(B)(2)(iii) of the NYSE American Company Guide.

Both Mr. Forrest and Mr. Fermo qualify as financial experts and are financially sophisticated, in that they have an understanding of generally accepted accounting principles and financial statements; are able to assess the general application of accounting principles in connection with the accounting for estimates, accruals and reserves; have experience analyzing or evaluating financial statements that entail accounting issues of equal complexity to the Company's financial statements (or actively supervising another person who did so); and have a general understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions.

PRINCIPAL ACCOUNTING FEES AND SERVICES – INDEPENDENT AUDITORS

The required disclosure is included under the heading "Audit Committee – External Auditor Service Fees" in the Company's Annual Information Form incorporated by reference in this Annual Report.

PRE-APPROVAL POLICIES AND PROCEDURES

The required disclosure is included under the heading "Audit Committee – Pre-Approval Policies and Procedures" in the Company's Annual Information Form incorporated by reference in this Annual Report.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet financing arrangements or relationships with unconsolidated special purpose entities.

CODE OF ETHICS

The Company has adopted a Code of Ethics which applies to all employees, including directors and executive officers, including 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 filed with, or submitted 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 legitimate business interests. The Company also encourages directors, officers, employees and consultants to promptly report any violations of the Code of Ethics. All amendments to the Code of Ethics, and all waivers of the Code of Ethics with respect to any of the employees, officers or directors covered by it, will be posted on the Company's website, submitted on Form 6-K and provided in print to any shareholder who requests them. A copy of the Code of Ethics is available on the Company's website, www.polymetmining.com. A copy of the Code of Ethics is also available to shareholders by contacting the Corporate Secretary at PolyMet Mining Corp., 444 Cedar Street, Suite 2060, St. Paul, MN 55101 or by e-mail at info@polymetmining.com.

CONTRACTUAL OBLIGATIONS

The following table lists information as at December 31, 2020 with respect to known contractual obligations and environmental rehabilitation provision:

Contractual Obligations (in 000's)	Carrying Value	Contractual Cash Flows	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Accounts payable and accruals	$ 3,392	$ 3,392	$ 2,755	$ 637	$ -	$ -
Lease liability	557	659	145	297	217	-
Promissory note	16,629	16,919	16,919	-	-	-
Convertible debt	18,747	24,056	-	24,056	-	-
Environmental rehabilitation provision	51,751	94,481	893	11,181	4,464	77,943
Firm commitments	-	436	64	284	88	-
Total	$ 91,076	$ 139,943	$ 20,776	$ 36,455	$ 4,769	$ 77,943

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Registrant sent during 2020 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NYSE AMERICAN CORPORATE GOVERNANCE

The Company's common shares are listed on the NYSE American under the trading symbol "PLM". Section 110 of the NYSE American Company Guide permits the NYSE American to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE American listing criteria, and to grant exemptions from NYSE American listing criteria based on these considerations. A description of the significant ways in which the Corporation's governance practices differ from those followed by domestic companies pursuant to NYSE American standards is as follows:

> Shareholder Approval Requirements: NYSE American requires a listed company to obtain the approval of its shareholders for certain types of securities issuances, including the issuance of common shares of the Company to directors of the Company in a private placement transaction at a price per Unit that is less than the market value of the common shares of the Company on the date of the definitive agreement of the offering. The Company sought and received a waiver from NYSE American's shareholder approval requirements in circumstances where the securities issuance does not trigger such a requirement under the rules of the TSX.

In addition, the Company may from time-to-time seek relief from NYSE American corporate governance requirements on specific transactions under Section 110 of the NYSE American Company Guide by providing written certification from independent local counsel that the non-complying practice is not prohibited by the Company's home-country law, in which case, the Company shall make the disclosure of such transactions available on its website at www.polymetmining.com. Information contained on the website of the Company is not part of this Annual Report.

MINE SAFETY DISCLOSURE

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities under the regulation of the Federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 ("Mine Act"). This required information is filed as Exhibit 99.4 to this Annual Report.

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 its 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 January 1, 2020 until December 31, 2020, 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 with, or for delivery to or from 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 sanctions laws and, where required, with the necessary prior approvals by the relevant governmental authorities.
>
> The gross revenue of the non-U.S Shareholder Affiliate related to these contracts did not exceed the value of USD $326 million for the year ended December 31, 2020.
>
> 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.
>
> The non-U.S. Stockholder Affiliates expect to continue to engage in similar activities in the future in compliance with applicable economic sanctions and in conformity with U.S. secondary sanctions.

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 December 31, 2020 that requires disclosure in this report under Section 13(r) of the Exchange Act.

UNDERTAKING

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an Annual Report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Registrant has filed a Form F-X with respect to the class of securities in relation to which the obligation to file this Annual Report on Form 40-F arises. Any change to the name or address of the agent for service of process of the Registrant will be communicated promptly to the SEC by amendment to Form F-X referencing the file number of the Registrant.

WEBSITE INFORMATION

Notwithstanding any reference to PolyMet’s website or other websites in the documents attached as Exhibits hereto, the information contained in PolyMet’s website or any other site in the documents attached as Exhibits hereto, or referred to in PolyMet’s website, is not a part of this Annual Report and, therefore, is not filed with the SEC.

EXHIBIT INDEX

The following exhibits have been filed as part of this Annual Report:

EXHIBITS

99.1	Annual Information Form for the year ended December 31, 2020
99.2	Consolidated Financial Statements for the years ended December 31, 2020 and 2019
99.3	Management's Discussion and Analysis for the years ended December 31, 2020 and 2019
99.4	Mine Safety Disclosure

CERTIFICATIONS

99.5	Certification of Principal Executive Officer pursuant to 17 C.F.R. 240.13a-14(a)
99.6	Certification of Principal Financial Officer pursuant to 17 C.F.R. 240.13a-14(a)
99.7	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.

CONSENTS

99.8	Consent of Deloitte & Touche LLP
99.9	Consent of Technical Report Author – Zachary J. Black, SME-RM
99.10	Consent of Technical Report Author – Jennifer J. Brown, P.G.
99.11	Consent of Technical Report Author – Nicholas Dempers, Pr. Eng., SAIMM
99.12	Consent of Technical Report Author – Thomas L. Drielick, P.E.
99.13	Consent of Technical Report Author – Art S. Ibrado, P.E.
99.14	Consent of Technical Report Author – M3 Engineering & Technology Corporation
99.15	Consent of Technical Report Author – Thomas J. Radue, P.E.
99.16	Consent of Technical Report Author – Jeff S. Ubl, P.E.
99.17	Consent of Technical Report Author – Herbert E. Welhener, SME-RM

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

Dated: March 18, 2021

POLYMET MINING CORP.

/s/ Jonathan Cherry

Name: Jonathan Cherry
Title: Chief Executive Officer

POLYMET MINING CORP.

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ANNUAL INFORMATION FORM

For the year ended December 31, 2020

Dated as at March 18, 2021

TABLE OF CONTENTS

1. Introductory Notes

In this Annual Information Form ("AIF") "PolyMet" or the "Company" refers to PolyMet Mining Corp. and its subsidiaries (unless the context otherwise dictates). All information contained herein is as at March 18, 2021 unless otherwise indicated, other than certain financial information, which is as at December 31, 2020, being the date of the Company's most recently audited financial year end. All dollar amounts in this AIF are expressed in United States ("U.S.") dollars, the functional and reporting currency of the Company, unless otherwise indicated.

Effective August 26, 2020, the Company completed a consolidation of its common shares at a ratio of ten pre-consolidation common shares for one post-consolidation common share. As a result of the consolidation, shares issuable pursuant to the Company's outstanding options, warrants, restricted share units and other convertible securities were proportionally adjusted on the same basis. All common share numbers, numbers of shares issuable under options, warrants and restricted share units and related per share amounts in these consolidated financial statements have been retrospectively adjusted to reflect the share consolidation.

Additional information related to the Company is available for view on the System for Electronic Document Analysis and Retrieval ("SEDAR") and EDGAR at www.sedar.com and at www.sec.gov, respectively, and on the Company's website www.polymetmining.com.

Cautionary Note Regarding Forward-Looking Statements

This AIF contains "forward-looking statements" within the meaning of applicable Canadian securities legislation and Section 27A of the United States Securities Act of 1933 and Section 21E of the United States Securities Exchange Act of 1934. Forward-looking statements are not, and cannot be, a guarantee of future results or events. Forward looking statements are based on, among other things, opinions, assumptions, estimates and analyses that are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking statement.

All statements in this AIF that address events or developments that PolyMet expects to occur in the future are forward-looking statements and are generally, although not always, identified by words such as "expect", "plan", "anticipate", "project", "target", "potential", "schedule", "forecast", "budget", "estimate", "intend" or "believe" and similar expressions or their negative connotations, or that events or conditions "will", "would", "may", "could", "should" or "might" occur. These forward-looking statements include, but are not limited to, PolyMet's objectives, strategies, intentions, expectations, production, costs, capital and exploration expenditures, including estimated economics of future financial and operating performance. All forward-looking statements in this AIF are qualified by this cautionary note.

The material factors or assumptions applied in drawing the conclusions or making forecasts or projections set in the forward-looking statements include, but are not limited to:

- various economic assumptions, in particular, metal price estimates;
- certain operational assumptions, including mill recovery, operating scenarios;
- construction schedules and timing issues; and
- assumptions concerning timing and certainty regarding the environmental review and permitting process.

The risks, uncertainties, contingencies and other factors that may cause actual results and events to differ materially from those expressed or implied by the forward-looking statement may include, but are not limited to, risks generally associated with the mining industry, such as: economic factors (including future commodity prices, currency fluctuations, inflation rates, energy prices and general cost escalation); uncertainties related to the development of the NorthMet Project; dependence on key personnel and employee relations; risks relating to political and social unrest or change, operational risk and hazards, including unanticipated environmental, industrial and geological events and developments and the inability to insure against all risks; failure of plant, equipment, processes, transposition and other infrastructure to operate as anticipated; compliance with governmental and environmental regulations, including permitting requirements; the outcome of ongoing litigation in connection with PolyMet's permits for the NorthMet Project; the potential impact of COVID-19 on PolyMet, as well as other factors identified and as described in more detail under the heading "Risk Factors" in Item 5. The list is not exhaustive of the factors that may affect the forward-looking statements. There can be no assurance that such statements will prove to be accurate, and actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits or liabilities PolyMet will derive therefrom. The forward-looking statements reflect the current expectations regarding future events and operating performance and speak only as of the date hereof and PolyMet does not assume any obligation to update the forward-looking statements if circumstances or management's beliefs, expectations or opinions should change other than as required by applicable law. For the reasons set forth above, undue reliance should not be placed on forward-looking statements.

Cautionary Note to United States Readers Regarding Resource and Reserve Estimates

Mineral reserves and mineral resources presented in this MD&A have been estimated in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), as required by Canadian securities regulatory authorities. In accordance with NI 43-101, the Company uses the terms mineral reserves and resources as they are defined in accordance with the CIM Definition Standards on mineral reserves and resources ("CIM") adopted by the Canadian Institute of Mining, Metallurgy and Petroleum.

The United States Securities and Exchange Commission ("SEC") has adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC under the U.S. Securities Exchange Act of 1934, as amended. These amendments became effective February 25, 2019 (the "SEC Modernization Rules") with compliance required for the first fiscal year beginning on or after January 1, 2021. The SEC Modernization Rules replace the historical property disclosure requirements for mining registrants that were included in SEC Industry Guide 7 ("Guide 7"), which will be rescinded from and after the required compliance date of the SEC Modernization Rules. As a foreign private issuer that files its annual report on Form 40-F with the SEC pursuant to the multi-jurisdictional disclosure system ("MJDS"), the Company is not required to provide disclosure on its mineral properties under the SEC Modernization Rules and will continue to provide disclosure under NI 43-101. However, if the Company either ceases to be a "foreign private issuer" or ceases to be entitled to file reports under the MJDS and the CIM Definition Standards, then the Company will be required to provide disclosure on its mineral properties under the SEC Modernization Rules. Accordingly, United States investors are cautioned that the disclosure the Company provides on its mineral properties in this annual report on Form 40-F and under its continuous disclosure obligations under the Exchange Act may be different from the disclosure that the Company would otherwise be required to provide as a U.S. domestic issuer or a non-MJDS foreign private issuer under the SEC Modernization Rules.

The SEC Modernization Rules include the adoption of terms describing mineral reserves and mineral resources that are substantially similar to the corresponding terms under the CIM. As a result of the adoption of the SEC Modernization Rules, the SEC now recognizes estimates of "measured", "indicated" and "inferred" mineral resources. In addition, the SEC has amended its definitions of "proven mineral reserves" and "probable mineral reserves" to be substantially similar to the corresponding CIM definitions, as required by NI 43-101.

United States investors are also cautioned that while the SEC will now recognize "measured mineral resources", "indicated mineral resources" and "inferred mineral resources", investors should not assume that any part or all of the mineral deposits in these categories will ever be converted into a higher category of mineral resources or into mineral reserves. These terms have a great amount of uncertainty as to their economic and legal feasibility. Accordingly, United States investors are cautioned not to assume that any "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" of PolyMet are or will be economically or legally mineable. Further, “inferred mineral resources” have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. In accordance with Canadian rules, estimates of “inferred mineral resources” cannot form the basis of feasibility or other economic studies, except in limited circumstances where permitted under NI 43-101.

Qualified Persons Under NI 43-101

Except where specifically indicated otherwise, the disclosure in this AIF of scientific and technical information regarding PolyMet’s mineral properties has been reviewed and approved by the following persons who are Qualified Persons as defined by NI 43-101:

- Zachary J. Black, SME-RM;
- Jennifer J. Brown, P.G.;
- Nicholas Dempers, Pr. Eng., SAIMM;
- Thomas L. Drielick, P.E.;
- Art S. Ibrado, P.E.;
- M3 Engineering & Technology Corporation;
- Thomas J. Radue, P.E.;
- Jeff S. Ubl, P.E.; and
- Herbert E. Welhener, SME-RM.

2. Corporate Structure

PolyMet Mining Corp. was incorporated under the *Business Corporations Act* (British Columbia) 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. PolyMet US was incorporated in Minnesota, United States on February 16, 1989.

The Company’s corporate head office and principal executive office is located at 444 Cedar Street, Suite 2060, St. Paul, MN 55101, USA. The registered and records office is located at 2500 – 700 West Georgia Street, Vancouver, B.C. V7Y 1B3, Canada.

3. General Development of the Business

Significant History

PolyMet’s primary mineral property and principal focus is the commercial development of its NorthMet Project (“NorthMet” or “Project”), a polymetallic project in northeastern Minnesota, United States of America, which hosts copper, nickel, cobalt, gold, silver, and platinum group metal mineralization.

The NorthMet ore body is at the western end of a series of known copper-nickel-precious metals deposits in the Duluth Complex. The 2018 Technical Report and feasibility study published in March 2018 confirmed the technical and economic viability, positioning NorthMet as the most advanced of the four main deposits in the Duluth Complex: namely, from west to east, NorthMet, Mesaba, Serpentine and Maturi.

<u>Asset Acquisition</u>
In November 2005, the Company acquired the idled Erie Plant, which is located approximately six miles west of the NorthMet deposit and includes crushing and milling equipment, comprehensive spare parts, plant site buildings, real estate, tailings storage facilities and mine workshops, as well

as access to extensive mining infrastructure including roads, rail, water and power. The plant was managed by Cliffs Erie LLC, a subsidiary of Cleveland-Cliffs Inc. (together “Cliffs”).

Plans are to refurbish, reactivate and, as appropriate, update the crushing, concentrating and tailings storage facilities at the Erie Plant to produce concentrates containing copper, nickel, cobalt and precious metals – platinum, palladium, gold and silver. Once commercial operations are established, the Company may install an autoclave to upgrade nickel concentrates to produce a nickel-cobalt hydroxide and a precious metals precipitate.

In December 2006, the Company acquired from Cliffs additional property and associated rights sufficient to provide a railroad connection linking the NorthMet deposit and the Erie Plant. The transaction also included railcars, locomotive fueling and maintenance facilities, water rights and pipelines, administrative offices and land to the east and west of the existing tailings storage facilities.

In June 2018, the Company acquired surface rights over the NorthMet deposit through a land exchange with the United States Forest Service (“USFS”) using land the Company previously owned. With the exchange, PolyMet has total surface rights, including ownership and other use and occupancy rights, to approximately 19,050 contiguous acres or 30 square miles of land including the land at the mine and processing sites, the transportation corridor connecting those sites, and buffer lands.

Mineral rights in and around the NorthMet orebody are held through two mineral leases with RGGS Land & Minerals Ltd., L.P. (“RGGS”) and LMC Minerals ("LMC"). The RGGS lease covers 5,123 acres. Provided the Company continues to make annual lease payments, the lease period continues until June 12, 2048 with an option to extend the lease for up to five additional ten-year periods on the same terms and further extend as long as there are commercial mining operations. The LMC lease covers 120 acres that are encircled by the RGGS property. Provided the Company continues to make annual lease payments, the lease period continues until December 1, 2028 with an option to extend the lease for up to four additional five-year periods on the same terms. Lease payments to both lessors 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.

Permitting

In November 2018, the Company received all final Minnesota Department of Natural Resources (“MDNR”) permits for which the Company had applied, including the Permit to Mine, dam safety, water appropriations, endangered and threatened species takings and public waters work permits, along with Wetland Conservation Act approval.

In December 2018, the Company received all final Minnesota Pollution Control Agency (“MPCA”) permits for which the Company had applied, including the water quality permit, air emission quality permit, and Section 401 Certification.

In March 2019, the Company received the federal ROD and Section 404 Wetlands Permit from the USACE, which was the last key permit or approval needed to construct and operate the Project. In September 2019, two lawsuits were filed in Minnesota federal court challenging the USACE permits. In one case, the Environmental Protection Agency in March 2021 sought and received a voluntary remand to conduct a 90-day review of downstream water quality under section 401(a)(2) of the Clean Water Act and supplement the record. Because EPA’s downstream water quality determination is a prerequisite for the Company’s federal section 404 wetlands permit, the USACE subsequently notified the Company it had suspended the permit for the duration of EPA’s review.

Legal challenges were filed in the Minnesota Court of Appeals contesting various aspects of the MDNR and MPCA decisions. PolyMet is a co-respondent in all suits.

- During 2019, the Court of Appeals ruled in favor of PolyMet in two state court actions, one which sought to force a supplemental environmental review and the other which challenged the rules used to permit the Project. These rulings are final.

- In June 2019, the Court of Appeals transferred challenges to the MPCA water quality permit to Ramsey County District Court for the limited purpose of an evidentiary hearing. In September 2020, the District Court found that PolyMet's water quality permit was issued with proper procedures; the ruling will be incorporated into the broader challenge to that permit currently pending before the Court of Appeals. The case is not expected to be heard until after the Permit to Mine and dam safety permit case currently pending before the Minnesota Supreme Court is decided.

- In January 2020, the Court of Appeals remanded the Permit to Mine and dam safety permits to the MDNR for a contested case hearing. The Company and MDNR successfully petitioned the Minnesota Supreme Court to review that decision. The Company cannot act on the MDNR permits until the Supreme Court rules on the case. This is anticipated during the first or second quarter of 2021.

- In March 2020, the Court of Appeals remanded the air permit to the MPCA with instructions to provide more information to the court in support of its decision to issue the permit. In February 2021, the Minnesota Supreme Court overturned the decision by the Court of Appeals to remand the air permit back to the MPCA. The Supreme Court ruled in favor of the Company on the most significant legal issue and returned the case to the Court of Appeals to resolve a limited number of items the lower court had not specifically addressed in its original decision. This resolution is anticipated during the second or third quarter of 2021.

<u>USFS Land Exchange</u>
In January 2017, the USFS issued its Final ROD authorizing the land exchange. In June 2018, the Company and USFS exchanged titles to federal and private lands, completing the land exchange giving the Company control over both surface and mineral rights in and around the NorthMet ore body and consolidating the Superior National Forest's land holdings in northeast Minnesota.

Four legal challenges were filed contesting various aspects of the land exchange Final ROD. PolyMet was a co-defendant with the USFS in this proceeding. Motions were filed by PolyMet to dismiss each of these suits for lack of standing. On October 1, 2019, the U.S. District Court for the District of Minnesota dismissed all lawsuits challenging the land exchange Final ROD in favor of PolyMet.

<u>Financing</u>
In 2008, PolyMet and Glencore AG, a wholly owned subsidiary of Glencore plc (together "Glencore"), entered into an agreement in which Glencore will market PolyMet's products and provide technical and commercial support. Since 2008, PolyMet and Glencore have entered into a series of financing agreements which has resulted in Glencore owning 71.5% of the Company's issued shares.

Three Year History

The Company's focus over the last three years has been on supporting agency review of permit applications, issuance of draft permits and approvals, issuance of final permits and approvals, defense of permits, site monitoring and permit compliance, maintenance of existing infrastructure, advancing Project engineering and activities to facilitate the transition to construction.

Major highlights and recent events include:

- Following receipt of the final key permit in March 2019, the Company completed geotechnical investigations, implemented its environmental management system and strengthened its financial position;

- In February 2021, the Minnesota Supreme Court overturned a decision by the Court of Appeals that had remanded the air permit back to the MPCA. The Supreme Court ruled in favor of the Company on the most significant legal issue and returned the case to the Court of Appeals to resolve a limited number of items the lower court had not specifically addressed in its original decision. This resolution is anticipated during the second or third quarter of 2021;
- In November 2019, mineral resources and reserves for the NorthMet deposit were updated based on results of the 2018-2019 drilling program resulting in a Proven and Probable Reserve increase of 14% to 290 million tons and a Measured and Indicated Resource increase of 22% to 795 million tons;
- In June 2019, a $265.0 million rights offering was completed with the proceeds used to fully repay outstanding debt and strengthen the Company's financial position. The rights offering, resulted in Glencore owning 71.6% of the Company's issued shares;
- In March 2019, the federal ROD and wetlands permit were received from the USACE, which was the last key permit or approval needed to construct and operate the Project;
- In December 2018, all MPCA permits for NorthMet for which the Company had applied were received, including air and water permits;
- In November 2018, all MDNR permits for NorthMet for which the Company had applied were received, including the Permit to Mine, dam safety and water appropriations permits;
- In June 2018, the Company and USFS completed the federal land exchange giving PolyMet title and control over both surface and mineral rights in and around the NorthMet ore body;
- In March 2018, the 2018 Technical Report under NI 43-101 was issued incorporating process improvements, project improvements and environmental controls described in the Final Environmental Impact Statement and draft permits. The update included detailed capital costs, operating costs, and economic valuations for the permitted mine plan, as well as discussion of potential future opportunities;
- In March 2018, the Company and Glencore agreed to extend the term of outstanding debentures until March 31, 2019 or certain events (see "Financing Activities" section below), reduce the interest rate on the outstanding debentures, and make available up to $80 million in additional funding. Proceeds were used to complete permitting, purchase wetland credits and advanced engineering; and
- In January 2018, the MDNR released draft Permit to Mine and MPCA released draft water quality permit, draft section 401 certification, and draft air emissions permit; and
- As noted in the "Permitting" section above, a number of challenges have been filed contesting various aspects of federal and state permitting decisions. The Company continues to litigate these challenges and has received favorable decisions in all final rulings to date

Goals and Objectives for the Next Twelve Months

PolyMet's objectives include:

- Successfully defend against legal challenges to permits;
- Maintain political, social and regulatory support for the Project; and
- Continue engineering and optimization for the Project.

The Company is in discussions with various sources of debt and equity finance sufficient to fund on-going permit litigation, Project optimization and construction. Construction and ramp-up to commercial production is anticipated to take approximately thirty months from receipt of construction funding. As noted in the "Permitting" section above, legal challenges contesting various aspects of the MDNR, MPCA, and USACE decisions are ongoing and have led to court rulings which adversely affect the Project timeline; however, the Company continues to make preparations to act on those permits as appropriate and assuming positive legal outcomes.

4. Description of the Business

The following disclosure relating to the Company's NorthMet Project is based, in part, on information derived from the 2018 Technical Report prepared by the qualified persons set out in Section 1 of this AIF. Portions of the following information are based on assumptions, qualifications and procedures, which are not fully described herein. Reference should be made to the full text of the 2018 Technical Report, which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Property Description and Location

Project Location

The NorthMet Project comprises two key elements: the NorthMet deposit (or Mine Site) and the Erie Plant. The NorthMet deposit is situated on mineral leases located in St. Louis County in northeastern Minnesota at Latitude 47° 36' north, Longitude 91° 58' west, about 70 miles north of the City of Duluth and 6.5 miles south of the town of Babbitt. The Erie Plant is approximately six miles west of the NorthMet deposit.

The NorthMet deposit site totals approximately 4,300 acres and the Erie Plant site, including the existing tailings basin, covers approximately 12,400 acres. In June 2018, the Company acquired surface rights over the NorthMet deposit through a land exchange with the USFS using land the Company previously owned. With the exchange, PolyMet has total surface rights, including ownership and other use and occupancy rights, to approximately 19,050 contiguous acres (30 square miles) of land including the land at the mine and processing sites, the transportation corridor connecting those sites, and buffer lands.

The NorthMet Project is located immediately south of the eastern end of the historic Mesabi Iron Range and is in proximity to a number of existing iron ore mines including the Peter Mitchell open pit mine located approximately two miles to the north of the NorthMet deposit. NorthMet is one of several known mineral deposits that have been identified within the 30-mile length of the Duluth Complex, a well-known geological formation containing copper, nickel, cobalt, platinum group metals, silver, and gold.

The NorthMet deposit is connected to the Erie Plant by a transportation and utility corridor that is comprised of an existing private railroad that will primarily be used to transport ore, an existing private road that will be upgraded to provide vehicle access, new water pipelines and an electrical power network.

Project Ownership

The Company owns 100% of PolyMet US. For the sake of simplicity this summary will for the most part refer to both entities as PolyMet, except when specific differentiation is required for legal clarity.

Mineral rights in and around the NorthMet orebody are held through two mineral leases with RGGS Land & Minerals Ltd., L.P. ("RGGS") and LMC Minerals ("LMC"). The RGGS lease covers 5,123 acres. Provided the Company continues to make annual lease payments, the lease period continues until June 12, 2048 with an option to extend the lease for up to five additional ten-year periods on the same terms and further extend as long as there are commercial mining operations. The LMC lease covers 120 acres that are encircled by the RGGS property. Provided the Company continues to make annual lease payments, the lease period continues until December 1, 2028 with an option to extend the lease for up to four additional five-year periods on the same terms. Lease payments to both lessors 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.

PolyMet US owns or holds various rights of ownership and use, and other property rights that currently give it control of 100% of the Erie Plant, associated infrastructure, and surface rights which covers approximately 19,050 acres, or 30 square miles.

Surface Rights

Surface rights of the NorthMet deposit were held by the USFS until June 2018. The USFS acquired the surface rights from U.S. Steel in 1938 under provisions of the Weeks Act of 1922. U.S. Steel retained certain mining rights, which PolyMet secured under the U.S. Steel Lease, along with the mineral rights.

PolyMet and the USFS proposed and completed a land exchange in June 2018 to consolidate their respective land ownerships and giving the Company control over both surface and mineral rights in and around the NorthMet ore body and consolidating the Superior National Forest's land holdings in northeast Minnesota. In this land exchange, the USFS acquired 6,690 acres of private land in four separate tracts held by PolyMet, to become part of the Superior National Forest and managed under the laws relating to the National Forest System. Already located within the Superior National Forest boundaries, these lands have multiple uses including recreation, research and conservation. The USFS conveyed 6,650 acres of federally owned surface land to PolyMet, which included the surface rights overlying and surrounding the NorthMet deposit. These lands are located near an area heavily used for mining and mine infrastructure, are consistent with regional land uses, and will generate economic benefits to the region through employment and tax revenues.

Royalties and Encumbrances

The NorthMet deposit mineral rights carry variable royalties of 3% to 5% based on the NSR per ton of ore mined. For an NMV of under $30 per ton, the royalty is 3%, for $30-35 per ton it is 4%, and above $35 per ton it is 5%. Both the U.S. Steel lease (RGGS) and the LMC Lease carry advance royalties, which can be recouped from future royalty payments, subject to minimum payments in any year. The US Steel leases were transferred through sale to RGGS although the underlying agreement terms remain the same.

Environmental Liabilities

Federal, state and local laws and regulations concerning environmental protection affect the PolyMet operation. As part of the consideration for the purchase of the Erie Plant and associated infrastructure, the Company indemnified Cleveland-Cliffs Inc. ("Cliffs") for reclamation and remediation obligations of the acquired property.

The estimated environmental rehabilitation provision under International Financial Reporting Standards (IFRS) on December 31, 2020 was $51.750 million based on estimated cash flows required to settle this obligation in present day costs of $67.597 million, a projected inflation rate of 2.0%, a market risk-free interest rate of 3.7% and expenditures expected to occur over a period of approximately 30 years. This estimate includes but is not limited to water treatment and infrastructure closure and removal, with costs estimated by PolyMet and its consultants and construction contractors. This estimate has been reviewed and accepted by auditors for PolyMet's financial statements.

Permits

PolyMet has received all key permits and approvals from the state and federal agencies required to construct and operate the NorthMet Project. Legal challenges contesting various aspects of the MDNR, MPCA, and USACE decisions are on-going and have led to court rulings that have impacted the Project timeline. These are discussed in greater detail above and below.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility and Climate

Access to the NorthMet Project is by a combination of good quality asphalt and gravel roads via the Erie Plant site. The nearest center of population is the town of Hoyt Lakes, which has a population of about 2,500 people. There are a number of similarly sized communities in the vicinity, all of which are well serviced, provide ready accommodations, and have been, or still are, directly associated with the region's extensive taconite mining industry. The road network in the area is well developed, though not heavily trafficked, and there is an extensive rail network, which serves the taconite mining industry across the entire Range. There is access to ocean shipping via the ports at Taconite Harbor and Duluth/Superior (on the western end of Lake Superior) and the St. Lawrence Seaway.

Climate is continental and characterized by wide temperature variations and significant precipitation.

Local Resources and Infrastructure

The area has been economically dependent on the mining industry for many years and while there is an abundance of skilled labor and local mining expertise, the closure in 2001 of the LTVSMC open pit mines and taconite processing facility has had a significant negative impact on the local economy and population growth. There are, however, several other operating mines in other parts of the Iron Range. Because of this, the mining support industries and industrial infrastructure remains well developed and of a high standard.

The Erie Plant site is connected to the electrical power supply grid and a main HV electrical power line (138 kV) runs parallel to the road and railroad that traverse the southern part of the mining lease area. PolyMet has a long-term power contract with Minnesota Power.

There are plentiful local sources of fresh water, and electrical power and water are available nearby. Previous operations at the site processed 100,000 STPD with adequate water supply, which is more than three times the plan for PolyMet.

Physiography

The Mesabi Iron Range forms an extensive and prominent regional topographic feature. The NorthMet Project site is located on the southern flank of the eastern Range where the surrounding countryside is characterized as being gently undulating. Elevation at the NorthMet Project site is about 1,600 ft asl (1,000 ft above Lake Superior). Much of the region is poorly drained and the predominant vegetation comprises wetlands and boreal forest.

History

The NorthMet deposit was formally discovered in 1969 during exploration carried out by U.S. Steel. Between 1969 and 1974, U.S. Steel drilled 112 holes for a total of 113,716 ft, producing 9,475 assay intervals, which are included in the modern-day NorthMet Project database. Assay data from U.S. Steel core samples was not necessarily collected at the time of the original drilling.

A number of historic mineral resource estimates were completed (U.S. Steel, Fleck Resources, NERCO) prior to PolyMet's acquisition of the NorthMet Project. These resource estimates predate current NI 43-101 reporting standards and the associated resource models, electronic or otherwise, are not available for verification.

There is no historical production data to report for the NorthMet Project.

Geological Setting and Mineralization

Regional Geology

The NorthMet deposit is situated on the western edge of the Duluth Complex in northeastern Minnesota. The Duluth Complex is a series of distinct intrusions of mafic to felsic tholeiitic magmas that intermittently intruded at the base of a comagmatic volcanic edifice during the formation of the Midcontinental rift system between 1108 and 1098 Ma. The intrusives of the Duluth Complex represent a relatively continuous mass that extends in an arcuate fashion from Duluth to the northeastern border between Minnesota and Canada near the town of Grand Portage. Footwall rocks are predominantly comprised of Paleoproterozoic and Archean rocks, the hanging wall rocks are made up of mafic volcanic rocks and hypabyssal intrusions, and internally scattered bodies of strongly granoblastic mafic volcanic and sedimentary hornfels can be found.

Local and Property Geology

The NorthMet deposit is situated within the Partridge River Intrusion ("PRI"). The PRI has been mapped, drilled, and studied in detail because of its importance as a host for copper-nickel ("Cu-Ni") and iron-titanium ("Fe-Ti") deposits. The PRI consists of varied troctolitic and (minor) gabbroic rock types that are exposed in an arcuate shape that extends from the Water Hen (Fe-Ti) deposit in the south to the Babbitt (Cu-Ni) deposit in the North. The PRI is bound on the west by the Paleoproterozoic Virginia Formation (slate and graywacke), and to a lessor extent, the Biwabik Iron Formation ("BIF"). The upper portion of the PRI forms a complex contact an assemblage of anorthositic, gabbroic, and hornfelsic rocks. This assemblage is also found as large inclusions within the interior of the PRI. The inclusions are thought to represent earlier roof zone screens that were overplated by later emplacement of Partridge River intrusion magmas.

Mineralization

The metals of interest at NorthMet are copper, nickel, cobalt, platinum, palladium, silver, and gold. Minor amounts of rhodium and ruthenium are present though these are considered to have no economic significance. In general, except for cobalt and gold, the metals are positively correlated with copper mineralization. Cobalt is well correlated with nickel. Most of the metals are concentrated in, or associated with, four sulfide minerals: chalcopyrite, cubanite, pentlandite, and pyrrhotite, with platinum, palladium and gold also found as elements and in bismuthides, tellurides, and alloys.

Mineralization occurs in four broadly defined horizons or zones throughout the NorthMet property. Three of these horizons are within basal Unit 1, though they likely will not be discriminated in mining. The upper horizon locally extends upward into the base of Unit 2. The thickness of each of the three Unit 1 enriched horizons varies from 5 ft to more than 200 ft. Unit 1 mineralization is found throughout the base of the NorthMet deposit. A less extensive mineralized zone (the copper-rich, sulfur-poor Magenta Zone) is found in Units 4, 5 and 6 in the western part of the NorthMet deposit.

Deposit Types

The NorthMet deposit is considered a magmatic Copper - Nickel ± platinum group element ("PGE") deposit. These are a broad group of deposits containing nickel, copper and PGEs occurring as sulfide concentrations associated with a variety of mafic and ultramafic magmatic rocks. Magmatic Cu-Ni sulfide deposits with or without PGEs account for approximately 60 percent of the world's nickel production. Magmatic Ni-Cu±PGE sulfide deposits are spatially and genetically related to bodies of mafic and/or ultramafic rocks. The sulfide deposits form when the mantle-derived magmas become sulfide-saturated and segregate immiscible sulfide liquid, commonly following interaction with continental crustal rocks.

The NorthMet deposit is a large-tonnage, disseminated accumulation of sulfide in mafic rocks, with rare massive sulfides. Copper to nickel ratios generally range from 3:1 to 4:1. Primary mineralization is probably magmatic, though the possibility of structurally controlled re-mobilization of the mineralization (especially PGE) has not been excluded. The sulfur source is both local and magmatic. Extensive detailed logging has shown no definitive relation between specific rock type and the quantity or grade quality of sulfide mineralization in the Unit 1 mineralized zone or in other units, though local noritic to gabbronoritic rocks (related to footwall assimilation) tend to be of poorer PGE grade and higher in sulfur.

Exploration

U.S. Steel commenced mapping and ground surveys of the NorthMet Project in 1967 and initiated drilling exploration in 1968. Drilling has been the primary method of exploration at the NorthMet Project; however, 240 geophysical soundings, numerous test pits, and down-hole geophysical testing have been completed to better understand the depth to bedrock and the lithologic contacts.

Drilling

Prior to PolyMet's involvement in the NorthMet Project, 116 core holes were drilled in the main project area by U.S. Steel and NERCO (see Table 10-1 of the 2018 Technical Report).

PolyMet completed 290 drill holes on the NorthMet Project between 1998 and 2010 totaling 171,332 ft. Some drilling was resumed in 2018 and 2019 following the land exchange. Of the 290 holes, 52 were drilled using reverse circulation, and 238 were diamond core holes.

From 1998 to 2000, 52 vertical reverse circulation ("RC") holes were drilled to supply material for a bulk sample. A portion of these drill-holes twinned U.S. Steel holes, and others served as in-fill over the extent of the NorthMet deposit. The RC holes averaged 474 ft, with a minimum of 65 ft and a maximum depth of 745 ft.

The first PolyMet core drilling program was carried out during the later parts of the RC program, with three holes drilled late in 1999 and the remainder in early 2000. There were seventeen BTW (1.65 inch) and fifteen NTW (2.2 inch) diameter holes all of which were vertical. Three RC holes were re-entered and deepened with AQ core. Core holes averaged 692 ft in depth, with a minimum of 229 ft and a maximum depth of 1,192 ft. (not including RC holes extended with AQ core). These holes were assayed from top to bottom (with minimal exception) on 5-foot intervals. Samples were split into half core at the PolyMet field office in Aurora, Minnesota.

PolyMet's 2005 drilling program had four distinct goals: collection of metallurgical samples, continued in-fill drilling for resource estimation, resource expansion, and collection of oriented core for geotechnical data. The program included 109 holes totaling 77,165 ft, including:

- 15 one-inch diameter holes for metallurgical samples (6,974 ft.) drilled by Boart-Longyear of Salt Lake City (February - March 2005).
- PQ sized holes (core diameter 3.3 inches) totaling 6,897 ft, to collect bulk sample material, and to improve the confidence in the known resource area (February - March 2005).
- 52 NTW sized holes (2.2 inches) totaling 41,403 ft for resource definition.
- 30 NQ2 sized holes (2.0 inches) totaling 21,892 ft for resource definition and geotechnical purposes. The NTW and NQ2 size core was drilled in the spring (February-March) and fall (September-December) of 2005.

Roughly 11,650 multi-element assays were collected from the 2005 drilling program. Another 1,790 assays were performed on previously drilled U.S. Steel and PolyMet core during. Of the 109 holes drilled in 2005, 93 were drilled at an angle. The angled holes were aligned on a grid oriented N34W with dips ranging from -60° to -75°. Sixteen NQ2 sized holes were drilled and marked for oriented core at varying dips, for geotechnical assessment across the NorthMet Project.

In 2007, two drilling programs were conducted, a winter program of 47 holes totaling 19,102 ft and a summer program of 14 holes totaling 5,437 ft. The initial 16 winter holes were NTW sized, the remaining drill holes from both programs were NQ2 core. Most of these holes were angled to north-

northwest (azimuth 326°, N34W). The 2007 holes averaged 402 ft in depth, with a minimum of 148 ft and maximum of 768.5 ft.

In 2010, a winter drilling program was conducted with two objectives:

- Collect detailed geostatistical data across a grid in the initial mining area, and
- Develop a geologic and assay framework around the west margin of the deposit.

Secondary to these purposes was the gathering of approximately ten tons of potential bulk sample material.

The grid area in the planned east pit encompassed 8,720 ft of drilling with 1,664 multi-element assays and the western drilling totaled 11,401 ft with 1,345 samples taken. Grid drilling was sampled by elevations representing bench levels. Data from this was used to establish appropriate sampling protocols during mining.

Assay results in the grid area were consistent with expectations from previous block models. In the west, Unit 1 and Magenta Zone ore grade mineralization continue well outside the planned pit boundaries with the furthest hole in this program 2,600 feet to the west of the planned pit edge.

The drilling exploration is summarized in Table 10-1 of the 2018 Technical Report, and drill hole distribution is shown on Figure 10-1 of the 2018 Technical Report.

Core recovery is reported by PolyMet to be upwards of 99% (see table below) with rare zones of poor recovery. Rock quality designation ("RQD") is also very high, averaging 85% for all units, excluding the Iron formation. Experience in the Duluth Complex indicates that core drilling has no difficulty in producing samples that are representative of the rock mass. Rock is fresh and competent and the types of alteration (when observed: sausserization, uralization, serpentinization and chloritization) do not affect recovery.

Summary of Core Recoveries and RQD Measurements (includes all drilling through 2010)

Unit	Recovery Count	Recovery Percentage (%)	RQD Count	RQD Percent
1	8,906	99.9	4,194	91.8
2	1,879	99.5	968	90.3
3	4,374	100	2,632	93.5
4	2,160	100	1,063	96.4
5	1,901	100	838	94.3
6	2,262	100	1,041	94.7
7	951	99.3	396	87.4
Virginia Formation	2,095	99.7	1,069	87.6
Inclusions	62	98.1	57	86.6
Biwabik Iron Formation	381	100	60	79.8
Duluth Complex Average		**99.96**		**92.82**

Additional drilling was conducted in 2018-2019 with results noted below.

Sample Preparation, Analyses and Security

There are multiple generations of sample analyses that contribute to the overall NorthMet Project assay database:

- Original U.S. Steel core sampling, by U.S. Steel, 1969-1974;
- Re-analysis of U.S. Steel pulps and rejects, selection by Fleck and NRRI, 1989-1991;
- Analysis of previously un-sampled U.S. Steel core, sample selection by Fleck and NRRI in 1989-1991, and 1999-2001;
- Analysis of 2 of the 4 NERCO drill-holes, 1991;
- PolyMet RC cuttings, 1998-2000; and
- PolyMet core, 2000, 2005, 2007, and 2010.

The laboratories utilized by U.S. Steel were not independent of the Company, and no information regarding accreditation is available. All the labs that have provided analytical testing for PolyMet were or currently are fully accredited, independent, commercial labs that are not related to any of the exploration companies or any of its directors or management.

Drill hole and assay data is administered by the Company's geologic staff from the operational headquarters in Hoyt Lakes. Excel and Gemcom GEMS are used to manage the geologic data. Paper logs are available.

There is no documentation indicating sample handling protocols at drill sites, and only limited documentation of sample handling between the drill site and assay laboratory for programs conducted by U.S. Steel and NERCO.

Employees of PolyMet (or its predecessor, Fleck Resources) have been either directly or indirectly involved in all sample selection since the original U.S. Steel sampling. Sample cutting and preparation of core for shipping has been done by employees or contract employees. Reverse circulation sampling at the rig was done by, or in cooperation with, PolyMet employees and the drilling contractor.

Core Samples

The diamond drillers remove the drill core samples from the rods and place them into covered core boxes. PolyMet representatives collect the trays and transport them to the core storage facility located near the Erie Plant Site near Hoyt Lakes, Minnesota each day where the core is inventoried prior to processing. Once the geologist is ready to log the hole, the core trays are laid out on core logging tables where all logging takes place prior to sampling.

PolyMet geologists log all drill cores at the core storage facility located near the Erie Plant Site. The geologists record information for each drill hole including the hole number, azimuth, total depth, coordinate datum, drilling company, hole logger, start and end of drilling dates, rock codes, and a written description of stratigraphy, alteration, texture, mineralogy, structure, grain size, ground conditions, and any notable geologic features. The rock quality designation (RQD) and recovery percentage are also recorded.

Sample intervals are determined by the geologist with respect to stratigraphy, mineralization, and sulfide content, otherwise a standard 10-ft interval is sampled. Zones of increased sulfide mineralization >2.5 ft are sampled down to 5-ft intervals. Core within Unit 1 is sampled on 5-ft intervals. Core samples are cut to ¼ or 1/8 of the total core with a diamond bladed saw by trained personnel following written procedures. Each sample is placed in a numbered plastic sample bag with the corresponding sample number tag and placed in a cardboard box for transport to the laboratory. All QA/QC samples are inserted into the sample stream prior to shipment.

Drill core samples are placed into plastic sample bags, sealed, and placed into a cardboard box. The cardboard box is sealed shut with tape and couriered to the laboratory. Once the laboratory has accepted delivery of the samples they remain under the control of the laboratory.

RC Samples

The RC holes were assayed on 5-ft intervals. Six-inch RC drill-holes produced about 135 lb to 150 lb of sample for every 5 feet of drilling. This material was split using a riffle splitter into two samples and placed in plastic bags and stored underwater in five-gallon plastic buckets. A 1/16th sample was taken by rotary splitter from each 5-ft interval of chip sample for assay. The assay values were used to develop a composite pilot plant sample from bucket samples. Actual compositing was completed after samples had been shipped to Lakefield. A second 1/16th sample was sent to the Minnesota Department of Natural Resources for their archive.

There are 5,216 analyses from the RC drilling in the current PolyMet database. RC sample collection involved a 1/16 sample representing each five-foot run. These were sent to Lerch for preparation, and then sent to ACME or Chemex for analysis.

Chip samples were collected and logged and are currently retained at the warehouse. While the chip sample logging is less precise than logging of core samples, the major silicate and sulfide minerals are identifiable, and the location of marker horizons can be derived based on the composition of the individual samples. The underlying metasedimentary rocks (Virginia Formation) are readily recognized in chip sample, and the base of the NorthMet deposit is relatively easy to define. Where rock recognition is difficult, the higher zinc content of the footwall rocks is used to help define the contact.

<u>Sample Preparation</u>

Samples were prepared for analysis at Lerch, Acme, or Chemex facilities. In general, all the facilities followed a similar preparation procedure. Samples were crushed to an approximate -10 mesh, prior to being reduced to a 250-gram split for pulverization (149 to 106 μm range). Pulps were split again to separate a sample for the following analyses:

- Base metals (Cu, Co, Mo, Ni and Zn) - Four-acid digestion with ICP-AES finish;
- Base metals (Ag, Cu, Co, Mo, Ni and Zn) – Aqua Regia digestion with ICP-AES finish;
- PGEs (Au, Pt and Pd) – 30 gm fire assay with ICP-AES finish; and
- Total Sulphur by LECO furnace.

Select core samples were crushed to -1/2 inch and placed in a poly bottle, purged with nitrogen, and capped and sealed for special metallurgical and environmental analysis.

<u>Quality Assurance/Quality Control Procedures (“QA/QC”)</u>

QA/QC samples used by PolyMet include blanks, standards and field duplicates. PolyMet inserts QA/QC samples into the sample stream at the following frequencies:

- Insertion of coarse blank every 40 samples;
- Insertion of Standard Reference Material (SRM) every 40 samples; and
- Submission of duplicate 1/4 or 1/8 of the drill core every 40 samples.

<u>Core Storage and Sample Security</u>

The U.S. Steel core has been stored, either at the original U.S. Steel warehouse in Virginia, Minnesota during drilling, or more recently at the CMRL (now a part of the University of Minnesota). Core has been secured in locked buildings within a fenced area that is locked at night where a key must be checked out. The NERCO BQ size core is also stored at this facility.

The PolyMet core and RC reference samples were stored in a PolyMet leased warehouse in Aurora, Minnesota during drilling and pre-feasibility. Core and samples were then moved in 2002 to a warehouse in Mountain Iron, Minnesota where they remained until 2004. They were then moved to a warehouse at the Erie Plant site in Hoyt Lakes. Access to this warehouse is limited to PolyMet employees.

Opinion on Adequacy

Hard Rock Consulting ("HRC"), an independent consulting firm retained by PolyMet, concluded that the sample preparation, security and analytical procedures are correct and adequate for the purpose of the 2018 Technical Report. The sample methods and density were appropriate, and the samples were of sufficient quality to comprise a representative, unbiased database.

Data Verification

The NorthMet mineral resource estimate is based on the exploration drill-hole database available as of April 17, 2014. Drill hole data including collar coordinates, down-hole surveys, sample assay intervals, and geologic logs were provided by PolyMet in Microsoft Excel spreadsheets. The database was reviewed and validated by HRC prior to estimating mineral resources. The NorthMet database includes 114 (116) historic drill holes, 323 PolyMet drill holes, 240 vertical sounding holes, 15 depths to bedrock test pits, and 47 geologic holes from the surrounding area. Of the 739 drill holes, only 437 drill holes were used in the estimation, although many of the 437 holes include only select analytical information. The database was validated using Leapfrog Geo 3D® Version 2.0.0 software. Validation checks performed prior to loading the database into Datamine's Studio 3 Version 3.24.25.0 mining software included:

- No overlapping intervals;
- Down-hole surveys at drill-hole collar;
- Consistent drill-hole depths for all data tables; and
- Gaps in the "from – to" data tables.

The analytical information used for the resource estimate includes copper, nickel, platinum, palladium, gold, silver, cobalt and sulfur. All assay values Below Detection Limits ("BDL") were assigned a value of one half of the detection limit, and missing or non-sampled intervals were assigned a value of zero (0).

HRC reviewed PolyMet's check assay programs and considers the programs to provide adequate confidence in the data. Samples that are associated with QA/QC failures were reviewed and reanalyzed as necessary.

Exploration drilling, sampling, security, and analysis procedures were conducted in a manner that meets or exceeds industry standard practice. All drill cores and cuttings from PolyMet's drilling have been photographed. Drill logs have been digitally entered into an exploration database organized and maintained in Gemcom. The split core and cutting trays have been securely stored and are available for further checks.

Mineral Processing and Metallurgical Testing

The NorthMet deposit is hosted in the Duluth Complex in northeastern Minnesota. A significant amount of metallurgical test work has been conducted on the Duluth Complex; therefore, the general metallurgy of the complex is fairly well understood.

Orway Mineral Consultants ("OMC") in 2014 studied SAG Mill based comminution circuits for the NorthMet Project. This was done to assess if a SAG Mill based circuit would be practical for the NorthMet Project and capable of rationalizing the existing 4-stage crushing circuit (total of 11 crushers) and 12 lines of Rod Mill + Ball Mill grinding circuits in the existing Erie concentrator. Comminution test work results from SGS were interpreted by OMC and used to scope out a SAG mill based comminution circuit to process 32,000 STPD. Further comminution test work was conducted by Hazen Research (Golden, Co.) in 2015 to confirm the comminution parameters.

The development of the current NorthMet flotation process flowsheet was based on test work (SGS, 2015) and includes the following:

- Flotation Test work conducted by SGS Lakefield (“SGS”) between 1998 and 2014, and
- Supplementary flotation test work conducted by SGS in 2015 and interpreted by Eurus Mineral Consultants (“EMC”) for circuit modeling and flotation plant design.

SGS conducted extensive flotation test work up until 2010. The work covered by SGS included significant amounts of batch and rate flotation test work on a number of samples provided by PolyMet. A flotation process block flow diagram was developed from the results and observations of the initial batch test work conducted by SGS. The process block flow diagram shown in Figure 13-1 in the 2018 Technical Report can be summarized into three main circuits as follows:

- The Bulk Copper-Nickel Flotation circuit;
- The Copper-Nickel Separation Circuit; and
- The Pyrrhotite Flotation Circuit.

Pilot scale test work was conducted by SGS to demonstrate the flowsheet developed for the NorthMet process. The results of the pilot test work are also included in the SGS report.

Additional flotation test work was requested of SGS in 2015 to fill in gaps in the flotation test work. EMC conducted a flotation circuit simulation of the process flow based on the results obtained from both SGS's batch and pilot scale test work. The work that EMC conducted was initially targeted at simulating the pilot plant, and then to producing full production scale results. EMC's simulations were based on a throughput of 32,000 STPD. The results of the simulations were used to review the previous design and update the current process plant design basis and criteria.

A second pilot plant program was carried out by SGS in 2009 to investigate hydrometallurgical processes.

Mineral Resource Estimates

Zachary J. Black, RM-SME, of Hard Rock Consulting, LLC (“HRC”) is a Qualified Person as defined by NI 43-101 for mineral resource estimation and classification. HRC estimated the mineral resource for the NorthMet Project from drill-hole data constrained by geologic boundaries using an Ordinary Kriging (“OK”) algorithm.

The NorthMet deposit was divided into eight units for geological modeling: the Biwabik Iron Formation including banded iron formation, sedimentary marine rocks of the Virginia Formation that overlie the Biwabik Formation, and five distinct units within the Duluth Complex and overburden.

The Magenta Zone, a smaller mineralized zone that cuts through Units 3 through 7 of the Duluth Complex but resides primarily within Units 5 and 6, was modeled from select intercepts provided by PolyMet US. Grades that were estimated include copper, nickel, cobalt, platinum, palladium, gold, silver and total sulfur.

HRC created a rotated three-dimensional block model in Datamine Studio 3® mining software. The block resource model was estimated using the lithologic boundaries of the Duluth Complex as the basis for an estimation domain. Units 1, 3, 5, 6, 7, the Magenta Zone, and Virginia Formation were all estimated using only samples that resided inside of the defined boundaries. Grades were estimated from 10-foot (ft) down-hole composites using Ordinary Kriging. Composites were coded according to their domain. Each metal was estimated using variogram parameters established by AGP Mining Consultants Inc. (“AGP”) in 2013, which were re-evaluated by HRC and deemed acceptable for use in the current mineral resource estimation.

The mineral resources reported herein are classified as Measured, Indicated and Inferred in accordance with standards defined by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") and prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on May 10, 2014. Each individual mineral resource classification reflects an associated relative confidence of the grade estimates.

The mineral resources estimated for the NorthMet Project includes 649.3 million tons of Measured and Indicated resources and 508.9 million tons Inferred resources. The resource has been limited to the material that resides above the optimized pit shell. All mineralization below the optimized pit shell has been excluded from any resource classification and is not considered to be part of the mineral resource.

The mineral resource estimate for the NorthMet Project is summarized in the below table. This mineral resource estimate includes all drill data obtained as of January 31, 2016 and has been independently verified by HRC. The Measured and Indicated mineral resources are inclusive of the mineral reserves. Inferred mineral resources are, by definition, always additional to mineral reserves.

Class	Tonnage (Mt)	Grades (Undiluted)							
		Copper (%)	Nickel (%)	Platinum (ppb)	Palladium (ppb)	Gold (ppb)	Cobalt (ppm)	Silver (ppm)	NSR $/ton
Measured	237.2	0.270	0.080	69	241	35	72	0.97	19.67
Indicated	412.2	0.230	0.070	63	210	32	70	0.87	16.95
M&I	649.3	0.245	0.074	65	221	33	71	0.91	17.94
Inferred	508.9	0.240	0.070	72	234	37	66	0.93	17.66

Source: Hard Rock Consulting, LLC, January 2018

**Notes:*

1. *Mineral resources are not mineral reserves and do not have demonstrated economic viability.*
2. *All resources are stated above a $7.35 NSR cut-off. Cut-off is based on estimated processing and G&A costs. Metal Prices and metallurgical recoveries used for the development of cut-off grade are presented in Table 14-33 of the 2018 Technical Report.*
3. *Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.*

Mineral Reserve Estimates

Proven and Probable Mineral Reserves of 254.7 million tons are reported for the NorthMet Project within the final pit design used for the mine production schedule and shown in the below table. All inferred material was classified as waste and scheduled to the appropriate waste stockpile. The final mineral reserves are reported using a $7.98 NSR cut-off inside the pit design using the diluted grades. Both the mineral resource and mineral reserve estimates take into consideration metallurgical recoveries, concentrate grades, transportation costs, smelter treatment charges and royalties in determining NSR values. The below table also shows the mineral reserves by classification category and grade. The Qualified Person responsible for the Mineral Reserve estimate is Herb Welhener, Vice President of Independent Mining Consultants, Inc. ("IMC").

Class	Tonnage (x 1,000)	Grades (Diluted)							
		Copper (%)	Nickel (%)	Platinum (ppb)	Palladium (ppb)	Gold (ppb)	Cobalt (ppm)	Silver (ppm)	NSR $/ton
Proven	121,849	0.308	0.087	82	282	41	74.81	1.11	19.87
Probable	132,820	0.281	0.081	78	256	37	74.06	1.02	18.02
Total	**254,669**	**0.294**	**0.084**	**80**	**268**	**39**	**74.42**	**1.06**	**18.90**

Source: IMC, January 2018

**Notes:*

1. *Mineral reserve tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.*
2. *All reserves are stated above a $7.98 NSR cutoff and bound within the final pit design.*
3. *Tonnage and grade estimates are in Imperial units.*
4. *Total Tonnage within the pit is 628,499 ktons; average waste: ore ratio = 1.47*
5. *NSR values include post property concentrate transportation, smelting and refining costs and payable metal calculations.*

Mineral Resource and Mineral Reserve Estimates

Subsequent to the 2018 Technical Report, and therefore not included therein, PolyMet published an updated mineral resource and mineral reserve on the NorthMet project (in November 2019).

Based on results of its 2018-19 drilling program, measured and indicated resources increased by 22% to 795 million tons as summarized in the below table. The update mineral resource estimate is based on the same procedures used for the January 2018 mineral resource estimate.

Class	Tonnage (Mt)	Grades (Undiluted)							
		Copper	Nickel	Platinum	Palladium	Gold	Cobalt	Silver	NSR
		(%)	(%)	(ppb)	(ppb)	(ppb)	(ppm)	(ppm)	$/ton
Measured	351.5	0.240	0.073	64	222	33	71	0.88	19.01
Indicated	443.7	0.230	0.069	61	207	30	68	0.87	17.91
M&I	795.2	0.234	0.071	62	214	31	69	0.87	18.40
Inferred	457.7	0.236	0.067	63	225	32	56	0.87	18.07

Source: Hard Rock Consulting, LLC, July 2019

**Notes:*

1. *Mineral resources are not mineral reserves and do not have demonstrated economic viability.*
2. *All resources are stated above a $6.34 NSR cut-off. Cut-off is based on estimated processing and G&A costs. Metal Prices used for the development of cut-off grade are $3.34 per pound copper, $6.37 per pound nickel, $33.14 per pound cobalt, $1,216 per ounce palladium, $1,023 per ounce platinum, $1,465 per ounce gold and $18.62 per ounce silver. The Mineral Resources are considered amenable to open pit mining and are reported within an optimized pit shell. Pit optimization is based on total ore costs of $5.49/ton processed, mining costs of $1.15/ton at surface and increasing $0.02/ton for every 50 feet of depth, and pit slope angles of 48 degrees.*
3. *Mineral resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.*
4. *The Mineral Resources estimation methodology has not changed from the 2018 NorthMet Technical Report.*

Based on results of its 2018-19 drilling program, proven and probable reserves increased by 14% to 290 million tons as summarized in the below table.

Class	Tonnage (x 1,000)	Grades (Diluted)							
		Copper	Nickel	Platinum	Palladium	Gold	Cobalt	Silver	NSR
		(%)	(%)	(ppb)	(ppb)	(ppb)	(ppm)	(ppm)	$/ton
Proven	173,495	0.288	0.083	75	270	39	74.21	1.05	19.84
Probable	116,904	0.288	0.081	76	256	37	73.56	1.08	19.60
Total	**290,399**	**0.288**	**0.083**	**75**	**264**	**39**	**73.95**	**1.06**	**19.74**

Source: IMC, September 2019

**Notes:*

1. *Mineral reserve tonnage and contained metal have been rounded to reflect the accuracy of the estimate, and numbers may not add due to rounding.*
2. *All reserves are stated above a $7.98 NSR cutoff and bound within the final pit design.*
3. *Tonnage and grade estimates are in Imperial units.*
4. *Average waste: ore ratio = 1.43*
5. *NSR values include post property concentrate transportation, smelting and refining costs and payable metal calculations.*
6. *Estimation methodology has not changed from the 2018 NorthMet Technical Report.*

The updated reserve statement was prepared by Herb Welhener, SME Registered Member No. 3434330 of Independent Mining Consultants, Inc. The updated resource statement was prepared by Zachary Black, SME Registered Member No. 4156858 of Hard Rock Consulting, LLC. Both Messrs. Black and Welhener were the “Qualified Persons” for the previously reported resources and reserves included in the 2018 Technical Report.

Mining Methods

Open Pit Mine Plan

The NorthMet Project contains mineralization at or near the surface that is ideal for open pit mining methods.

Mining is planned on a 7 day per week schedule, with two 12-hour shifts per day. There will be four crews planned to cover the rotating schedule. The mine plan includes 225 million tons of ore at an overall strip ratio of 1.6:1. Mining is planned in three pits: The East Pit, the Central Pit, and the West Pit. As mining of the Central Pit commences, it will extend into the East Pit, thereby joining the pits. The combined pit will be referred to as the East Pit.

The method of material transport evaluated for the 2018 Technical Report is open pit mining using two 36.6-yd3 hydraulic front shovels as the main loading units with a 22.5-yd3 front end loader as a backup loading unit. The material will be loaded into 240-ton haul trucks and the ore will be hauled to the rail transfer hopper for rail haulage to the mill or ore surge pile areas, and the waste rock to waste stockpiles or pit backfills.

During the first half of the operation, the more reactive waste rock mined will be placed in two temporary stockpiles (one west of the East Pit referred to as the Category 4 Stockpile, and one south of the East Pit referred to as the Category 2/3 Stockpile), and the least reactive waste rock will be placed in a permanent stockpile north of the West Pit (referred to as the Category 1 Stockpile). Once mining is completed in the East Pit, the more reactive waste rock mined will be placed directly in the East Pit as backfill. The more reactive waste rock in the Category 4 Stockpile (in the location of the future Central Pit) will then be relocated as backfill into the East Pit, thus clearing the area for mining of the Central Pit. The Category 2/3 Stockpile will then be moved into the East Pit as backfill. Once mining is completed in the Central Pit, waste rock will be backfilled into that pit, too. By the end of the mine life, all of the more reactive waste rock will be placed as backfill in the pits. As the least reactive waste rock is mined, it will be placed in the permanent Category 1 Stockpile or in the East and Central Pits as backfill. The three mine pits will flood with water after mining and backfilling are completed, which results in the more reactive waste rock being permanently disposed of subaqueously. The general Mine Site layout, including pits, waste rock stockpiles, ore surge pile, rail transfer facility, and overburden storage and laydown area are shown on Figure 16-1 in the 2018 Technical Report.

Pre-production Development

The pre-production mine development will be carried out by contractors until bedrock has been uncovered. Clearing, grubbing and harvesting of marketable timber and biomass will be completed as part of Mine Site development and mining. The surface overburden consists of glacial till and peat. Final pre-stripping overburden bank slopes will be maintained at a slope that is not steeper than 2.5H:1V. Excavated peat will be stockpiled in the OSLA or near construction footprints until it can be reused for construction and other on-site reclamation. The remaining glacial till fraction of the overburden will also be removed from the pit footprints and, where necessary, within the stockpile liner footprints, separated based on being saturated or unsaturated, and hauled to the appropriate construction or disposal areas.

Pre-production mine development will utilize on-site construction materials, where possible, including overburden materials and Category 1 waste rock, once available. Additional construction materials will be obtained, as approved by the MDNR. Potential construction materials include waste rock from the state-owned waste rock stockpile located approximately 5 miles west of the Mine Site along Dunka Road, and possibly waste rock and overburden from the inactive LTVSMC Area 5 Mine Site to the north and east of the FTB.

Before mining operations can begin, the Mine Site infrastructure, facilities and water management systems must be developed.

Production Schedule

The production schedule for the NorthMet Project is driven by the nominal ore rate of 32,000 STPD equivalent to 11.6 million tons per annum (average of 362.5 days per year, or 99% availability) with a 20-year mill life. Mining is planned on a 7 day per week schedule, with two 12-hour shifts per day. The mine plan includes 225 million tons of ore and an overall strip ratio of 1.6:1. The production schedule has been calculated on an annual basis for the life of the mine.

The cutoff grade used for the mine schedule is based on the NSR values assigned to the block model described in Section 15.1.3 of the 2018 Technical Report. The NSR value is based on the diluted metal grades and the dilution approach is described in Section 15.1.2 of the 2018 Technical Report. An elevated cutoff is used in the early mining years to achieve a higher metal content in the mill feed tonnage. Material below mill cutoff is temporarily stockpiled for processing later in the mill schedule. The cutoff to the ore surge pile is $8.50/t NSR and includes the tonnage between the mill cutoff NSR used in a particular year and the $8.50/t NSR stockpile cutoff value. The NSR cutoff ranges between $14.00/t to $10.00/t during years 1 through 10 and then is $7.98/t for years 11 through 18. The cutoffs for the mill ore are shown in the below table as part of the annual production schedule. The $7.98/t NSR cutoff covers the cost of processing, site G&A and waste water treatment on a per ton of ore basis.

The Life of Mine ("LOM") schedule was developed on an annual basis for all years. Milling of the mined ore begins in month four of Year 1 and ramps up to full production; a total of 7.250 Mt are milled during Year 1, approximately 63% of a full year's production rate. The yearly mine production schedule showing ore and waste tonnages is presented in the below table.

Yearly Mine Production Schedule

		Total	Year -1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Ore Mined	NSR cutoff -->			14.00	14.00	14.00	13.00	11.00	11.00	12.00	11.00	9.00	9.00	7.98	7.98	7.98	7.98	7.98	7.98	7.98	7.98		
ktons		198,867		7,250	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	6,017		
DCu, %		0.311		0.348	0.358	0.355	0.334	0.334	0.333	0.334	0.314	0.300	0.280	0.273	0.268	0.274	0.275	0.287	0.292	0.322	0.345		
DNi, %		0.088		0.103	0.105	0.095	0.087	0.086	0.089	0.097	0.093	0.085	0.083	0.082	0.083	0.083	0.081	0.080	0.081	0.088	0.094		
Cu-Eq Mill, %		0.617		0.688	0.712	0.716	0.674	0.662	0.664	0.664	0.619	0.597	0.555	0.559	0.562	0.548	0.540	0.563	0.564	0.613	0.650		
Ore to Stockpile (8.50/t NSR cutoff)																							
ktons		26,133		2,364	4,487	5,254	3,882	1,512	1,799	3,170	2,805	383	477										
DCu, %		0.171		0.182	0.184	0.182	0.171	0.153	0.160	0.164	0.157	0.137	0.137										
DNi, %		0.058		0.064	0.062	0.057	0.055	0.052	0.054	0.059	0.058	0.052	0.053										
CuEq Mill, %		0.348		0.364	0.364	0.370	0.355	0.324	0.324	0.335	0.322	0.293	0.292										
Ore from Stockpile																							
ktons		26,133																			5,583	11,600	8,950
DCu, %		0.171																			0.171	0.171	0.171
DNi, %		0.058																			0.058	0.058	0.058
Cu-Eq Mill, %		0.348																			0.348	0.348	0.348
Mill Feed																							
ktons		225,000		7,250	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	11,600	8,950
DCu, %		0.295		0.348	0.358	0.355	0.334	0.334	0.333	0.334	0.314	0.300	0.280	0.273	0.268	0.274	0.275	0.287	0.292	0.322	0.261	0.171	0.171
DNi, %		0.085		0.103	0.105	0.095	0.087	0.086	0.089	0.097	0.093	0.085	0.083	0.082	0.083	0.083	0.081	0.080	0.081	0.088	0.077	0.058	0.058
CuEq Mill, %		0.586		0.688	0.712	0.716	0.674	0.662	0.664	0.664	0.619	0.597	0.555	0.559	0.562	0.548	0.540	0.563	0.564	0.613	0.505	0.348	0.348
Waste, ktons	Total	348,823		25,868	23,913	20,204	24,518	26,888	26,601	17,142	16,743	18,379	19,923	20,400	17,280	15,509	16,440	15,085	16,433	18,030	9,467	0	
Cat 1		212,065		16,686	13,409	13,462	18,810	20,864	20,088	10,802	7,235	10,477	11,283	12,180	10,462	8,637	8,939	7,730	8,177	9,222	3,602		
Cat 2		95,980		4,029	5,191	4,814	4,740	4,830	4,978	4,792	7,307	5,571	5,740	5,637	4,591	4,601	5,425	6,104	6,838	6,895	3,897		
Cat 3		23,490		1,200	1,713	821	810	979	1,166	1,094	1,435	1,710	2,020	2,023	1,623	1,576	1,351	954	1,143	851	1,021		
Cat 4		17,288		3,953	3,600	1,107	158	215	369	454	766	621	880	560	604	695	725	297	275	1,062	947		
Total ktons mined	573,823			35,482	40,000	37,058	40,000	40,000	40,000	31,912	31,148	30,362	32,000	32,000	28,880	27,109	28,040	26,685	28,033	29,630	15,484	0	0
Re-handle, ktons																							
Stockpiled ore to mill	26,133			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,583	11,600	8,950
Waste rock to pit backfill	60,521			0	0	0	0	0	0	0	0	7,384	7,385	2,000	2,000	2,000	1,000	3,021	2,812	1,000	10,000	18,270	3,649
Total ktons moved	660,477			35,482	40,000	37,058	40,000	40,000	40,000	31,912	31,148	37,746	39,385	34,000	30,880	29,109	29,040	29,706	30,845	30,630	31,067	29,870	12,599
			Year -1	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**

Water Management System

Water at the NorthMet Mine Site will be segregated as mine water and stormwater. Mine water is defined for the NorthMet Project as water that has contacted surfaces disturbed by mining activities, such as drainage collected on stockpile liners, pit dewatering water, saturated overburden dewatering water, and runoff contacting ore, waste rock, and Mine Site haul road surfaces. Mine water is collected by mine water management systems at the Mine Site. Mine water runoff from the overburden storage and laydown area or saturated overburden will be routed to the FTB or used to backfill the East Pit during later years of the operation. The rest of the mine water would go through treatment by chemical precipitation or membrane separation treatment prior to discharge to the FTB or, after closure, to the Mine Site.

Water at the Plant Site will also be segregated into process water and stormwater. Water collected in the FTB seepage capture systems will be routed to the FTB or WWTS for treatment by membrane separation prior to discharge to wetlands downstream of the FTB seepage capture systems.

Stormwater includes runoff that has not been exposed to active mining activities and includes non-contact, industrial, and construction storm water. These include runoff from natural, stabilized, or reclaimed surfaces, or construction areas consisting primarily of unsaturated overburden or peat. Once areas are reclaimed, runoff is considered stormwater. Stormwater is routed to sedimentation ponds prior to discharge off-site to tributaries to the Partridge River.

A diagram of the Process Plant Water Balance is included in Figure 16-4 in the 2018 Technical Report.

Railroad

PolyMet will utilize existing, private railroad infrastructure to transport ore from the Mine Site to the Coarse Crusher at the Plant Site, receive incoming process consumables and supplies and to stage outgoing railcars containing the final products on common carrier Canadian National (“CN”) track for shipping. The existing private railroad infrastructure was constructed by the original operator, Erie Mining Company, and consisted of two railroads; one for hauling run-of-mine ore from the operating pits to the Coarse Crusher and the second for hauling the product, taconite pellets, to Taconite Harbor on Lake Superior. To insure consistent operations, it was critical to the previous site operators that the two railroads were reliable, therefore the railroad infrastructure was well maintained. The track to be used by PolyMet for ore haulage between the Mine Site and the Plant Site is 136-pound per yard and 140-pound per yard rail, with much of the 140-pound per yard rail being welded. In 1999, a major railroad tie replacement program took place. PolyMet has agreements in place with Cliffs Erie as part of its contract for deed arrangements with Cliffs Erie to utilize the existing railroad lines that will continue to be owned by Cleveland Cliffs.

Two new segments of railroad tracks will be constructed and an ore storage and loading pocket, also known as the rail transfer hopper, will be re-constructed at the Mine Site. The rail transfer hopper is the transfer point where the run-of-mine ore is placed into the side dump rail cars for hauling to the Coarse Crusher.

In addition to the railroads and the loading pocket, infrastructure such as fueling stations, sand towers and maintenance facilities, are in place and will be refurbished and returned to service by PolyMet.

Recovery Methods

Plant Design

The NorthMet Project plant design is based on utilizing as much of the existing infrastructure as feasible, while ensuring a safe and cost effective operating philosophy by incorporating the latest technology.

The original plan for refurbishing the existing Erie Plant comminution circuit was reviewed and the following was taken into consideration:

- The existing circuit design and equipment is more than 50 years old;
- The plant has been idle for more than 15 years;
- The complex's operational and maintenance requirements associated with running a tertiary and quaternary crushing circuit as well as 12 milling streams; and
- The large number of transfer points associated with the above.

Based on this, the viability of replacing the existing milling circuit with larger, modern mills capable of handling the throughput requirements through a single stream was investigated. A single stream SAG and ball mill circuit with a pebble crusher would mean significant changes to the layout within the concentrator building, but has the following benefits:

- Tertiary and quaternary crushing would no longer be required. This eliminates a large portion of the current circuit which is highly maintenance intensive, and also requires significant dust control measures and building heating requirements;
- The ore storage bin operating and discharge methodology would be changed to allow a greater volume of the bin to be used, while also reducing the number of operating transfer points. This would significantly reduce the dust emissions within the concentrator building;
- The new milling circuit would have variable speed control on both mills allowing for greater process control and adaptability to cater to any potential variability in the upstream and downstream process characteristics;
- New larger mills have greater operating efficiencies and less maintenance requirements, therefore reducing operating costs; and
- Simplified milling control system as a result of reduced service requirements to the mills. These include process water addition points, lubrication systems monitoring, discharge density and grind size control and ore feed.

Based on all of the above, the decision to change the milling philosophy to incorporate a new semi autogenous ball-mill-crushing ("SABC"), circuit was made. The concentrator building was modelled to accommodate the new equipment, while ensuring that the building structure remained as per the original design. The new circuit also allowed for the existing electrical rooms, cranes and process water tanks to be utilized.

Existing equipment was analysed to determine its suitability to the new process. Generally, existing equipment that was found to be compatible with the new process design would require refurbishment. Where possible, the original equipment manufacturers ("OEMs") were utilised to determine the refurbishment requirements and costs.

Detailed plant models were developed to identify existing infrastructure and to determine the space available for the new process equipment. Figure 17-1 in the 2018 Technical Report illustrates the main buildings that would be utilised in the new plant design.

Process Plant Flowsheet Development

The overall plant process flows for the NorthMet Project are shown in Figure 17-5 in the 2018 Technical Report.

Hydrometallurgical Processing

PolyMet's previous hydrometallurgical recovery process design included two autoclaves and a copper solvent extraction/electrowinning ("SX-EW") circuit to produce copper metal. In addition, the process included the precipitation processes of nickel-cobalt hydroxide and precious metals as value-added by-products.

PolyMet has now simplified this metallurgical process to recover base metals, gold and PGMs. PolyMet intends to construct the plant in two phases:

- Phase I: The Beneficiation Plant consisting of crushing, grinding, flotation, concentrate thickening and concentrate filtration. The Beneficiation Plant will produce and market concentrates containing copper, nickel, cobalt and precious metals; and

- Phase II: In mine year 2, a hydrometallurgical plant is expected to be commissioned to process nickel sulfide and pyrrhotite concentrates, with processing starting in mine year 3. This concentrate stream will be processed through a single autoclave to recover high-grade copper concentrate and recover nickel-cobalt hydroxide and precious metals precipitates as by-products.

The advantages of the phased approach to building the complete plant is to delay capital expenditure by deferring the hydrometallurgical plant. This deferral of costs reduces capital-at-risk in the initial years of production of the NorthMet deposit.

Water Management

Water will be consumed at the NorthMet Plant Site in both the Beneficiation Plant and the Hydrometallurgical Plant. For the most part, water operations within these two plants would be independent of each other. The only exceptions would be the transfer of flotation concentrates from the Beneficiation Plant to the Hydrometallurgical Plant and the combining of filtered copper concentrate and solution from Au/PGM Recovery in the Copper Concentrate Enrichment process step.

All water that enters the Hydrometallurgical Plant will be recycled at each step of the process. The average annual water demand for the Hydrometallurgical Plant is estimated at 240 gpm, but may vary from 114 to 406 gpm monthly as operating and climatological variations occur. To the extent possible, water used to transport residue to the tailing facility would be returned to the Hydrometallurgical Plant; however, losses may occur via evaporation and storage within the pores of the deposited residue. In addition, spilled fluids will be returned to the appropriate process streams.

Project Infrastructure

The NorthMet Project has a large amount of existing infrastructure that is well established but requires modifications and refurbishment to support the process application. The existing usable infrastructure includes the following:

- 138 kV incoming HV power supply from the Minnesota Power grid
- Power distribution to the existing facilities
- Process plant buildings complete with distribution services
- Administration and site offices
- Site and mine access roads
- Rail network including locomotive services and re-fueling facilities
- Natural gas supply
- FTB with return water barge and pumps
- Mining and plant workshops

A description of the existing and new infrastructure required for the NorthMet Project, along with details of the work required to bring these facilities into operation, is described in detail in Section 18 of the 2018 Technical Report.

Market Studies and Contracts

Saleable products from the NorthMet Project will initially be copper and nickel concentrates under the Phase I scenario. These products will be sold to smelting and refining complexes capable of recovering a number of metals contained in these products. It is estimated copper will contribute 61% of net revenues, nickel 18%, PGMs 18%, cobalt 2%, gold and silver 1%.

Phase II of the NorthMet Project includes construction of a hydrometallurgical facility that will result in upgrading the nickel concentrates into a higher purity nickel-cobalt hydroxide and a precious metals precipitate. Including copper concentrate sales, it is estimated net revenues will comprise copper 54%, nickel 20%, PGMs 22%, cobalt 2% and gold and silver 2%.

PolyMet has entered into a long-term marketing agreement with Glencore AG ("Glencore") whereby Glencore will purchase all products (metals, concentrates or intermediate products) on independent commercial terms at the time of sale. Glencore will take possession of the products at site and be responsible for transportation and ultimate sale. Pricing is based on London Metal Exchange with market terms for processing. In the case of copper concentrates, the benchmark is annual Japanese smelter contracts.

Environmental Studies and Social or Community Impact

The NorthMet Project has undergone extensive state and federal environmental review culminating in publication of the Final Environmental Impact Statement ("FEIS") in November 2015. The FEIS concluded that the NorthMet Project could be constructed and operated in a manner that meets both federal and state environmental standards and is protective of human health and the environment. The FEIS provides a detailed description of the NorthMet Project, the potential impacts to the environment, and the associated design and mitigating measures. PolyMet made numerous refinements during the environmental review process to incorporate avoidance or mitigation measures that will produce substantial environmental benefits and other advantages to the NorthMet Project.

Environmental Review and Permitting

In November 2015, the MDNR, USACE, and USFS published the Final EIS and in March 2016, the MDNR issued its decision that the Final EIS met the requirements under the Minnesota Environmental Policy Act.

In November 2018, the Company received all final MDNR permits for which the Company had applied, including the Permit to Mine, dam safety, water appropriations, endangered and threatened species takings, and public waters work permits, along with Wetland Conservation Act approval.

In December 2018, the Company received all final MPCA permits for which the Company had applied, including the water quality permit, air emission quality permit, and Section 401 Certification.

In March 2019, the Company received the federal ROD and Section 404 Wetlands Permit from the USACE, which was the last key permit or approval needed to construct and operate the Project. In September 2019, two lawsuits were filed in Minnesota federal court challenging the USACE permits. In one case, the Environmental Protection Agency in March 2021 sought and received a voluntary remand to conduct a 90-day review of downstream water quality under section 401(a)(2) of the Clean Water Act and supplement the record. Because EPA's downstream water quality determination is a prerequisite for the Company's federal section 404 wetlands permit, the USACE subsequently notified the Company it had suspended the permit for the duration of EPA's review.

Legal challenges were filed in the Minnesota Court of Appeals contesting various aspects of the MDNR and MPCA decisions. PolyMet is a co-respondent in all suits.

- During 2019, the Court of Appeals ruled in favor of PolyMet in two state court actions, one which sought to force a supplemental environmental review and the other which challenged the rules used to permit the Project. These rulings are final.

- In June 2019, the Court of Appeals transferred challenges to the MPCA water quality permit to Ramsey County District Court for the limited purpose of an evidentiary hearing. The District Court found that PolyMet's water quality permit was issued with proper procedures; the ruling will be incorporated into the broader challenge to that permit currently pending before the Court of Appeals. The case is not expected to be heard until after the Permit to Mine and dam safety permit case currently pending before the Minnesota Supreme Court is decided.

- In January 2020, the Court of Appeals remanded the Permit to Mine and dam safety permits to the MDNR for a contested case hearing. The Company and MDNR successfully petitioned the Minnesota Supreme Court to review that decision. The Company cannot act on the MDNR permits until the Supreme Court rules on the case. This is anticipated during the first or second quarter of 2021.

- In March 2020, the Court of Appeals remanded the air permit to the MPCA with instructions to provide more information to the court in support of its decision to issue the permit. In February 2021, the Minnesota Supreme Court overturned a decision by the Court of Appeals that had remanded the air permit back to the MPCA. The Supreme Court ruled in favor of the Company on the most significant legal issue and returned the case to the Court of Appeals to resolve a limited number of items the lower court had not specifically addressed in its original decision. This resolution is anticipated during the second or third quarter of 2021.

Baseline Studies

Extensive baseline studies were completed for the NorthMet Project and are described in Section 4 (Affected Environment) of the FEIS. These studies include extensive data on local lakes and rivers, including: meteorological conditions, ground and surface water, wetlands, hydrology, geotechnical stability, waste characterization, air quality, vegetation (types, invasive non-native plants, and threatened and endangered species), wildlife (listed species and species of special concern, species of greatest conservation need and regionally sensitive species), aquatic species (surface water habitat, special status fish and macroinvertebrates), noise, socioeconomics, recreational and visual resources, and wilderness and other special designation areas. Receipt of all permits necessary to construct and operate the NorthMet Project confirms that the design can meet applicable federal and state standards.

Environmental Considerations

There are no known environmental issues for the NorthMet Project that cannot be successfully mitigated through implementation of the various management plans that have been developed based on accepted scientific and engineering practices. Adaptive management will be employed at the NorthMet Project by using flexible engineering controls that can be adjusted to continue achieving compliance with applicable water quality standards and permit conditions when site-specific conditions vary. Receipt of all permits necessary to construct and operate the NorthMet Project confirms that the design can meet applicable federal and state standards.

Waste Management

PolyMet plans to re-use an existing taconite tailings basin for storage of NorthMet's Flotation Tailings. The stability and design of the FTB have been investigated and reviewed by numerous geotechnical consultants, including Barr Engineering, Knight Piésold, Scott Olson (geotechnical professor at the University of Illinois), and Dirk Van Zyl (University of British Columbia). The results and recommendations of these third-party peer reviews have been incorporated into the design and operating plans for the FTB, which is fully permitted following review by applicable regulatory agencies and their independent experts.

The results of PolyMet's waste characterization program were used for multiple purposes in support of the design, environmental review, and permitting of the NorthMet Project. At early stages of Project design, results from the waste characterization program were used to form the conceptual models for metal leaching and potential acid generation from Project materials. The characterization data on mineralogy, petrology, chemistry (including dissolved solids release), acid-base accounting, and static leach tests on Project materials were used to identify the minerals with potential to release metals or acidity during weathering, and the NorthMet Project-specific mechanisms that are expected to consume acidity. Results from the waste characterization program were used to identify the sulfur criteria thresholds used to classify waste rock as part of the NorthMet Project's waste rock management program.

Custom test work on tailings deposition, conducted by Saint Anthony Falls Laboratory, University of Minnesota, informed decisions on management of the Flotation Tailings. Additional custom test work on potential interactions between Flotation Tailings and LTVSMC tailings was used to identify potential chemical interaction, or lack thereof, that would need to be incorporated into predictions of the chemistry of the FTB seepage. In the case of the hydrometallurgical residue, waste characterization results were used to compare leachate chemistry with criteria values for classification of hazardous waste.

In addition to the testing listed above, results from the waste characterization program were used to define input parameters for PolyMet's probabilistic water models developed to predict water quantity and quality at the Mine Site and the Plant Site used for environmental review and permitting. Input parameters from PolyMet's waste characterization program included constituent release rates, concentration caps, constituent flushing loads, time lag to formation of acidic conditions, and parameters that are used to model residual saturation of Flotation Tailings.

Receipt of all permits necessary to construct and operate the NorthMet Project confirms that the design can meet applicable federal and state standards.

Water Management

The overall NorthMet Project water management strategy includes reusing water from the Mine Site at the Plant Site, as well as reusing water within various Plant Site facilities, to maximize water recycling and minimize discharges to the environment. Water will be treated using chemical precipitation and/or membrane separation treatment. Treated water discharge will be used to augment streamflow, where needed, in watersheds around the FTB. The NorthMet Project design includes systems for managing and monitoring water to comply with applicable surface water and groundwater quality standards at appropriate compliance points. PolyMet designed the water management systems to achieve compliance based on modeling of expected water quantity and quality (see Section 16-8 in the 2018 Technical Report). The key treatment technologies include membrane filtration and high-density sludge chemical precipitation. Additionally, PolyMet has created adaptive management and contingency mitigation procedures for water management that it will utilize as necessary to maintain regulatory compliance.

Air Management

PolyMet will use air pollution control techniques common to mining and other industrial operations. These control techniques include fabric filters, venturi and packed-bed scrubbers, and fugitive dust control procedures at various facilities, locations, and phases within the NorthMet Project to provide levels of emission control that will protect human health and the environment.

The MPCA, pursuant to its authority under state law and under the federal CAA as delegated by the USEPA, is responsible for the air permitting for the NorthMet Project. PolyMet's air permit contains achievable terms and conditions to protect human health and the environment as applicable to air quality management.

Land Management

PolyMet has control of the mineral rights necessary for the NorthMet Project. Control of the surface rights at the Mine Site were the subject of the land exchange with the USFS. As noted above, the USFS issued its ROD on January 9, 2017 and on June 28, 2018, the Company acquired surface rights over the NorthMet deposit through a land exchange with the USFS using land the Company previously owned. With the exchange, PolyMet has total surface rights, including ownership and other use and occupancy rights, to approximately 19,050 contiguous acres (29.8 square miles) of land including the land at the mine and processing sites, the transportation corridor connecting those sites, and buffer lands.

Treaties and Indigenous Groups

The NorthMet Project area is located within the territory ceded by the Chippewa of Lake Superior to the United States in 1854. The Chippewa hunt, fish, and gather on lands in the 1854 Ceded Territory. Harvest levels and other activities are governed by either individual tribal entities (in the case of the Fond du Lac Band) or the 1854 General Codes and subsequent Amendments under the 1854 Treaty Authority (in the case of the Grand Portage and Bois Forte bands). Pursuant to Section 106 of the National Historic Preservation Act, the federal Co-lead Agencies identified several historic properties in consultation with the State Historic Preservation Office ("SHPO"), Bands, and PolyMet. A Memorandum of Agreement under Section 106 was signed by PolyMet, USFS, USACE, and SHPO in December 2016.

Closure Plan and Financial Assurance

PolyMet plans to build and operate the NorthMet Project in a manner that will facilitate concurrent reclamation, in order to minimize the portion of the NorthMet Project that will need to be reclaimed at closure.

The overall objectives of the Closure Plan are to meet the following criteria:

- The closed Mining Area or portion is safe, secure, and free of hazards;
- It is in an environmentally stable condition; and
- It minimizes hydrologic impacts and the release of hazardous substances that adversely affect natural resources; and it is maintenance free.

As a condition of receiving the Permit to Mine, financial assurance instruments covering the estimated cost of reclamation, should the mine be required to close in the upcoming year, were submitted and approved by the MDNR. Minnesota Rules require PolyMet to annually update its financial assurance. This process acknowledges possible future changes to the financial assurance, including possible changes based on any revisions to applicable law or to the mine plan. These costs have been accounted for in the overall project economics. For purposes of the 2018 Technical Report, PolyMet has assumed that the Minnesota water quality standards governing sulfate in wild rice water will be revised, as required by law, after the NorthMet Project is in operations.

Capital and Operating Costs

Capital and operating costs for the NorthMet Project were developed and estimated based on feasibility-level design and engineering performed by Senet, Barr, IMC, Krech Ojard (KO) and M3. Site inspections were conducted (with vendors where possible) to evaluate the condition of the plant, the mine and the equipment.

Capital Cost Estimates

The capital cost estimate is divided into the following major sections:

- Mine capital, including cost estimates for mine site development and major mining equipment;
- Mine ore loadout and railroad refurbishment costs;
- Comminution, processing, utilities and plant refurbishment costs;
- Costs to build out the existing tailings basin; and
- Water treatment and management costs.

The capital cost estimate is based on the following assumptions:

- The NorthMet Project utilizes a 20-year mine plan;
- Final operating permits will not result in material changes to mine or plant design; and
- Most process equipment will be procured and fabricated in the US and is transportable by road or rail.

The below table depicts the initial direct capital requirement for the development of the NorthMet Project. This estimate includes capital costs compiled by the firms associated with numerous scopes of work for the mine, mine equipment and refurbishing the Erie Plant (Phase I) which have been escalated to reflect Q4 2017 pricing.

Phase I Direct Costs

Description	PHASE I ($000)
DIRECT COST	
MINE CAPEX	
Mine Site	**65,395**
Construction Material Testing	**1,490**
Mine Equipment	**99,710**
RAILROAD AND ORE DELIVERY	**20,200**
COMMINUTION	**135,013**
COPPER & NICKEL CONCENTRATION	**120,609**
CONCENTRATES LOADOUT FACILITIES	**49,895**
WATER MANAGEMENT	**62,651**
PLANT CONTROL SYSTEM (PCS)	**1,919**
FLOTATION TAILINGS BASIN	**39,684**
PLANT INFRASTRUCTURE	**10,879**
PLANT UTILITIES	**99,245**
Subtotal DIRECT COST (MINE & CONCENTRATOR)	**706,690**

The capital costs for the Phase II Hydrometallurgical Plant, as set out in the below table, were developed by M3 and were based on the following:

- Recent quotations (Q4 2016 and Q1 2017) were obtained for new mechanical equipment based on detailed enquiries including specifications and equipment duty sheets. The mechanical equipment was sized based on test work results, system modelling and in certain cases equipment sizing was dictated by physical layout/foot print constraints.
- Preliminary designs for new structures, bins and chutes.
- Preliminary civil and earthworks designs associated with the new structures, equipment and operational requirements including access and spillage containment.
- Priced piping and valve MTOs developed from preliminary PFDs and General Arrangement drawings.
- Quotations for electrical and instrumentation equipment based on recent enquiries, including installation on similar projects.
- A complete instrument index including a comprehensive BOM was developed and issued for pricing.
- Man-hour estimations for the installation of new equipment, electrical, instrumentation, structures and associated civil works. These were based on industry standards.

Phase II Direct Costs (Hydrometallurgical Plant)

DIRECT COST	PHASE II ($000)
HYDROMET	
Site General	24,152
Ni-Cu Concentrate Oxidative Leaching	68,880
Au/PGM Recovery	3,780
Cu Concentrate	3,743
Cu Sulfide Precipitation	1,621
Iron/Acid Removal	5,808
Mixed Hydroxide Precipitation	3,486
Magnesium Removal	736
Hydromet Tailings	840
Hydrometallurgical Residue Facility	43,903
Reagent Storage and Mixing	15,671
Plant Scrubber	1,591
Hydromet Raw Water	1,647
Hydromet Process Water	1,241
Steam Systems	1,085
Gas Systems	784
Subtotal DIRECT COST (PHASE II)	**178,966**

The following table depicts the estimated direct and indirect capital costs for the development of the NorthMet Project for Phases I and II.

Direct and Indirect Costs (Phase I & II)

	PHASE I ($000)	PHASE II ($000)
TOTAL DIRECT COST (Excluding Mine Equipment)	**606,980**	**178,966**
FREIGHT - LOGISTICS	19,393	7,017
MOBILIZATION, TEMPORARY FACILITIES AND POWER		4,523
TOTAL CONSTRUCTED COST	**626,373**	**$190,506**
EPCM	90,999	32,196
COMMISSIONING	7,790	1,394
CAPITAL SPARES		929
TOTAL CONTRACTED COST	**725,162**	**225,025**
CONTINGENCY	71,597	33,754
AVERAGE CONTINGENCY	9.9%	15%
ADDED OWNER'S COST (including initial fills & reagents)	24,489	
TOTAL CONTRACTED AND OWNER'S COST	**821,248**	**258,779**
Owner's Cost Mine Equipment (Initial Capital)	99,710	
Haul Truck Tire Adjustment	(900)	
EIP Credits	25,065	
TOTAL EVALUATED PROJECT COST	**945,124**	**258,779**
COMBINED TOTALS	**1,203,903**	

Operating Cost Estimates

The following table is a summary of the mine operating costs for the NorthMet Project by the major categories of labor, consumables and repair parts.

Mine Operating Costs by Process

CATEGORY	($000)	% of Total Mining Cost
Drilling	50,662	5.6
Blasting	97,144	10.7
Loading	99,297	11.0
Hauling	257,502	28.5
Auxiliary	147,737	16.3
General Mine	32,512	3.6
General Maintenance	33,888	3.7
Mine G&A	98,338	10.9
Locomotive	79,884	8.8
Other	1,587	0.2
Analytical Lab Contract	6,000	0.7
TOTAL MINING COST	**904,553**	**100**

The following table is a summary of the operating cost estimates for PolyMet's Erie Process Plant and assay costs.

Phase I Operating Cost Estimate Summary

		32,000 STPD	
OPEX Parameter	**Units**	**Value**	**Fraction (%)**
Tonnage Processed	tpa	11,600,000	
Labor	USD/t	1.04	15.9
Power	USD/t	2.11	32.2
Natural Gas	USD/t	0.27	4.1
Consumables/Water Treatment	USD/t	2.44	37.3
Maintenance Supplies & Plant Vehicles	USD/t	0.66	10.1
Assay Costs	USD/t	0.02	0.3
Phase I Plant Costs	**USD/t**	**6.55**	**100**

M3 developed the on-site operating costs associated with the hydrometallurgical plant (or Phase II) which are summarized by cost element of labor, electric power, reagents, maintenance parts and supplies and services in the below table.

Phase II Operating Cost Estimate Summary

		32,000 STPD	
OPEX Parameter	**Units**	**Value**	**Fraction (%)**
Tonnage Processed	tpa	11,600,000	
Labor	USD/t	0.21	9.9
Power	USD/t	0.11	5.2
Consumables and Reagents	USD/t	1.17	55.2
Maintenance	USD/t	0.57	26.9
Supplies & Services	USD/t	0.06	2.8
Phase II Plant Costs	**USD/t**	**2.12**	**100**

Additional detail concerning operating costs for the NorthMet Project are set out in Section 21 of the 2018 Technical Report.

Economic Analysis

The following economic analysis of the NorthMet Project was prepared on the basis of processing 225 million tons of ore at a mining rate of 32,000 STPD (11.6 million tons per annum) for 20 years. Financial analysis was performed to determine the Net Present Value ("NPV"), payback period (time in years to recapture the initial capital investment) and the Internal Rate of Return ("IRR") for the NorthMet Project. Annual cash flow projections were estimated over the anticipated life of the mine (20 years) based on estimates of capital expenditures, production cost and sales revenue. The sales revenue is based on the estimated production of copper and nickel concentrates containing PGMs, cobalt, and precious metals. The economic analysis uses the estimated capital expenditure and site production costs developed for the NorthMet Project and presented in Section 21 of the 2018 Technical Report. Financial projections have not been audited by the Company's independent registered public accounting firm.

The following economic analysis reflects PolyMet's plan to build the NorthMet Project in two phases (with Phase II being the addition of a Hydrometallurgical Plant):

- Phase I: produce and market copper and nickel concentrates containing copper, nickel, PGMs, cobalt and precious metals; and
- Phase II: once processed via Phase I, continue processing the nickel concentrate through a single autoclave, resulting in production and sale of value added nickel-cobalt hydroxide, and precious metals precipitate products.

Life of mine, and the first five years at full production (years 2-6), economic assumptions and highlights for Phase I and Phase I & II combined are shown in the below table.

LOM Operating Cost Highlights – Phase I and Phase I & II Combined

Cost Category	UOM	Phase I	Phase I & II
Capital Costs			
Initial Capital	$ millions	945.1	1,203.9
LOM Sustaining Capital	$ millions	220.6	220.6[(1)]
Operating Costs			LOM
Mining & Delivery to Plant	*$/st processed*	4.02	4.02
Processing	*$/st processed*	6.55	8.66
G&A	*$/st processed*	0.48	0.48
Total	***$/st processed***	**11.05**	**13.16**
LOM Average Annual Payable Metal in Cons Produced			
Copper	*000 lbs*	54,792	57,754
Nickel	*000 lbs*	6,646	8,711
Cobalt	*000 lbs*	281	311
Platinum	*koz*	8	14
Palladium	*koz*	42	59
Gold	*koz*	2	4
Silver	*koz*	48	48
Average Annual Payable Metal in Cons Produced (Yrs 2-6)			
Copper	*000 lbs*	66,748	69,384
Nickel	*000 lbs*	7,867	9,647
Cobalt	*000 lbs*	333	352
Platinum	*koz*	12	19
Palladium	*koz*	58	73
Gold	*koz*	3	6
Silver	*koz*	68	68

[1] Sustaining capex for Phase II is included as an OPEX cost for replacement parts piping liners etc for Hydromet plant.

Base Case metal price assumptions, process plant recoveries and key operating data for the average over the life of mine are presented in the below table.

32,000 STPD Base Case (Phase I) Price and Operating Assumptions and Key Production Numbers

	Base Case ($/lb or $/oz)	Metal Recovery to Conc. (%)	Production (million lbs or oz)	Contribution to net revenue (%)	Cash Cost per lb Cu Eq Cu Eq$/lb or $/oz	Cash Cost per lb Cu by-product $/lb or $/oz
	Assumptions		LOM			
Phase I						
Copper (lb)	3.22	91.8	1,096	60.5	1.91	1.06
Nickel (lb)	7.95	63.5	133	18.1		
Cobalt (lb)	20.68	35.9	5.6	2.0		
Platinum (oz)	1,128	73.4	170	3.3		
Palladium (oz)	973	78.1	836	13.9		
Gold (oz)	1,308	58.9	45	1.0		
Silver (oz)	18.92	56.9	958	0.3		
Low-grade Nickel PGM (Ktonne)	55.00	N/A	912	0.9		

During years 2 through 6 of full-scale production for Phase I, cash costs of production (excluding amortization of capital) on a co-product basis (allocating costs to each metal according to its contribution to revenue) are projected at $1.71/lb for copper.

Base Case (Phase I & II) Price and Operating Assumptions and Key Production Numbers

	Base Case ($/lb or $/oz)	Metal Recovery to Conc. (%)	Production (million lbs or oz)	Contribution to net revenue (%)	Cash Cost per lb Cu Eq Cu Eq$/lb or $/oz	Cash Cost per lb Cu by-product $/lb or $/oz
	Assumptions		LOM			
Phase I & II						
Copper (lb)	3.22	91.8	1,155	54.3	1.79	0.59
Nickel (lb)	7.95	63.5	174	20.2		
Cobalt (lb)	20.68	35.9	6.2	1.9		
Platinum (oz)	1,128	73.4	286	4.7		
Palladium (oz)	973	78.1	1,189	16.9		
Gold (oz)	1,308	58.9	86	1.6		
Silver (oz)	18.92	56.9	958	0.3		
Low-grade Nickel PGM (Ktonne)	55.00	N/A	175	0.1		

The key estimated financial results for Phase I and combined Phase I and II for the NorthMet Project are presented in the below table.

Financial Summary – 32,000 STPD

	Units	Phase I First 5 Yrs [1]	Phase I LOM	Phase I & II LOM [2]
Life of Mine	Yrs		20	20
Material Mined	Mt	197	574	574
Ore Mined	Mt	58	225	225
Waste: Ore Ratio		2.4	1.6	1.6
Ore Grade				
Copper	%	0.343	0.295	0.295
Nickel	%	0.092	0.085	0.085
Cobalt	ppm	76	75	75
Palladium	ppm	0.327	0.269	0.269
Platinum	ppm	0.099	0.079	0.079
Gold	ppm	0.048	0.039	0.039
Annual Payable Metal Produced				
Copper	mlb	66.7	54.8	57.8
Nickel	mlb	7.9	6.6	8.7
Cobalt	mlb	0.33	0.28	0.31
Palladium	koz	57.6	41.8	59.4
Platinum	koz	12.4	8.5	14.3
Gold	koz	3.4	2.2	4.3
Copper Equivalent[3]	mlb	112.4	90.6	106.4
Cash Costs: by-product	$/lb Cu	0.67	1.06	0.59
Cash Costs: Cu equivalent	$/lb CuEq	1.71	1.91	1.79
Development Capital	$M	945	945	1,204
Sustaining Capital	$M	99	221	221
Annual Revenue	$M	362	292	343
Annual EBITDA	$M	170	118	152
NPV_7 (After Taxes)	$M		173	271
IRR (After Taxes)	%		9.6	10.3
Payback (after taxes, from first production)	Years		7.3	7.5

1 Represents first five years at full concentrator production.
2 Phase II production is projected to commence in Year 3 of operations.
3 Cu Eq recovered payable metal, is based on prices shown in Table 1-4 of the 2018 Technical Report, mill recovery assumptions shown in Table 15-3 of the 2018 Technical Report and Hydromet Phase II recoveries shown in Table 13-14 of the 2018 Technical Report.

Key estimated Phase I results include a pre-tax IRR of 10.2%, a pre-tax NPV@7% of $217 million, an after-tax IRR of 9.6%, an after-tax NPV@7% of $173 million and an after-tax payback period of 7.3 years.

Key estimated Phase I and II combined results include a pre-tax IRR of 10.9%, a pre-tax NPV@7% of $322 million, an after-tax IRR of 10.3%, an after-tax NPV@7% of $271 million and an after-tax payback period of 7.5 years.

Adjacent Properties

There are no adjacent properties that PolyMet is proposing to explore or drill as part of any drilling program or other evaluation. There are several other deposits in the Duluth Complex, including the Mesaba project owned by Teck Resources Limited, Serpentine owned by Encampment Resources, and the Maturi project owned by Twin Metals Minnesota, a wholly owned subsidiary of Antofagasta plc.

Other Relevant Data and Information

Project Implementation

The proposed execution of the NorthMet Project assumes a seamless transition between critical project phases, minimal project interruptions and a reduction in potential risks.

The NorthMet Project implementation would consist of the following phases:

- Engineering – Basic and Detailed;
- Demolition; and
- Construction.

It is anticipated that the stages may somewhat overlap depending on receipt of final approvals.

This approach assumes that all work associated with asset preservation will be accomplished prior to demolition. Asset preservation includes the removal of all asbestos, mold, and lead paint as well as some basic infrastructure repairs such as repair of the fire water loop and pumping system.

Potential Opportunities

PolyMet has considered opportunities to improve annual operating costs and LOM strategies at the NorthMet Project using the existing block resource model tons and grades as a basis for alternate economic scenarios. The scenarios presented in this section should not be misconstrued as proposals or detailed plans or strategies. Preliminary and definitive feasibility studies, as well as an analysis of environmental impacts would be required prior to any decision to pursue these opportunities. Because the steps in this process have not been undertaken, the results presented in this section should be considered speculative.

In addition, any future project proposal would be subject to additional environmental review and permitting requirements and or public notice and comment, and approval by appropriate federal and state agencies. The NorthMet FEIS evaluates the reasonably foreseeable environmental effects of the NorthMet Project based in part on a mine plan that identified an average production rate of 32,000 STPD (approximately 225 million short tons over the 20-year life of the mine).

A preliminary investigation was undertaken to evaluate the potential of developing the NorthMet deposit to achieve higher throughputs than the current 32,000 STPD. In particular, and subject to the caveats above, the following two additional scenarios were evaluated at a PEA-level for the NorthMet deposit: (i) increase the daily mill feed rate to 59,000 STPD and mine to the completion of the West Pit design; and (ii) increase the daily mill feed rate to 118,000 STPD by expanding the pit limits outside the current permit limits. It is important to note that both the 59,000 STPD and 118,000 STPD scenarios include materials classified as inferred in addition to measured and indicated. Inferred material is considered too poorly defined to include in most mine planning exercises except at the PEA level and are too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves.

Hence, the results predicted for the 59,000 STPD and 118,000 STPD throughput are speculative and may not be realized.

PEA level initial and sustaining capital estimates were developed for the 59,000 and 118,000 STPD scenarios, as were operating costs for each scenario. For the 118,000 STPD scenario, M3 developed an estimate from current 2017 budgetary quotes and quotes from recently constructed projects of similar size. In some cases, costs were scaled from the original estimate using the “0.6 power rule” formula:

$$Cost_2 = Cost_1 \; X \left(\frac{Throughput_2}{Throughput_1} \right)^{0.6}$$

Examples of scaled costs from the 32,000 STPD CAPEX include revised civil/site work estimates, reagent & clear service pumps, HVAC, material quantity take-offs for structural steel and concrete, as well as piping and electrical allowances. For 59,000 STPD, cost estimates for the 32,000 STPD case were escalated to reflect current fourth quarter 2017 pricing using an ENR factor and then scaled using the 0.6 power rule to meet the new tonnage. In a few cases, the modifications/additions in plant equipment and process needs listed above were estimated separately and added to escalated totals. Capital costs for the 59,000 & 118,000 scenarios are presented in the below table.

LOM Operating Highlights for 59,000 STPD & 118,000 STPD

Operating Plan	Unit of Measure	59,000 STPD		118,000 STPD	
		Phase I	Phase I & II	Phase I	Phase I & II
Mineralized Material Processed	*Million st*	293	293	730	730
Operating Life	*years*	15	15	19	19
LOM Strip Ratio		1.5	1.5	2.2	2.2
Capital Costs					
Initial Capital	*$ millions*	1,095	1,354	1,614	1,872
LOM Sustaining Capital	*$ millions*	249	249	900	900
Operating Costs					
Mining & Delivery to Plant	*$/st processed*	3.16	3.16	3.36	3.36
Processing	*$/st processed*	5.32	6.94	5.36	6.34
G&A	*$/st processed*	0.78	0.78	0.28	0.28
Subtotal Operating Costs	***$/st processed***	**9.26**	**10.88**	**9.00**	**9.98**
Selling Costs	*$/st processed*	3.23	2.55	2.94	2.34
Total Operating Costs	***$/st processed***	**12.49**	**13.43**	**11.94**	**12.32**

Note: 118,000 STPD case mining and delivery costs to plant include G&A costs.

For the 59,000 STPD scenario (Phase I and II), operating cost over the LOM is estimated to be $13.43 per ton of mineralized material processed. For the 118,000 STPD scenario (Phase I and II), operating cost over the LOM is estimated to be $12.32 per ton of mineralized material processed. This represents a cost savings per ton processed for $2.28 and $3.40 for the 59,000 STPD and the 118,000 STPD scenarios, respectively, over the 32,000 STPD case.

The preliminary estimate developed for a throughput of 59,000 STPD (using total Phase I and II) amounted to an additional $150 million dollars in initial capital over the 32,000 STPD base case (Phase I and II) and $28 million US dollars in additional sustaining capital. Estimated financial indicators for the 59,000 STPD case improved over the 32,000 STPD throughput to $963 million US dollars NPV@ 7% and 18.5% IRR for Phase I and II. The economic summary reflects processing 293 million tons of mineralized material grading at 0.576% Cu-Eq over a 15-year mine life, at an average of 59,000 STPD.

59,000 STPD Economic Highlights

		Phase I		Phase I & II
	Units	**First 5 Yrs [1]**	**LOM**	**LOM [2]**
Life of Mine	Yrs		15[4]	15
Material Mined	Mt	294	724	724
Mill Feed Mined	Mt	106	293	293
Waste: Mill Feed Ratio		1.8	1.5	1.5
Mill Feed Grade				
Copper	%	0.313	0.290	0.290
Nickel	%	0.087	0.083	0.083
Cobalt	ppm	75	74	74
Palladium	ppm	0.293	0.264	0.264
Platinum	ppm	0.087	0.079	0.079
Gold	ppm	0.043	0.039	0.039
Annual Payable Metal Produced				
Copper	mlb	110.5	93.6	98.2
Nickel	mlb	13.2	11.3	14.5
Cobalt	mlb	0.56	0.48	0.52
Palladium	koz	90.5	71.4	99.2
Platinum	koz	19.1	14.8	24.1
Gold	koz	5.0	3.9	7.3
Copper Equivalent[3]	mlb	184.7	154.7	179.7
Cash Costs: by-product	$/lb Cu	0.45	0.72	0.23
Cash Costs: Cu equivalent	$/lb CuEq	1.56	1.71	1.59
Development Capital	$M	1,095	1,095	1,354
Sustaining Capital	$M	128	249	249
Annual Revenue	$M	595	498	579
Annual EBITDA	$M	307	234	294
NPV_7	$M		751	963
IRR	%		17.5	18.5
Payback (from first production)	Years		4.6	4.8

1 Represents first five years at full concentrator production.
2 Phase II production is projected to commence in Year 3 of operations.
3 Cu Eq recovered payable metal, is based on prices shown in Table 1-4 of the 2018 Technical Report, mill recovery assumptions shown in Table 15-3 of the 2018 Technical Report and HydroMet Phase II recoveries shown in Table 13-14 of the 2018 Technical Report.
4 The 15th year is not a full year of production.

The 118,000 STPD case (Phase I and II) improved economics over the 32,000 STPD case. The post-tax NPV@7% is approximately $2,243 million with an IRR of 23.6% and a payback period of 4.1 years for Phase I and II, as summarized in the below table. The economic summary reflects processing 730 million tons of mineralized material grading at 0.530% Cu-Eq (recovered) over a nineteen-year life, at an average of 118,000 STPD.

118,000 STPD Economic Highlights

		Phase I		Phase I & II
	Units	**First 5 Yrs [1]**	**LOM**	**LOM [2]**
Life of Mine	Yrs	5	19[4]	19[4]
Material Mined	Mt	767	2,366	2,366
Mill Feed Mined	Mt	212	730	730
Waste: Mill Feed Ratio		2.6	2.2	2.2
Mill Feed Grade				
Copper	%	0.292	0.268	0.268
Nickel	%	0.084	0.076	0.076
Cobalt	ppm	74	70	70
Palladium	ppm	0.281	0.247	0.247
Platinum	ppm	0.074	0.073	0.073
Gold	ppm	0.038	0.037	0.037
Annual Payable Metal Produced				
Copper	mlb	203.5	167.8	172.4
Nickel	mlb	23.8	19.0	23.3
Cobalt	mlb	1.01	0.80	0.83
Palladium	koz	163.5	129.7	170.9
Platinum	koz	28.0	26.0	38.5
Gold	koz	7.8	7.6	11.6
Copper Equivalent[3]	mlb	336.9	275.6	309.5
Cash Costs: by-product	$/lb Cu	0.56	0.85	0.39
Cash Costs: Cu equivalent	$/lb CuEq	1.61	1.78	1.64
Development Capital	$M	1,614	1,614	1,872
Sustaining Capital	$M	226	900	900
Annual Revenue	$M	1085	887	997
Annual EBITDA	$M	542	397	488
NPV_7	$M		1737	2243
IRR	%		21.9	23.6
Payback (from first production)	Years		4.1	4.1

1 Represents first five years at full concentrator production.
2 Phase II production is projected to commence in Year 3 of operations.
3 Cu Eq recovered payable metal, is based on prices shown in Table 1-4 of the 2018 Technical Report, mill recovery assumptions shown in Table 15-3 of the 2018 Technical Report and HydroMet Phase II recoveries shown in Table 13-14 of the 2018 Technical Report.
4 The 20th year is not a full year of production.

The foregoing economic analyses of the 59,000 STPD and 118,000 STPD scenarios are of a preliminary economic assessment level, is preliminary in nature and includes mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty the preliminary economic assessment would be realized.

Conclusions and Recommendations

M3 recommended that PolyMet should proceed with final design engineering and initiate asset preservation and demolition activities of the Erie Plant as soon as permitting allows.

Prior to construction of the NorthMet Project, PolyMet should:

- Review and update the scope of the NorthMet Project design to reflect changes resulting from the permitting process, if any, and other Project enhancements.
- Select a water treatment plant design and supply provider once the final permits are in place.
- Complete basic engineering on all designs and initiate detailed design.
- Establish construction contracts formats.
- Establish documents that will be used for all equipment purchases.
- Finalize permitting activities.

Other recommendations for further work resulting from this and the scoping-level expansion study include the potential for expansion and increasing mine mineralized material production.

The NorthMet resource base and the geometry of the deposits could allow for an increase in mineralized material tonnage. Section 24 details these resources and possible expansion and ramp-up scenarios. The following are recommendations to pursue expansion of the mine and maximize throughput and economic value.

- Commence a NI-43-101 pre-feasibility study to increase the level of accuracy of the capital and operating estimates presented in Section 24.2 of the 2018 Technical Report.
- Design general arrangement drawings of the plant area to develop more accurate material take-offs for both the maximum and ramp-up throughput capital cost estimates.
- Update the financial model based on any changes to the current capital and operating cost estimates and to reflect current metal prices. Metal prices and terms for mine planning purposes may not be reflective of the prices presented in the 2018 Technical Report at the commencement of mining.
- M3 recommends reviewing the design of the WWTS with respect to the building costs and construction schedule.
- Design an infill drilling program on inferred resources in an attempt to move inferred into the measured and indicated classification.

5. Risk Factors

The following are major risk factors management has identified which relate to the Company's business activities. Such risk factors could materially affect the Company's future financial results and could cause events to differ materially from those described in forward-looking statements relating to the Company. Although the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company's business and operations. Other specific risk factors are discussed elsewhere in this AIF, as well as in the Company's consolidated financial statements (under the headings "Nature of Business" and "Financial Instruments and Risk Management" and elsewhere within that document) and in management's discussion and analysis (under the headings "Financial Instruments and Risk Management" and "Risk and Uncertainties" and elsewhere within that document) for the year ended December 31, 2020, and its other disclosure documents, all as filed on SEDAR and EDGAR.

The Company is dependent on a single mineral project.

The NorthMet Project accounts for all of PolyMet's 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 PolyMet's business, prospects, financial position, results of operations and cash flows.

The Company may experience delays, higher than expected costs, difficulties in obtaining and maintaining environmental permits and other obstacles when implementing current and future development plans and opportunities.

PolyMet's development and exploration activities are subject to extensive permitting requirements. Failure to obtain required permits and/or to maintain compliance with permits once obtained could result in injunctions, fines, suspension or revocation of permits and other penalties. Activities required to obtain and/or achieve or maintain full compliance with such permits can be costly and involve extended timelines. Previously issued permits may be suspended or revoked for a variety of reasons. Failure to obtain and/or comply with required permits can have serious consequences, including: damage to PolyMet's reputation; stopping PolyMet from proceeding with the development of the NorthMet Project; negatively impacting the operation or further development of a mine; or increasing the costs of development or production and litigation or regulatory action against PolyMet, and may materially adversely affect PolyMet's business, results of operations or financial condition.

Failure to comply with permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring 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 have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

As described elsewhere in this AIF, PolyMet is in the process of several legal challenges and reviews with respect to certain of the permits relating to the NorthMet Project. The loss of any such challenges and/or any of its permits could have a material adverse effect on its ability to further advance the NorthMet Project.

In addition, PolyMet is investing heavily in various facets of the NorthMet Project, which is subject to a number of risks that may make it less successful than anticipated, including legal challenges to permits received; delays or higher than expected costs in obtaining the necessary equipment or services to build and operate the Project; and adverse mining conditions may delay or restrict production of expected quantities of minerals.

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

PolyMet, like other companies doing business in Canada and the United States, is 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 earnings power, or causing material changes to 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 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 the Company's operations. PolyMet cannot assure that any such law, regulation, enforcement or private claim would not have a material adverse effect on its 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 the Company in connection with exploration, development and production activities, financial resources must be allocated that might otherwise be spent on further exploration and development programs. In addition, regulatory changes could increase obligations to perform reclamation and mine closing activities. If required to carry out unanticipated reclamation work, the Company's financial position could be adversely affected.

PolyMet is subject to significant governmental regulations and related costs and delays may negatively affect 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.

Various governmental permits are required to conduct exploration, development, construction and mining activities. 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 the Company's control. In the context of obtaining permits or approvals, PolyMet 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 adoption of more stringent permitting requirements could have a material adverse effect on business, operations, and properties and the Company may be unable to proceed with current or future 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, the Company cannot be certain that it will be able to obtain required approvals for current or future proposed activities in a timely manner, or that PolyMet's current or future 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 business and results of operations.

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

PolyMet 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 the Company is presently unable to quantify its potential liability under any of the above, such liability may have a material adverse effect on its ability to continue in operation.

In addition, the Company 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 statues, regulations or rules or failure to comply with the terms of 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 results of operations. Exposures to fines and penalties generally are uninsurable as a matter of public policy.

Because the price of metals fluctuate, if the prices of metals in PolyMet's ore body decrease below a specified level, it may no longer be profitable to develop the NorthMet Project for those metals and PolyMet could 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 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. If the prices of PolyMet's primary products, namely copper, nickel and palladium are below foreseeable costs of production for a substantial period operations could cease.

PolyMet is dependent on its key personnel.

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

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

PolyMet's metals exploration and development efforts are highly speculative in nature and may be unsuccessful.

As a development stage company, 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 the Company has planned will result in a profitable commercial mining operation.

PolyMet is subject to all the risks inherent to the mining industry, which may have an adverse affect on business operations.

PolyMet is 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 PolyMet's 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, 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 the Company obtains or may not be insured due to economic considerations.

Actual mineral reserves and mineral resources may not conform to the Company's established estimates.

The figures for mineral reserves and mineral resources stated in this AIF 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 the ability to extract this mineralization, could have a material adverse effect on the results of operations or financial condition.

The Company has had no production history and does not know if it will generate revenues in the future.

While the Company was incorporated in 1981, it has no history of producing minerals. The Company has not developed or operated any mines and has no operating history upon which an evaluation of future success or failure can be made. The ability to achieve and maintain profitable mining operations is dependent upon a number of factors, including the ability to successfully build and operate mines, processing plants and related infrastructure. PolyMet may not successfully establish mining operations or profitably produce metals at any of its properties.

PolyMet has a history of losses, which it expects will continue for the future. If the Company does not begin to generate revenues, it may either have to suspend or cease operations.

As a development stage company with negative cash flows and no holdings in any producing mines, PolyMet continues to incur losses and expects to incur losses in the immediate future. As at December 31, 2020, the Company had an accumulated deficit of $228 million. PolyMet may not be able to achieve or sustain profitability in the future. If the Company does not begin to generate revenues, it may either have to suspend or cease operations.

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.

The Company has incurred significant indebtedness and there is no guarantee that the Company will be able to repay or refinance such indebtedness.

There is no assurance that any indebtedness of the Company will be extended, repaid, refinanced or restructured, or that additional financing on commercially reasonable terms will be available. Failure to repay indebtedness and satisfy the conditions of such indebtedness could ultimately result in loss of substantially all of the Company's assets. In addition, repayment of such indebtedness could require the issuance by the Company of a significant number of common shares and thereby result in dilution to existing shareholders of the Company.

Repayment of the indebtedness may adversely affect future cash flow, which may adversely affect the ability to operate effectively and, therefore, require the Corporation to refinance or restructure the consolidated indebtedness.

The Company may not be able to raise the funds necessary to develop the NorthMet Project. If PolyMet is unable to raise such additional funds, the Company may have to suspend or cease operations.

PolyMet will need to seek additional financing to complete the development and construction of the NorthMet Project, in addition to the funding required to repay its current indebtedness. 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. There is no guarantee that any such financing will be available to the Company. If the Company cannot raise the money necessary to continue to explore, develop and construct the NorthMet Project, it may have to suspend or cease operations.

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

The Company's business is 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 the Company maintains against risks that are typical in the business may not provide adequate coverage. Insurance against some risks may not be available at a reasonable cost or at all. As a result, accidents or other negative developments involving mining, production or transportation facilities could have a material adverse effect on operations.

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

The Company faces intense competition from other mining and producing companies. In recent years, the mining industry has experienced significant consolidation amongst competitors. PolyMet cannot assure that the result of current or further consolidation in the industry will not adversely affect the Company.

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

If PolyMet is unable to successfully manage these risks, its growth prospects and profitability may suffer.

The Company is dependent on information technology and its systems and infrastructure face certain risks, including cyber security risks and data leakage risks.

PolyMet relies on secure and adequate operations of information technology systems in the conduct of its operations. Access to and security of the information technology systems are critical to PolyMet's operations. To PolyMet's knowledge, it has not experienced any material losses relating to disruptions to its information technology systems. PolyMet has implemented ongoing policies, controls and practices to manage and safeguard PolyMet and its stakeholders from internal and external cybersecurity threats and to comply with changing legal requirements and industry practice. Given that cyber risks cannot be fully mitigated and the evolving nature of these threats, PolyMet may not have the resources or technical sophistication to anticipate, prevent, or recover from cyber-attacks and cannot assure that its information technology systems are fully protected from cybercrime or that the systems will not be inadvertently compromised, or without failures or defects. Disruptions to PolyMet's information technology systems, including, without limitation, security breaches, power loss, theft, computer viruses, cyber-attacks, natural disasters, and non-compliance by third-party service providers and inadequate levels of cybersecurity expertise and safeguards of third-party information technology service providers, may adversely affect the operations of PolyMet as well as present significant costs and risks including, without limitation, loss or disclosure of confidential, proprietary, personal or sensitive information and third-party data, material adverse effect on its financial performance, compliance with its contractual obligations, compliance with applicable laws, damaged reputation, remediation costs, potential litigation, regulatory enforcement proceedings and heightened regulatory scrutiny.

PolyMet 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 the Company's 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. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining capital and financing for operations.

The Company may be impacted by climate change, natural or other disasters.

The Company's financial and/or operating performance could be adversely affected by climate change and the impact of natural or other disasters, such as earthquakes, fires, floods, epidemics or pandemics. This is due to volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions and other factors relevant to the Company.

Global climate change could exacerbate certain of the threats facing PolyMet's business, including the frequency and severity of weather-related events, resource shortages, changes in rainfall and storm patterns and intensities, water shortages, rising water levels and changing temperatures which can disrupt the operations, damage infrastructure or properties, create financial risk or otherwise have a material adverse effect on financial position or liquidity. These threats may result in substantial costs to respond during the event, to recover from the event and possibly to modify existing or future infrastructure requirements to prevent recurrence. Global climate change also results in regulatory risks, which creates economic and regulatory uncertainty.

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks, and Polymet may decide not to insure such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares.

The Company may be impacted by global health crises such as the COVID-19 pandemic.

Emerging infectious diseases or the threat of outbreaks of viruses or other contagions or epidemic diseases, including the COVID-19 outbreak, could have a material adverse effect on the Company by causing operational and supply chain delays and disruptions (including as a result of government regulation and prevention measures), labor shortages and shutdowns, social unrest, breach of material contracts and customer agreements, government or regulatory actions or inactions, changes in tax laws, payment deferrals, increased insurance premiums, declines in the price of precious metals, delays in permitting or approvals, governmental disruptions, capital markets volatility, or other unknown but potentially significant impacts. In addition, governments may impose strict emergencies measures in response to the threat or existence of an infectious disease. The full extent and impact of the COVID-19 pandemic is unknown and, to-date, has included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices and has raised the prospect of a global recession. The international response to COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in global consumer activity. At this time, the Company cannot accurately predict what effects these conditions will have on mining exploration or development, permitting or financial results, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of the travel restrictions and business closures that have been or may be imposed by the governments of impacted countries.

In addition, a significant outbreak of contagious diseases in the human population, such as COVID-19, could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could result in a material adverse effect on commodity prices, demand for metals, investor confidence, and general financial market liquidity, all of which may adversely affect the Company's business and the market price of the Company's common shares. Accordingly, any outbreak or threat of an outbreak of an epidemic disease or similar public health emergency, including COVID-19, could have a material adverse effect on the Company's business, financial condition and results of operations. As at the date hereof, the duration of any business disruptions and related financial impact of the COVID-19 outbreak cannot be reasonably estimated. It is unknown whether and how the Company may be affected if a pandemic, such as the COVID-19 outbreak, persists for an extended period of time.

It is not always possible to fully insure against such risks, and the Company may decide not to insure such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares.

The Company faces Principal Shareholder Risks.

Glencore owns approximately 71.5% of the issued and outstanding common shares of PolyMet. Glencore is also the primary source of funding for PolyMet and is currently the primary lender to PolyMet. In addition, three of the members of the PolyMet Board - Messrs. Rowland, Huby and Bullock – are nominees of Glencore. Since Glencore has a majority controlling interest in PolyMet and is its principal source of funding and also nominates three of PolyMet's directors, Glencore is in a position to exert significant influence on the corporate actions that PolyMet takes, particularly when shareholder approval is required. Glencore's controlling interest could have the effect of delaying or preventing a change of control of PolyMet or entrenching the Board of Directors, which could conflict with the interests of the other shareholders and, consequently, could adversely affect the market price of PolyMet's securities. If Glencore decides to cease funding PolyMet, PolyMet may not be able to secure replacement funding at all or on terms that are reasonable. As at the date of this AIF, Glencore has also loaned $30 million to PolyMet pursuant to convertible debentures, which if converted into common shares, could increase Glencore's share ownership in PolyMet.

Title Risks

No assurances can be given that title defects to PolyMet's properties do not exist. The properties may be subject to prior unregistered agreements, interests or native land claims and title may be affected by undetected defects. If title defects do exist, it is possible that PolyMet may lose all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates. There is no guarantee that title to the properties will not be challenged or impugned. While, to the best of PolyMet's knowledge, title to its properties is in good standing, this should not be construed as a guarantee of title.

RISKS RELATED TO THE OWNERSHIP OF POLYMET COMMON SHARES

PolyMet may experience volatility in its share price.

PolyMet's common shares are listed for trading on the TSX and on the NYSE American. 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 the Company's shares, if at all. The market price of the common shares may be affected significantly by factors such as changes in 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 PolyMet 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 PolyMet, 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 PolyMet's shares will not occur.

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

Shares that are eligible for future sale may have an adverse effect on the price of the Company's common shares. As at December 31, 2020 there were 100,733,778 common shares outstanding. The average trading volume for the three months prior to December 31, 2020 was approximately 582,000 shares per day on the NYSE American and 9,000 shares per day on the TSX. Sales of substantial amounts of the Company's 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 the common shares, could adversely affect the market price of common shares and could impair the Company's ability to raise capital through the sale of equity securities.

Ownership interest, voting power and the market price of common shares may decrease because the Company has issued, and may continue to issue, a substantial number of securities convertible or exercisable into common shares.

PolyMet has issued common shares, options, restricted shares, restricted share units, convertible debt and warrants to purchase its common shares to satisfy its obligations and fund operations. Since the Company currently does not have a source of revenue, it will likely issue additional common shares, or other securities exercisable for or convertible into common shares to raise money for continued operations or as non-cash incentives to the Company's directors, officers, and key employees. If conversions of securities exercisable into common shares or additional sales of equity occur, ownership interest and voting power in PolyMet will be diluted and the market price of common shares may decrease.

Under the Company's 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 the issued and outstanding common shares on the grant date, excluding 250,000 common shares pursuant to an exemption approved by the Toronto Stock Exchange.

Because PolyMet believes that it will be classified as a passive foreign investment company, or "PFIC", United States holders of common shares may be subject to United States federal income tax consequences that are worse than those that would apply if PolyMet were not a PFIC.

Because PolyMet believes that it will be classified as a PFIC, United States holders of common shares may be subject to United States federal income tax consequences that are worse than those that would apply if the Company were not a PFIC, such as ordinary income treatment plus a charge in lieu of interest upon a sale or disposition of common shares even if the shares were held as a capital asset.

If we are unable to maintain the listing standards of the NYSE American and/or the TSX, our common shares may be delisted, which may have a material adverse effect on the liquidity and value of our common shares.

Our common shares are traded on the NYSE American and the TSX. To maintain our listings on the NYSE American and the TSX, we must meet certain financial and liquidity criteria. The market price of our common shares have been and may continue to be subject to significant fluctuation. If we fail to meet any of the NYSE American's or the TSX's listing standards, we may be delisted. In the event of delisting, trading of our common shares would most likely be conducted in the over the counter market on an electronic bulletin board established for unlisted securities, which could have a material adverse effect on the market liquidity and value of our common shares.

6. Dividends

Since its incorporation, PolyMet has not declared or paid, and has no present intention to declare or to pay, any cash dividends with respect to its common shares. Earnings will be retained to finance further growth and development of the business. However, if the board of directors were to declare a dividend, all common shares would participate equally.

7. Capital Structure

The Company's authorized capital consists of an unlimited number of common shares, without par value of which 100,733,778 common shares were issued and outstanding as fully paid and non-assessable as of December 31, 2020.

Shareholders are entitled to one vote per common share at all meetings of Shareholders except meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series. The holders of common shares are entitled to receive dividends as and when declared by the Board, and to receive a pro rata share of the remaining property and assets of the Company in the event of liquidation, dissolution or winding up of the Company. The common shares carry no pre-emptive, redemption, purchase or conversion rights. Pursuant to the terms of prior financings, Glencore has certain anti-dilution rights that permit it to acquire additional securities so as to maintain its proportional equity interest in the Company. Neither the *Business Corporations Act* (British Columbia) ("BCBCA") nor the constating documents of the Company impose restrictions on the transfer of common shares on the register of the Company, provided that the Company receives the certificate representing the common shares to be transferred together with a duly endorsed instrument of transfer and payment of any fees and taxes which may be prescribed by the Board from time to time. There are no sinking fund provisions in relation to the common shares and they are not liable to further calls or to assessment by the Company. The BCBCA provides that the rights and provisions attached to any class of shares may not be modified, amended or varied unless consented to by special resolution passed by a majority of not less than two-thirds of the votes cast in person or by proxy holders of the common shares.

8. Market for Securities

PolyMet's common shares are listed and posted for trading on the TSX under the symbol "POM", and on the NYSE American under the symbol "PLM". The following table sets forth the market price range and trading volumes of the Company's common shares on each of the TSX and NYSE American for the periods indicated.

	TSX			NYSE American		
Month	**High (C$)**	**Low (C$)**	**Volume**	**High (US$)**	**Low (US$)**	**Volume**
January 2020	6.80	3.30	68,800	5.40	2.50	3,515,130
February 2020	5.00	3.20	47,700	3.40	2.50	935,420
March 2020	4.30	2.50	33,300	3.30	1.50	1,237,910
April 2020	3.70	3.00	79,400	2.90	2.10	850,070
May 2020	3.70	3.40	3,300	2.90	2.40	636,490
June 2020	13.00	3.20	231,000	9.70	2.40	38,102,430
July 2020	9.50	4.90	242,400	7.10	3.70	34,671,010
August 2020	7.00	3.89	159,000	5.20	2.93	12,585,950
September 2020	8.30	3.51	1,163,700	6.38	2.65	126,912,000
October 2020	6.47	4.43	259,500	4.90	3.31	15,429,200
November 2020	5.37	3.96	146,000	4.20	3.01	11,583,900
December 2020	5.33	4.26	154,800	4.19	3.33	10,263,300

9. Securities Not Listed or Quoted

The only classes of securities of the Company that are not listed or quoted on a marketplace are stock options, restricted shares units and share purchase warrants.

The following stock options were issued during the year ended December 31, 2020:

Date of Issuance	Number of Stock Options Issued	Exercise Price (US$)
June 25, 2020	25,000	3.90

The following restricted shares units were issued during the year ended December 31, 2020:

Date of Issuance	Number of Restricted Share Units Issued	Exercise Price (US$)
January 2, 2020	65,000	N/A
January 6, 2020	808,804	N/A
January 23, 2020	44,444	N/A

There were no share purchase warrants issued during the year ended December 31, 2020:

As at December 31, 2020, the Company had the following outstanding securities held in escrow:

Designation of Class	Number of Securities held in Escrow	Percentage of Class
Common shares [(1)]	9,550	<0.01%

[1] Common shares are held by Farris, Vaughan, Wills & Murphy LLP and were issued as restricted shares to certain United States employees. Contractual restrictions on transfer ends commencement of commercial production.

10. Directors and Officers

Name, Occupation and Security Holding

The name, province or state, country of residence, position or office held with the Company and principal occupation during the past five years of each director and executive officer of the Company as at the date of this AIF are described as follows:

Name & Residence	Position or office held with the Company	Principal Occupation during past five years	Director since
Jonathan Cherry Minnesota, United States	Director [4,5], Chairman, President & Chief Executive Officer	Same, PolyMet (joined PolyMet in 2012)	July 16, 2012
Alan R. Hodnik Minnesota, United States	Lead Independent Director [1,2,3,4]	Chairman, President and Chief Executive Officer, Allete Inc. (joined Allete in 1982)	March 9, 2011
David Dreisinger British Columbia, Canada	Director [2,3,4,5]	Professor and Chairholder of the Industrial Research and Chair in Hydrometallurgy, University of British Columbia (joined University of British Columbia in 1988)	October 3, 2003
Stephen Rowland Connecticut, United States	Director [1,3]	Executive, Glencore (joined Glencore in 1988)	October 30, 2008
David J. Fermo New York, United States	Director [1,2]	Managing Director, J.P. Morgan until 2017 (joined J.P. Morgan in 1994)	June 24, 2020
Roberto Huby Lima, Peru	Director [2,4,5]	Executive, Glencore (joined Glencore in 2007)	June 24, 2020
Nathan Bullock Zug, Switzerland	Director [5]	Executive, Glencore (joined Glencore in 2019; CEO, Mopani Copper Mines, 2018 to 2019 Manager Copper Smelter, Mount Isa Mines, 2016 to 2018	July 1, 2020
Patrick Keenan Colorado, United States	Executive Vice President, Chief Financial Officer	Same, PolyMet (joined PolyMet in 2017); Senior VP - Finance, Newmont Mining Corporation, 2015 to 2017	N/A

1 Member of the Compensation Committee.
2 Member of the Audit Committee.
3 Member of the Nominating and Corporate Governance Committee.
4 Member of the Health, Safety, Environment and Communities Committee.
5 Member of the Technical Steering Committee.

As at the date of this AIF, PolyMet's directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 287,024 common shares, representing less than 1% of the total number of common shares outstanding before giving effect to the exercise of options or warrants to purchase common shares held by such directors and executive officers. The statement as to the number of common shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the Company's directors and executive officers as a group is based upon information furnished by the directors and executive officers.

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 the 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.

Indebtedness

No director or executive officer, nor any of their respective associates or affiliates is or has been at any time since the beginning of the last completed fiscal year indebted to PolyMet.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of PolyMet's management and as of the date of this AIF, no directors: (i) are, at the date hereof, or have been, during the 10 years prior to the date hereof, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold assets of the director; or (ii) have, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the director.

Conflicts of Interest

Directors and officers may become in a position of conflict. Directors and officers must disclose the nature and extent of the conflict and abstain from voting on the approval of the proposed contract or transaction, unless all of the directors have a disclosable interest, in which case the director may vote on such resolution and may be liable to account to the Company for any profit that accrued under such transaction. To the knowledge of PolyMet's management and as of the date of this AIF, there are no known existing conflicts of interest between the Company and any of PolyMet's directors or officers as a result of such individual's outside business interests.

11. Legal Proceedings and Regulatory Actions

To the knowledge of Company's management, there are no material legal proceedings or regulatory actions outstanding to which PolyMet is a party, or to which any of its property is subject to and no such proceedings or regulatory actions are known to the Company to be threatened or pending, as of the date hereof, with the exception of challenges to regulatory permit and approval decisions by the MDNR, MPCA, and USFS as discussed in Item 3 above.

12. Interest of Management and Others in Material Transactions

Other than as disclosed in this AIF, PolyMet is not aware of any material interest, direct or indirect, involving any director or executive officer or any shareholder who holds more than 10% of the outstanding voting securities, or any associate or affiliate of any of the foregoing, which has been entered into since the commencement of the last completed fiscal year or in any proposed transaction which, in either case, has materially affected or will materially affect PolyMet or any of PolyMet's subsidiaries.

13. Transfer Agent and Registrar

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

14. Material Contracts

The following is a summary of each material contract to which the Company is a party, other than contracts entered into in the ordinary course of business, for the last fiscal year or before the last fiscal year that is still in effect.

- Acquisition of the mineral rights, see Item 4 for additional information;
- Acquisition of the Erie Plant and associated infrastructure acquired in the Asset Purchase Agreements I and II, see Item 4 for additional information; and
- Financing agreements entered into with Glencore, see Items 3 and 4 for additional information.

15. Interest of Experts

Deloitte & Touche LLP has served as PolyMet's auditor since August 2019 and is located at 50 South 6th Street, Suite 2800, Minneapolis, Minnesota, USA 55402. Deloitte & Touche LLP report that they are independent of the Company in accordance with the code of professional conduct of the Certified Professional Accountants of Minnesota and the rules of the Public Company Accounting Oversight Board and the Securities and Exchange Commission.

PolyMet has relied on the work of the qualified persons listed in the section of this AIF titled "Introductory Notes - Qualified Persons Under NI 43-101" in connection with the scientific and technical information presented in this AIF in respect of its mineral property, NorthMet, which is based upon the NI 43-101 Technical Report filed on SEDAR and EDGAR.

None of the qualified persons listed in the section of this AIF titled "Introductory Notes - Qualified Persons Under NI 43-101", nor any of the companies listed therein that employ those individuals, received or has received a direct or indirect interest in the property of the Company or of any associate or affiliate of the Company in connection with the preparation of reports relating to the Company's mineral properties. As of the date hereof, the aforementioned persons and companies beneficially own, directly or indirectly, less than 1% of the Company's outstanding securities of any class and less than 1% of the outstanding securities of any class of PolyMet's associates or affiliates.

16. Audit Committee

PolyMet is subject to National Instrument 52-110 - *Audit Committees*, which has been adopted in various Canadian provinces and territories and which prescribes certain requirements in relation to audit committees and defines the meaning of independence with respect to directors. These reflect current regulatory guidelines of the CSA as well as certain U.S. initiatives under the *Sarbanes-Oxley Act of 2002* and adopted corporate governance rules of the NYSE American. A copy of the Company's Audit Committee's charter is attached as Schedule A to this AIF.

During 2020, the Audit Committee was composed of Michael M. Sill, Dr. David Dreisinger, and W. Ian L. Forrest from January 1, 2020 to June 24, 2020 and was composed of David J. Fermo, Dr. David Dreisinger, and Alan R. Hodnik from June 24, 2020 to December 31, 2020, each of whom, in the opinion of the Board of Directors, is independent as determined under the rules of the TSX and NYSE American and each of whom is financially literate. The Audit Committee meets the composition requirements set forth by TSX and NYSE American rules.

David J. Fermo has served as a member of PolyMet's board of directors since June 2020. He serves as the Chair of the Audit committee and also serves on the Compensation committee. Mr. Fermo initiated his career in South Africa as an auditor before moving to the United States to attend The Wharton School of Finance in Philadelphia. His career spans auditing, financial analysis, bond fund management and private banking. David's first position in the U.S. was with Paine Webber for 8 years in various positions including a Financial Analyst, reporting to the CFO of Paine Webber Group and the Asset Management Division where he managed Investment Grade and Mortgage Bond portfolios. Mr. Fermo also spent 6 years at Goldman Sachs

Asset Management where he led a team of professionals nationally who placed investment products managed by Goldman Sachs with institutions. He was also a Goldman Sachs appointee to the board of a client's registered mutual fund complex. Mr. Fermo then spent over 22 years at J.P. Morgan, in three positions, encompassing both the Asset Management Division and the Private Bank. Mr. Fermo retired from J.P. Morgan in 2017 and currently works with his son in a real estate endeavor. Mr. Fermo holds degrees in business and accounting from the University of the Witwatersrand, Johannesburg South Africa. He is a Chartered Accountant (South Africa) and has an MBA from The Wharton School of the University of Pennsylvania.

Dr. David Dreisinger has served as a member of PolyMet's board of directors since October 2003. He serves as the Chair of the Technical Steering committee and also serves on the Health, Safety, Environment and Communities, Audit, and on the 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 300 papers and has been extensively involved as a process consultant in industrial research programs with metallurgical companies. Dr. Dreisinger has participated in 24 U.S. patents for work in Hydrometallurgical applications in base, precious and rare metals. Dr. Dreisinger serves as a director of Euro Manganese Inc., Search Minerals, Inc. and Cascadero Copper., and as Vice President – Metallurgy for each of Camrova Resources, Inc., and Search Minerals Inc.

Alan R. Hodnik has served as a member of PolyMet's board of directors since March 2011. He is the Lead Independent Director, Chair of the Compensation and Nominating and Corporate Governance committees and also serves on the Health, Safety, Environment and Communities committee. Mr. Hodnik was named President of ALLETE Inc. in May 2009 until February 2019, CEO of ALLETE in May 2010 until present, and named ALLETE Board Chairman in May 2011 until January 2020. In February 2020 Bethany Owen was named ALLETE President and CEO and Al Hodnik was named ALLETE Executive Chairman as part of a planned and orderly succession process. Mr. Hodnik will remain ALLETE Executive Chairman until May 2021 at which time he will retire from ALLETE and also from ALLETE's board. 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 provided leadership to BNI Coal Mining-North Dakota, Superior Water Light & Power-Wisconsin and transmission, distribution, generation, engineering, customer service for all aspects of Minnesota Power. Minnesota Power is the region's power supplier, including serving all large industrial mining and paper producers within the mineral district where PolyMet's proposed mill is located. 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 the PolyMet Erie Mine site location. Mr. Hodnik maintains very strong working relationships with government, business, labor, education and community stakeholders in the State of Minnesota. Mr. Hodnik serves on the Edison Electric Institute (EEI), as well as, the Essentia Health Systems Boards of Directors.

Michael M. Sill served as a member of PolyMet's board of directors from March 2011 until June 2020. He served as the Chair on the Audit committee and also served on the Nominating and Corporate Governance committee. Since 1994, Mr. Sill has served as President and CEO of Road Machinery & Supplies Co., 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 served on the board of Reviva Corporation, Dunwoody College of Technology, Twin Cities Regional Board of US Bank and numerous industry association boards.

W. Ian L. Forrest served as a member of PolyMet's board of directors from October 2003 until June 2020 and as its Chairman from July 2012 until June 2020. Mr. Forrest previously served as Chairman of the board from May 2004 to February 2008 and Co-Chairman from January 2011 to July 2012. He served as the Chair on the Nominating and Corporate Governance committees and also served on the Audit and Compensation committees. Mr. Forrest played an important role in the Company's 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.

During 2020, the Board of Directors determined that W. Ian L. Forrest qualified as the Audit Committee's "financial expert" from January 1, 2020 to June 24, 2020 and that David J. Fermo qualified as the Audit Committee's "financial expert" from June 24, 2020 to December 31, 2020 as defined under the rules of the TSX and NYSE American and both were "financially sophisticated" as defined under the rules of the NYSE American.

Both Mr. Forrest and Mr. Fermo qualify as a financial expert and are financially sophisticated, in that they have an understanding of generally accepted accounting principles and financial statements; are able to assess the general application of accounting principles in connection with the accounting for estimates, accruals and reserves; have experience analyzing or evaluating financial statements that entail accounting issues of equal complexity to the Company's financial statements (or actively supervising another person who did so); and have a general understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions.

The members of the Audit Committee do not have fixed terms and are appointed and replaced from time to time by resolution of the Board of Directors.

The Audit Committee meets four times a year, at a minimum, and has access to all officers, management and employees of the Company and may engage advisors or counsel as deemed necessary to perform its duties and responsibilities as a committee.

The Audit Committee also meets with the Company's President and CEO, the Company's CFO, and the Company's independent auditors to review and inquire into matters affecting financial reporting, the system of internal accounting and financial controls, and the Company's audit procedures and audit plans. The Audit Committee also recommends to the Board of Directors the independent auditors to be appointed for each year. In addition, the Audit Committee reviews and recommends to the Board of Directors for approval the annual and quarterly financial statements and management's discussion and analysis. Finally, the Audit Committee undertakes other activities as required by the rules and regulations of the TSX and the NYSE American and other governing regulatory authorities.

Pre-Approval Policies and Procedures

All fees paid to the external auditors were pre-approved by the Audit Committee. This pre-approval involved a submission by the auditors to the 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 management and after discussion with the auditors, pre-approved the scope of work and fees.

External Auditor Service Fees

Effective August 9, 2019 and following Glencore's acquisition of a majority shareholder position on June 28, 2019, PricewaterhouseCoopers LLP (the "Former Auditor") resigned as the auditor of the company. There were no reservations or modifications in the Former Auditor's audit reports and no "reportable events" as such term is defined in National Instrument 51-102. PolyMet appointed Deloitte & Touche LLP (the "Successor Auditor") as the new auditor of the company. The resignation of the Former Auditor and recommendation for appointment of the Successor Auditor was approved by the audit committee and the board of directors of PolyMet on August 9, 2019.

The following outlines the expenditures for accounting fees billed by the Successor Auditor for the last two years ended:

Year Ended	*Audit Fees*	*Audit Related Fees*	*Tax Fees*	*All Other Fees*
December 31, 2020	US $538,000	US $Nil	US $32,100	US $Nil
December 31, 2019	US $485,000	US $Nil	US $16,600	US $Nil

The following outlines the expenditures for accounting fees billed by the Former Auditor for the last two years ended:

Year Ended	*Audit Fees*	*Audit Related Fees*	*Tax Fees*	*All Other Fees*
December 31, 2020	CDN $Nil	CDN $Nil	CDN $Nil	CDN $Nil
December 31, 2019	CDN $100,000	CDN $44,750	CDN $36,533	CDN $Nil

"Audit Fees" are the aggregate fees billed for the audit of the Company's consolidated annual financial statements.

"Audit-Related Fees" are fees billed 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 billed for professional services such as tax compliance or tax advice on actual or contemplated transactions.

17. Additional Information

All documents referred to in this AIF are available for inspection at the Company's registered and records office, listed below, during normal office hours.

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

In Canada, the Company will file reports and other information with the Canadian Securities Administrators. These materials include additional financial information provided in the Company's financial statements and MD&A for its most recently completed fiscal year. These materials also include directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, as contained in the Management Information Circular for the most recent annual meeting of security holders that involves the election of directors. Additional reports, registration statements, and other information relating to PolyMet may be found on SEDAR at www.sedar.com.

In the United States, the Company will file reports and other information with the SEC in accordance with the requirements of the Exchange Act. These materials, including this AIF and exhibits and the Company's financial statements and MD&A for its most recently completed fiscal year, 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. Additional reports, registration statements and other information relating to PolyMet can also be inspected on EDGAR available on the SEC's website at www.sec.gov.

SCHEDULE A
AUDIT COMMITTEE CHARTER

1. PURPOSE

The purpose of the Audit Committee (in this charter, the “Committee") is to oversee the accounting and financial reporting processes of PolyMet Mining Corp. (the “Company”), the audits of the Company's financial statements, the qualifications of the public accounting firm engaged as the Company's independent auditor to prepare or issue an audit report on the financial statements of the Company and internal control over financial reporting, and the performance of the Company's internal audit function and independent auditor. The Committee reviews and assesses the qualitative aspects of the Company’s financial reporting to shareholders, the Company’s financial risk assessment and management, and the Company’s ethics and compliance programs. The Committee is directly responsible for the appointment (subject to shareholder ratification), compensation, retention, and oversight of the independent auditor. The Committee also reviews and assesses the Company’s processes to manage and control risk, except for risks assigned to other committees of the Board or retained by the Board.

2. STRUCTURE AND OPERATIONS

The Committee shall be composed of not less than three (3) directors. Members of the Committee shall be independent and each shall be “financially literate” and will be appointed or reappointed at the meeting of the Board, immediately following the annual general meeting of the shareholders of the Company (the “AGM”), and in the normal course of business will serve a minimum of three (3) years. At least one member of the Committee shall in the judgment of the Board be an "audit committee financial expert" as defined by the rules and regulations of the Canadian Securities Administrators and the Securities and Exchange Commission. Each member shall continue to be a member of the Committee until a successor is appointed, unless the member resigns, is removed or ceases to be a director. The Board may fill a vacancy that occurs in the Committee at any time. Generally, no member of the Committee may serve on more than three audit committees of publicly traded companies (including the Audit Committee of the Company) at the same time.

“Financially Literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

The Board or, in the event of its failure to do so, the members of the Committee, shall appoint or reappoint, at the meeting of the Board immediately following the AGM, a chairman from among their number. The chairman shall not be a former officer of the Company and shall serve as a liaison between the Committee and members of the Company’s management team (“Management”).

Meetings of the Committee shall be held at least four times annually, provided that due notice is given and a quorum of a majority of the members is present. Where a meeting is not possible, resolutions in writing which are signed by all members of the Committee are as valid as if they had been passed at a duly held meeting. The frequency and nature of the meeting agendas are dependent upon business matters and affairs which the Company faces from time to time.

The Committee shall report to the Board on its activities after each of its meetings. In addition, it shall review and assess the adequacy of this charter annually and, where necessary, recommend changes to the Board for approval. The Committee shall undertake and review with the Board an annual performance evaluation of the Committee.

3. RESOURCES AND AUTHORITY

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to use internal personnel and to obtain advice and assistance from internal or external legal, accounting or other advisors and the funding for compensating any such external advisors. In addition, the Committee shall have sole authority to retain and terminate any such firms and to approve the fees and other retention terms related to the appointment such firms.

4. RESPONSIBILITIES

The responsibilities of the Committee are:

1. To assist the Board of Directors in fulfilling its fiduciary responsibilities' relating to the Company's quality and integrity of accounting, auditing, and reporting practices and the integrity of the Company's internal accounting controls and management information systems;

2. To review with the auditors, internal accountants and management of the Company:

   a. any audited financial statement of the Company, including any such statement that is to be presented to an annual general meeting or provided to shareholders or filed with regulatory authorities and including any audited financial statement contained in a prospectus, registration statement or other similar document, and

   b. the financial disclosure in each Annual Report and Management Discussion and Analysis of the Company which accompanies such audited financial statement and in each such filing, prospectus, registration statement or other similar document;

3. To review with the internal accountants and management of the Company:

   a. any unaudited financial statement of the Company, including any such statement that is to be presented to an annual general meeting or provided to shareholders or filed with regulatory authorities and including any unaudited financial statement contained in a prospectus, registration statement, Quarterly Report or other similar document,

   b. the financial disclosure in each Quarterly Report and when applicable, Management Discussion and Analysis of the Company accompanying such unaudited financial statement and in each such filing, prospectus, registration statement or other similar document which accompanies such unaudited financial statement, and

   c. in connection with the annual reports of the Company, review (i) Management's disclosure to the Committee and the independent auditor under Section 302 of the Sarbanes-Oxley Act, including identified changes in internal control over financial reporting; and (ii) the contents of the Chief Executive Officer and the Chief Financial Officer certificates to be filed under Sections 302 and 906 of the Sarbanes-Oxley Act and the process conducted to support the certifications;

4. To otherwise review as required and report to the Board of Directors with respect to the adequacy of internal accounting and audit procedures and the adequacy of the Company's management information systems;

5. To otherwise ensure that no restrictions are placed by Management on the scope of the auditors review and examination of the Company's accounts;

6. To appoint or replace the independent auditor and approve the terms on which the independent auditor is engaged for the ensuing fiscal year;

7. At least annually, evaluate the independent auditor's qualifications, performance, and independence, including that of the lead partner. The evaluation will include obtaining a written report from the independent auditor describing the firm's internal quality control procedures; any material issues raised by the most recent Public Company Accounting Oversight Board inspection, internal quality control review, or PCAOB review, of the firm or by any inquiry or investigation by governmental or professional authorities within the past five years, concerning an independent audit or audits carried out by the firm, and any steps taken to deal with those issues; and all relationships between the independent auditor and the Company;

8. Resolve any disagreements between Management and the independent auditor about financial reporting;

9. Establish and oversee a policy designating permissible services that the independent auditor may perform for the Company, providing for preapproval of those services by the Committee subject to the de minimis exceptions permitted under applicable rules, and quarterly review of

any services approved by the designated member under the policy and the firm's non-audit services and related fees;

10. Ensure receipt from the independent auditor of a formal written statement delineating all relationships between the auditor and the Company, consistent with applicable requirements of the PCAOB regarding the independent auditor’s communications with the Committee concerning independence, actively engage in a dialogue with the auditor about any disclosed relationships or services that may impact the objectivity and independence of the auditor, and take appropriate action to oversee the independence of the independent auditor;

11. Advise the Board about the Committee's determination whether the Committee consists of three or more members who are Financially Literate, including at least one member who has financial sophistication and is a financial expert;

12. Inquire of Management and the independent auditor about significant risks or exposures, review the Company's policies for risk assessment and risk management, and assess the steps Management has taken to control such risk to the Company, except as to those risks for which oversight has been assigned to other committees of the Board or retained by the Board;

13. Review with Management and the independent auditor:

    a. The Company's annual assessment of the effectiveness of its internal controls and the independent auditor's attestation,

    b. The adequacy of the Company's internal controls, including computerized information system controls and security,

    c. Any "material weakness" or "significant deficiency" in the design or operation of internal control over financial reporting, and any steps taken to resolve the issue, and

    d. Any related significant findings and recommendations of the independent auditor and internal audit together with Management's responses;

14. Develop, review, and oversee procedures for (i) receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, and auditing matters and (ii) the confidential, anonymous submission of employee concerns regarding accounting or auditing matters;

15. Review policies and procedures with respect to transactions between the Company and officers and directors, or affiliates of officers or directors, or transactions that are not a normal part of the Company’s business, and review and approve those related-party transactions that would be disclosed pursuant to International Financial Reporting Standards, IAS 24 and SEC Regulation S-K, Item 404;

16. Review with Management and the independent auditor at least annually the Company's critical accounting policies and significant judgments and estimates, including any significant changes in the Company's selection or application of accounting principles and the effect of regulatory and accounting initiatives on the financial statements of the Company;

17. To ensure that the Company disseminates information concerning its financial position and results of operations to the public in a timely fashion;

18. Complete an annual evaluation of the Committee’s performance;

19. Include a copy of the Committee charter as an appendix to the proxy statement at least once every three years, or disclose annually in the proxy statement where the charter can be found on the Company's website;

20. Set clear hiring policies for the Company's hiring of employees or former employees of the independent auditor who were engaged in the Company's account, and ensure the policies comply with any regulations applicable to the Company; and

21. Review with Management the Company’s policies and processes for tax planning and compliance.

5.0 COMMUNICATIONS

The independent auditor reports directly to the Committee. The Committee is expected to maintain free and open communication with the independent auditor, the internal auditors, and Management. This communication will include periodic private executive sessions with each of these parties.

6.0 EDUCATION

The Company is responsible for providing new members with appropriate orientation briefings and educational opportunities, and the full Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Company, and other matters as may be requested by the Committee. The Company will assist the Committee in maintaining appropriate financial literacy.

POLYMET MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2020 and 2019

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 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 December 31, 2020. 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 December 31, 2020 has been audited by Deloitte & Touche LLP, the Company's independent registered public accounting firm, as stated in their report, which appears herein.

/s/ Jonathan Cherry
Jonathan Cherry
Chairman, President, Chief Executive Officer

/s/ Patrick Keenan
Patrick Keenan
Executive Vice President, Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of PolyMet Mining Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of PolyMet Mining Corp. and its subsidiaries (the "Company") as of December 31, 2020, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2020, including the related notes (collectively, referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 18, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Mineral Property, Plant, and Equipment—Impairment—Refer to Notes 2 and 4 to the financial statements.

Critical Audit Matter Description

The Company's carrying amount of mineral property, plant, and equipment of $415.6 million at December 31, 2020, is evaluated at each reporting date, or when events or circumstances indicate the cash generating unit (CGU) may not be recoverable, to determine whether there is an indicator of impairment. The Company considers both external and internal sources of information in assessing whether there are any indications of impairment. External sources of information 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. Internal sources of information include indications of economic performance of the CGU. When events or circumstances exist that indicate the CGU may not be recoverable, the CGU's recoverable amount is estimated at the greater of its value in use and its fair value less costs of disposal (FVLCD). An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. In assessing value in use and FVLCD, the Company makes significant estimates and assumptions using estimated future cash flows to be generated over the life of the asset that are discounted to their present value, including estimates and assumptions related to long-term metals pricing and the inputs to the discount rate.

We identified the impairment of mineral property, plant, and equipment as a critical audit matter because of the significant estimates and assumptions management makes in evaluating whether indicators of impairment exist and, if such conditions are determined to exist, evaluating the recoverability of the CGU. This required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the Company's assessment of indicators of impairment and the reasonableness of forecasted commodities pricing for copper and palladium and the discount rate used in management's recoverability analysis.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the assessment of indicators of impairment, forecasts of commodities pricing, and the selection of the discount rate included the following, among others:

- We tested the effectiveness of controls over management's identification of impairment indicators, and controls over management's determination of recoverability, including controls over management's determination of forecasted commodities pricing for copper and palladium and selection of the discount rate.
- We evaluated the Company's life of mine plan and the impact of external legal and permitting factors.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) significant assumptions made by:
  - Comparing management's forecasted commodities pricing of copper and pallidum to third-party forecasts.
  - For the measurement of the recoverable amount, comparing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate used by management.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
March 18, 2021

We have served as the Company's auditor since 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of PolyMet Mining Corp.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of PolyMet Mining Corp. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated March 18, 2021, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's 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 the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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. Our audit included 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 considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations 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 consolidated 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated 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 (3) 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 consolidated financial statements.

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.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
March 18, 2021

PolyMet Mining Corp.
Consolidated Balance Sheets
All figures in thousands of U.S. Dollars

		December 31, 2020		December 31, 2019
ASSETS				
Current				
Cash	**$**	**3,554**	$	7,401
Amounts receivable		**385**		472
Prepaid expenses		**1,203**		1,039
		5,142		8,912
Non-Current				
Restricted deposits *(Notes 6 and 11)*		**12,976**		11,449
Amounts receivable and other assets		**2,647**		2,442
Mineral property, plant and equipment *(Note 4)*		**415,559**		410,132
Intangibles *(Note 5)*		**24,390**		24,380
Total Assets		**460,714**		457,315
LIABILITIES				
Current				
Accounts payable and accruals		**2,755**		4,533
Lease liabilities		**106**		60
Promissory note *(Note 9)*		**16,629**		-
Environmental rehabilitation provision *(Note 6)*		**893**		1,276
		20,383		5,869
Non-Current				
Accruals		**637**		-
Lease liabilities		**451**		556
Promissory note *(Note 9)*		**-**		15,501
Convertible debt *(Note 8)*		**18,747**		-
Environmental rehabilitation provision *(Note 6)*		**50,857**		51,249
Total Liabilities		**91,075**		73,175
SHAREHOLDERS' EQUITY				
Share capital		**527,908**		526,884
Equity reserves		**69,953**		64,648
Deficit		**(228,222)**		(207,392)
Total Shareholders' Equity		**369,639**		384,140
Total Liabilities and Shareholders' Equity	**$**	**460,714**	$	457,315

Nature of Business and Liquidity *(Note 1)*

Commitments and Contingencies *(Note 14)*

Subsequent Events *(Note 16)*

The accompanying notes are an integral part of these consolidated financial statements.

ON BEHALF OF THE BOARD OF DIRECTORS:

/s/ Jonathan Cherry, Director   */s/ Dr. David Dreisinger*, Director

PolyMet Mining Corp.
Consolidated Statements of Loss and Comprehensive Loss
All figures in thousands of U.S. Dollars, except for shares and per share amounts

		Year ended December 31, **2020**		2019
Operations Expense				
Resource evaluation	$	**10,811**	$	-
Salaries, directors' fees and related benefits		**4,129**		2,933
Share-based compensation *(Note 10)*		**1,842**		1,558
Public company and public relations		**1,381**		1,233
Professional fees		**892**		1,444
Office and administration		**798**		580
Depreciation		**224**		122
Loss from Operations		**20,077**		7,870
Other Expenses (Income)				
Finance costs - net *(Note 11)*		**1,044**		1,532
Loss (gain) on foreign exchange		**(1)**		12
Loss on debenture modification		**-**		2,004
Loss (gain) on disposal of assets		**142**		(383)
Gain on financial asset fair value		**(408)**		(264)
Asset impairment *(Note 4)*		**-**		47,168
Other income		**(24)**		(36)
Total Other Expenses		**753**		50,033
Total Loss and Comprehensive Loss for the Period		**20,830**		57,903
Basic and Diluted Loss per Share	$	**0.21**	$	0.86
Weighted Average Number of Shares – basic and diluted		**100,663,439**		67,209,105

The accompanying notes are an integral part of these consolidated financial statements.

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

	Share Capital (authorized = unlimited) Issued Shares	Share Capital	Equity Reserves	Deficit	Total Shareholders' Equity
Balance – January 1, 2019	32,119,007	$ 272,420	$ 62,111	$ (149,489)	$ 185,042
Total comprehensive loss for the period	-	-	-	(57,903)	(57,903)
Rights offering & issuance costs	68,281,384	253,047	-	-	253,047
Debenture refinancing warrants	-	-	1,564	-	1,564
Payment of land purchase options *(Note 10)*	7,875	46	-	-	46
Exercise of share options *(Note 10)*	40,017	572	(298)	-	274
Vesting of restricted shares and RSU’s *(Note 10)*	64,451	715	(715)	-	-
Share-based compensation *(Note 10)*	10,292	84	1,986	-	2,070
Balance – December 31, 2019	100,523,026	$ 526,884	$ 64,648	$ (207,392)	$ 384,140

	Share Capital (authorized = unlimited) Issued Shares	Share Capital	Equity Reserves	Deficit	Total Shareholders' Equity
Balance – January 1, 2020	100,523,026	$ 526,884	$ 64,648	$ (207,392)	$ 384,140
Total comprehensive loss for the period	-	-	-	(20,830)	(20,830)
Debenture exchange warrants *(Note 8)*	-	-	4,976	-	4,976
Vesting of restricted shares and RSU’s *(Note 10)*	153,304	874	(874)	-	-
Share-based compensation and rounding *(Note 10)*	57,448	150	1,203	-	1,353
Balance – December 31, 2020	**100,733,778**	**$ 527,908**	**$ 69,953**	**$ (228,222)**	**$ 369,639**

The accompanying notes are an integral part of these consolidated financial statements.

PolyMet Mining Corp.
Consolidated Statements of Cash Flows
All figures in thousands of U.S. Dollars

		Year ended December 31, 2020		2019
Operating Activities				
Loss for the period	**$**	**(20,830)**	$	(57,903)
Items not involving cash:				
Depreciation		**224**		122
Interest expense *(Note 11)*		**1,963**		160
Environmental rehabilitation provision accretion *(Notes 6 and 11)*		**2,083**		2,072
Share-based compensation *(Note 10)*		**1,842**		1,558
Unrealized (gain) loss on foreign exchange		**(1)**		16
Loss on debenture modification		**-**		2,004
Loss (gain) on disposal of assets		**142**		(383)
Gain on financial asset fair value		**(408)**		(264)
Asset impairment *(Note 4)*		**-**		47,168
Changes in non-cash working capital				
Restricted deposits		**(1,527)**		(1,163)
Amounts receivable and other assets		**290**		442
Prepaid expenses		**(164)**		122
Accounts payable and accruals		**(1,554)**		1,577
Net cash used in operating activities		**(17,940)**		(4,472)
Financing Activities				
Share issuance proceeds *(Note 10)*		**-**		21,839
Share issuance costs *(Note 10)*		**-**		(11,953)
Debenture funding, net of costs *(Notes 8 and 9)*		**22,888**		15,000
Debenture repayment *(Note 10)*		**-**		(6,882)
Cash settled RSU's *(Note 10)*		**(204)**		(232)
Net cash provided by financing activities		**22,684**		17,772
Investing Activities				
Property, plant and equipment purchases *(Note 4)*		**(8,530)**		(20,795)
Property, plant and equipment disposal proceeds		**-**		1,250
Intangible purchases *(Note 5)*		**(62)**		(195)
Net cash used in investing activities		**(8,592)**		(19,740)
Net Decrease in Cash		**(3,848)**		(6,440)
Effect of foreign exchange on Cash		**1**		(16)
Cash - Beginning of period		**7,401**		13,857
Cash - End of period	**$**	**3,554**	$	7,401
Supplemental information: non-cash investing and financing				
Capitalization of accounts payable and accruals to mineral property	**$**	**(223)**	$	(712)
Capitalization of borrowing costs to mineral property		**-**		14,751
Capitalization of share-based compensation to mineral property *(Note 10)*		**351**		497
Capitalization of shares for land options to mineral property		**-**		46
Share issuance proceeds *(Note 10)*		**-**		243,435
Debenture repayment *(Note 10)*	**$**	**-**	$	(243,435)

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Business and Liquidity

PolyMet Mining Corp. 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 shares are listed on the TSX and NYSE American. Glencore AG, a wholly owned subsidiary of Glencore plc (together "Glencore"), has a majority shareholder relationship with the Company as a result of Glencore's ownership of 71.5% of the Company's issued shares.

The Company's primary mineral property is the NorthMet Project ("NorthMet" or "Project"), a polymetallic project in northeastern Minnesota, United States of America, 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.

PolyMet received its Permit to Mine from the State of Minnesota on November 1, 2018, a crucial permit for construction and operation of the Project. The Minnesota Department of Natural Resources ("MDNR") also issued all other permits for which the Company had applied including dam safety, water appropriations, endangered and threatened species takings, and public waters work permits, along with Wetlands Conservation Act approval. In addition, PolyMet received air and water permits from the Minnesota Pollution Control Agency ("MPCA") on December 18, 2018. Further, PolyMet received the federal Record of Decision and Section 404 Wetlands Permit from the U.S. Army Corps of Engineers on March 21, 2019, which was the last key permit or approval needed to construct and operate the Project.

Legal challenges were filed in the Minnesota Court of Appeals contesting various aspects of the MDNR and MPCA decisions. During the first quarter of 2020, the Court of Appeals remanded the Permit to Mine and dam safety permits to the MDNR for a contested case hearing and the air permit to the MPCA with instructions to provide additional information. The Company, MDNR, and MPCA petitioned the Minnesota Supreme Court to review these decisions. Oral arguments were heard in October 2020 on the Permit to Mine and dam safety permits and in November 2020 on the air permit. In February 2021, the Minnesota Supreme Court overturned a decision by the Court of Appeals that had remanded the air permit back to the MPCA. The Supreme Court returned the case to the Court of Appeals to resolve items not specifically addressed in the Court of Appeals' original decision. PolyMet cannot act on these permits until the litigation is resolved of which the timing is uncertain.

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 and maintain permits necessary to construct and operate NorthMet, the ability to obtain financing necessary to complete the development of NorthMet, and to conduct future profitable operations or alternatively, disposal of the investment on an advantageous basis.

1. Nature of Business and Liquidity - *Continued*

Given the ongoing development of the Project, the Company has experienced recurring losses from operations and net cash outflows for operating and investing activities, which are expected to continue until the Project is constructed and operational. As at December 31, 2020, the Company had cash of $3.554 million, a working capital deficiency of $15.241 million and an agreement with Glencore to issue unsecured convertible debentures to Glencore in four tranches with a total minimum principal amount of $20.0 million and total maximum principal amount of $30.0 million, the amount of each tranche to be determined jointly by the Company and Glencore. As of December 31, 2020, the Company had issued $23.0 million of convertible debentures to Glencore under this agreement. The final tranche of $7.0 million was issued subsequent to year end on January 28, 2021 (see Note 8).

The Company believes it is probable it will continue to receive funding from Glencore or other financing sources, including funding from the issuance of unsecured convertible debentures, allowing the Company to satisfy future financial obligations, complete development of the Project and to conduct future profitable operations. Management's belief is based upon the underlying value of the Project, progress on obtaining and maintaining permits, ongoing discussions with potential financiers and the majority shareholder relationship with Glencore. Glencore has committed to provide financial support to enable the Company to continue its business operations for the next twelve months from the date of the consolidated financial statements.

In late December 2019, a novel coronavirus ("COVID-19") was identified and subsequently spread worldwide. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic creating an unprecedented global health and economic crisis. COVID-19's impact on global markets has been significant. The duration and magnitude of COVID-19's effects on the economy, movement of goods and services, the copper market, and on the Company's financial and operational performance remains uncertain at this time. As of the date of these statements, there has not been any direct impact on the Company's operations as a result of COVID-19.

The Company will continue to closely monitor the potential impact of COVID-19 on its business. Should the duration, spread or intensity of the COVID-19 pandemic deteriorate in the future, there could be a potentially material and negative impact on the Company's business, including the market for its securities, the ability to raise capital, and the valuation of its non-financial assets including mineral property, plant and equipment and intangibles due to sustained decreases in metal prices. Impacts from COVID-19 could also include a temporary cessation of operations due to a localized outbreak amongst Company personnel or in the Company's supply chain.

2. Basis of Preparation

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 March 18, 2021.

Effective August 26, 2020, the Company completed a consolidation of its common shares at a ratio of ten pre-consolidation common shares for one post-consolidation common share. As a result of the consolidation, shares issuable pursuant to the Company's outstanding options, warrants, restricted share units and other convertible securities were proportionally adjusted on the same basis. All common share numbers, numbers of shares issuable under options, warrants and restricted share units and related per share amounts in these consolidated financial statements have been retrospectively adjusted to reflect the share consolidation.

2. Basis of Preparation - *Continued*

b) **Basis of Consolidation and Preparation**

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Intercompany balances and transactions have been eliminated on consolidation.

The consolidated financial statements have been prepared under the historical cost basis, except for those assets and liabilities that are measured at revalued amounts or fair values at the end of each reporting period. All dollar amounts presented are in United States ("U.S.") dollars unless otherwise specified.

c) **Critical Accounting Estimates**

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. This requires management to make 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 used in the preparation of the consolidated financial statements are as follows:

<u>Determination of mineral reserves</u>

Reserves are estimates of the amount of product that can be economically extracted from the Company's property. In order to estimate reserves, estimates are required on a range of geological, technical and economic factors, including quantities, production techniques, production costs, capital costs, transport costs, metal 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 prices for its products, based on current and long-term historical average price trends. Changes in the proven and probable reserve estimates may impact the carrying value of property, plant and equipment, rehabilitation provisions, deferred tax amounts and depreciation, depletion and amortization.

<u>Provision for Environmental Rehabilitation Costs</u>

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 risk-free rate reflecting current market assessments of the time value of money. The provision for environmental rehabilitation obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability.

The Company's estimates of its 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, changes in operating plans or changes in cost estimates. 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. The likelihood of new regulations and overall effect upon the Company may vary greatly and are not predictable.

2. Basis of Preparation - *Continued*

d) Critical Accounting Judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting judgments. This requires management to make judgments 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 judgments used in the preparation of the consolidated financial statements are as follows:

Impairment of non-financial assets

The carrying amounts of non-financial assets, including mineral property, plant and equipment, and intangibles are reviewed at each reporting date, or when events or circumstances 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 ("FVLCD"). 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. NorthMet meets the criteria of a cash-generating unit as it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or groups of assets. 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.

The Company considers both external and internal sources of information in assessing whether there are any indications of impairment. External sources of information include changes in the market, economic, and legal environment in which the Company operates and that are not within its control and affect the recoverable amount. Internal sources of information include indications of economic performance of the asset.

Going concern assumptions

The Company must assess its ability to continue as a going concern and prepare financial statements on a going concern basis unless it either intends to liquidate or cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, the Company takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

2. Basis of Preparation - *Continued*

e) Summary of Significant Accounting Policies

Cash and Restricted Deposits
Cash include amounts held in banks and highly liquid investments with original maturities of three months or less. Restricted deposits are held in a trust account and invested in highly liquid investments with a major financial institution as security and collateral primarily for legacy reclamation activities.

Financial Assets
All financial assets are initially recorded at fair value and designated upon inception as one of the following categories: fair value through profit or loss ("FVTPL") or amortized cost. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized through profit and loss. Financial assets classified as amortized cost 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 allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial asset, or, where appropriate, a shorter period. Loss allowances are recognized for Expected Credit Losses ("ECL") for amounts receivable and other assets not measured at FVTPL. Loss allowances for amounts receivable and other assets are measured at an amount equal to lifetime ECL. ECL is a probability-weighted estimate and measured as the present value of all cash shortfalls including the impact of forward looking information. The loss allowance is presented as a deduction to amounts receivable and other assets. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with amortized cost financial assets are included in the initial carrying amount of the asset (see Note 15).

Mineral Property
Exploration costs are incurred to discover mineral resources. Evaluation costs are incurred to assess the technical feasibility and commercial viability of the resources found. Exploration and evaluation costs are expensed as incurred.

Capitalization of expenditures begins upon receipt and approval of a feasibility study confirming the technical feasibility and commercial viability of extracting the mineral resource ("Definitive Feasibility Study"). Development costs incurred subsequent to a Definitive Feasibility Study and mineral property acquisition costs are capitalized until the property is placed into production, sold, allowed to lapse or abandoned. Development costs are capitalized to the extent they are necessary to bring the property to commercial production and are directly attributable to an area of interest or capable of being reasonably allocated to an area of interest.

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

2. Basis of Preparation - *Continued*

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.

Depreciation of plant and equipment is calculated using the cost of the asset, less its residual value, over the estimated useful life of the asset on a unit of production or straight-line basis, as appropriate.

Leases

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments, discounted using the incremental borrowing rate.

Intangibles

Intangibles include wetland credits and software. Acquisition costs are capitalized until the asset is used, sold, or abandoned. Wetland credits are used to offset and mitigate wetlands disturbed during construction and operation of the Project. As such, costs will be transferred to Mineral Property, Plant and Equipment once placed into service and amortized on a unit of production basis over the estimated proven and probable mineral reserves not to exceed the assets' useful lives. Software is amortized over the useful life once placed into service.

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 FVTPL are initially recognized at fair value with directly attributable transaction costs expensed as incurred. At the end of each reporting period, 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. Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method which calculates the amortized cost of a financial liability and allocates interest expense over the expected life of the financial liability.

Exchanges of instruments and modifications to debt are assessed using quantitative and qualitative factors to consider whether the exchange or modification constitutes an extinguishment of the original financial liability and establishment of a new financial liability. In the case of extinguishment, any fees or costs incurred are recognized in profit or loss in the period in which they arise. Where the terms in an exchange or modification are not assessed to be substantially different, a modification gain or loss is recognized at an amount equal to the difference between the modified cash flows discounted at the original effective interest rate and the carrying value of the debt. The carrying value of the debt is adjusted for this modification gain or loss, directly attributable transaction costs, and any cash paid to or received from the debt holder (see Note 15).

2. Basis of Preparation - *Continued*

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.

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 pricing model. The fair value of the bonus shares, restricted shares, and restricted share units expected to be settled in shares is amortized over the vesting period. For awards expected to be settled in cash, the change in market value and corresponding liability is adjusted to fair value at each reporting period.

The award is accrued and charged over the vesting period either to operations or mineral property, plant and equipment, with the offsetting credit to equity reserves for equity settled awards or liabilities for cash settled awards. If and when share options are ultimately exercised or bonus shares, restricted shares, and restricted share units vest, the applicable amounts are transferred to share capital or removed from liabilities.

Certain awards vest upon achievement of non-market performance conditions. 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 pricing model, is recognized over the vesting period in the statement of loss or capitalized as appropriate.

Share Purchase Warrants

The Company issues share purchase warrants in connection with certain financing transactions. The fair value of the warrants, as determined using the Black-Scholes pricing model or fair value of goods or services received, is credited to equity reserves. The recorded value of share purchase warrants is transferred to share capital upon exercise.

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. Exchange differences are recognized in net loss in the year in which they arise.

2. Basis of Preparation - *Continued*

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 due to the effect of potential issuances of shares under warrant or share option agreements being, in total, anti-dilutive.

Income Taxes and Deferred Taxes

The income tax expense or benefit for the year consists of 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 includes 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 Loss and 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.

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 mineral property rights in St. Louis County, Minnesota from RGGS Land & Minerals Ltd., L.P. Provided the Company continues to make annual lease payments, the lease period continues until June 12, 2048 with an option to extend the lease for up to five additional ten-year periods on the same terms and further extend as long as there are commercial mining operations. All lease payments have been paid to date with the next annual payment of $0.175 million due in January 2022.

Pursuant to an agreement dated December 1, 2008, the Company leases certain mineral property rights in St. Louis County, Minnesota from LMC Minerals. Provided the Company continues to make annual lease payments, the lease period continues until December 1, 2028 with an option to extend the lease for up to four additional five-year periods on the same terms. All lease payments have been paid to date with the next annual payment of $0.030 million due in November 2021.

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 $3.370 million in advance royalty payments to RGGS Land & Minerals Ltd., L.P. is subject to the lessor receiving an amount not less than the amount of the annual lease payment due for that year. The Company’s recovery of $0.279 million in advance royalty payments to LMC Minerals is subject to the lessor receiving an amount not less than the amount of the annual lease payment due for that year.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

4. Mineral Property, Plant and Equipment

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

Net Book Value		**Mineral Property**		**Plant and Equipment**		**Total**
Balance at December 31, 2019	$	409,356	$	776	$	410,132
Additions		7,668		255		7,923
Disposals		-		(9)		(9)
Changes to environmental rehabilitation provision *(Note 6)*		(2,315)		-		(2,315)
Amortization and depreciation		-		(172)		(172)
Balance at December 31, 2020		**414,709**		**850**		**415,559**
Gross carrying value		**461,877**		**2,166**		**464,043**
Accumulated depreciation and impairment	**$**	**(47,168)**	**$**	**(1,316)**	**$**	**(48,484)**

Net Book Value		**Mineral Property**		**Plant and Equipment**		**Total**
Balance at January 1, 2019	$	433,347	$	201	$	433,548
Additions		33,956		746		34,702
Disposals		(867)		-		(867)
Changes to environmental rehabilitation provision *(Note 6)*		(9,912)		-		(9,912)
Asset Impairment		(47,168)		-		(47,168)
Amortization and depreciation		-		(171)		(171)
Balance at December 31, 2019		409,356		776		410,132
Gross carrying value		456,524		1,931		458,455
Accumulated depreciation and impairment	$	(47,168)	$	(1,155)	$	(48,323)

Mineral Property		**December 31, 2020**		December 31, 2019
Mineral property acquisition and interest costs	**$**	**79,625**	$	79,625
Mine plan and development		**52,178**		51,388
Environmental		**146,094**		142,814
Consulting and wages		**61,653**		58,610
Reclamation and remediation *(Note 6)*		**44,584**		46,899
Site activities		**30,497**		29,942
Mine equipment		**78**		78
Total	**$**	**414,709**	$	409,356

4. Mineral Property, Plant and Equipment - *Continued*

In November 2005, the Company acquired from Cliffs Erie LLC, a subsidiary of Cleveland Cliffs Inc. (together "Cliffs") large parts of a processing facility located approximately six miles from the ore body. In December 2006, the Company acquired from Cliffs additional property and associated rights sufficient to provide it with a railroad connection linking the mine development site and the processing facility. The transaction also included a railcar fleet, locomotive fueling and maintenance facilities, water rights and pipelines, administrative offices on site and an additional 6,000 acres of land to the east and west of the existing tailings storage facilities. The consideration paid for the processing facility and associated infrastructure was $18.9 million in cash and $13.953 million in shares. As part of the consideration, the Company indemnified Cliffs for reclamation and remediation obligations of the acquired property (see Note 6).

During 2020, the Company capitalized development costs of $7.668 million (2019 - $19.205 million) necessary to bring the Project to commercial production. In addition, borrowing costs directly attributable to the Project were capitalized in the amount of $nil (2019 - $14.751 million) due to suspension of capitalization following the asset impairment during the three months ended December 31, 2019. As Project assets are not in use or capable of operating in a manner intended by management, no depreciation or amortization of these assets has been recorded to December 31, 2020.

The Company regularly assesses whether there are indicators of asset impairment. During the first quarter of 2020, indicators were identified, including updates to the Project and developments related to ongoing legal challenges, which potentially affect the timing of the Project. The recoverable amounts of mineral property, plant and equipment and intangibles were measured based on fair value less costs of disposal ("FVLCD"), determined by assessing future expected cash flows based on future business plans supported by life of mine plans. The valuation assessment uses the most recent reserve and resource estimates, relevant cost assumptions and market forecasts of commodity prices discounted using an operation specific weighted average cost of capital. The determination of FVLCD used Level 3 valuation techniques (see Note 15). Based on the results of the Company's recoverability analysis, the FVLCD exceeded the carrying amount of the assets and no impairment was required during the first quarter of 2020. No indicators of asset impairment were identified during the second, third, or fourth quarters of 2020.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

5. Intangibles

Details of the Intangibles are as follows:

	Year ended December 31,	
	2020	2019
Intangibles – beginning of period	$ **24,380**	$ 24,185
Additions	**62**	195
Amortization	**(52)**	-
Intangibles – end of period	**24,390**	24,380
Gross carrying value	**24,442**	24,380
Accumulated amortization and impairment	$ **(52)**	$ -

In October 2017, the Company entered into an agreement with EIP Credit Co., LLC to reserve wetland mitigation bank credits the Company can use for the Project for a minimum of five years in exchange for an initial down payment applicable to the purchase price, contractual transfer of certain lands, and annual option payments not applicable to the purchase price. Annual option payments of $0.250 million are expensed as incurred whereas option exercise payments are recorded to Intangibles and transferred to Mineral Property, Plant and Equipment once placed into service. As at December 31, 2020, the carrying amount of wetland mitigation bank credit intangibles was $24.185 million (December 31, 2019 – $24.185 million).

During 2020, the Company capitalized $0.062 million related to software costs (December 31, 2019 - $0.195 million). As at December 31, 2020, the carrying amount of software intangibles was $0.205 million (December 31, 2019 – $0.195 million).

6. Environmental Rehabilitation Provision

Details of the Environmental Rehabilitation Provision are as follows:

	Year ended December 31,	
	2020	2019
Environmental Rehabilitation Provision – beginning of period	$ **52,525**	$ 61,107
Change in estimate	**(2,315)**	(9,912)
Liabilities discharged	**(543)**	(742)
Accretion expense	**2,083**	2,072
Environmental Rehabilitation Provision – end of period	**51,750**	52,525
Less current portion	**(893)**	(1,276)
Non-current portion	$ **50,857**	$ 51,249

Federal, state and local laws and regulations concerning environmental protection affect the Company's assets. As part of the consideration for the asset acquisitions from Cliffs (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.

6. Environmental Rehabilitation Provision - *Continued*

The Company's best estimate of the environmental rehabilitation provision as at December 31, 2020 was \$51.750 million (December 31, 2019 - \$52.525 million) based on estimated cash flows required to settle this obligation in present day costs of \$67.597 million (December 31, 2019 - \$70.480 million), a projected inflation rate of 2.0% (December 31, 2019 – 2.2%), a market risk-free nominal interest rate of 3.7% (December 31, 2019 – 4.0%) and expenditures expected to occur over a period of approximately 30 years. During 2019, the Company changed its estimate for determining the discount rate in order to better reflect the expected rates over the period of future cash flows. This change in estimate resulted in a \$9.9 million decrease to the environmental rehabilitation provision during 2019 and was accounted for prospectively as a change in accounting estimate in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates, and Errors. The carrying value of the provision is sensitive to the estimates and assumptions used in its measurement. If the discount rate had been 1% lower than management's estimate, the liability would have increased by \$8.2 million as at December 31, 2020 and conversely, if the discount rate had been 1% higher than management's estimate, the liability would have decreased by \$6.6 million as at December 31, 2020.

On November 1, 2018, the Company received the Permit to Mine and certain other permits for the Project from the MDNR which included a schedule for financial assurance obligations, including required cash contributions to a trust fund. The Company has satisfied its current financial assurance obligations primarily by establishing and contributing \$10.0 million in restricted deposits to a trust fund and providing \$65.0 million in surety bonds and letters of credit, with the MDNR as the beneficiary in each case. Financial assurance obligations are reviewed annually based on the Company's planned reclamation activities, with the total assurance and related financial instruments adjusted accordingly. The Company may terminate these financial instruments, partially or in full, only upon fulfilling site reclamation requirements and receiving approval from the MDNR. Future required cash contributions to the trust fund are \$2.0 million per year beginning in the first year of mining operations and continue until the eighth year after which annual contributions will be prorated based on the expected reclamation obligation at the end of mining. In addition, the Company provided Cliffs with a \$13.4 million letter of credit to satisfy requirements under the asset acquisition agreements and related obligations. There were no changes in the financial assurance obligations during 2020. As at December 31, 2020, the trust fund balance was \$12.725 million (December 31, 2019 - \$11.198 million).

7. Glencore Financing

Since October 2008, the Company and Glencore have entered into a series of financing agreements resulting in the following financial interests as at December 31, 2020:

- Equity (see Note 10) – 72,008,404 common shares of the Company acquired between 2009 and 2019 which represent 71.5% of the Company's issued shares;

- Convertible debt (see Note 8) – \$23.0 million initial principal unsecured convertible debentures due March 31, 2023; and

- Promissory note (see Note 9) – \$15.0 million initial principal note due December 31, 2021.

See additional discussion of Glencore agreements in Notes 8, 9, and 10.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

8. Convertible Debt

Details of the Convertible Debt are as follows:

	Year ended December 31,	
	2020	2019
Convertible Debt – beginning of period	**$ -**	$ 56,984
Fair value of debenture funding	**17,912**	-
Change due to modification	**-**	792
Accretion and capitalized interest	**835**	2,105
Repayment	**-**	(59,881)
Convertible Debt – end of period	**$ 18,747**	$ -

During 2008 and 2009, the Company issued $25.0 million of secured convertible debentures to Glencore. The Company provided security on these debentures covering all of the assets of PolyMet. Interest was compounded quarterly and payable by increasing the principal amount of the debentures.

On March 22, 2019, the Company entered into an extension agreement with Glencore with respect to the secured convertible and non-convertible debt set to mature on March 31, 2019. Glencore agreed to extend the maturity date of the debt to June 30, 2019 to provide the Company time to complete a rights offering, fully backstopped by Glencore, to raise sufficient funds to repay all outstanding debt. In connection with the extension agreement, the Company issued 6,458,001 purchase warrants to Glencore with an expiration date of March 31, 2024 and an exercise price of $0.7368 which was approved by the NYSE American and TSX. In addition, the Company agreed to extend the expiration date of the convertible debt exchange warrant to the earlier of March 31, 2020 or the date on which the convertible debt is fully repaid, which occurred on June 28, 2019.

The March 2019 transaction was accounted for as a modification of the existing debentures with a $2.014 million modification loss consisting of the following:

- $0.810 million to increase the convertible debt carrying value to the revised cash flows discounted using the original effective interest rate of 7.3%;
- $0.360 million to reduce the non-convertible debt carrying value to the revised cash flows discounted using the original effective interest rate of 14.3%; and
- $1.564 million to equity reserves to recognize the fair value of the purchase warrants issued.

Upon closing of the Rights Offering, these debentures were fully repaid on June 28, 2019. Since inception, $34.881 million of interest was capitalized to the principal amount of the debenture. All borrowing costs were eligible for capitalization and $2.105 million was capitalized during 2019.

On March 17, 2020, the Company agreed to issue unsecured convertible debentures to Glencore in four tranches with a total minimum principal amount of $20.0 million and total maximum principal amount of $30.0 million, the amount of each tranche to be determined jointly by the Company and Glencore. The debentures are due on the earlier of March 31, 2023 or upon US$100 million of Project financing. Interest accrues on the unsecured debentures balance drawn at 4% per annum and the principal amount of the debentures is convertible into common shares of the Company at a conversion price equal to $2.223. The first tranche in the amount of $7.0 million was issued on March 18, 2020, the second tranche in the amount of $7.0 million was issued on June 23, 2020 and the third tranche in the amount of $9.0 million was issued on September 30, 2020. The final tranche of $7.0 million was issued subsequent to year end on January 28, 2021.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

8. Convertible Debt - *Continued*

The convertible debenture proceeds were bifurcated between the debt and equity components. The fair value of the debt component was estimated using a discounted cash flow model method. Transaction costs for the financing was $0.112 million. The fair value of the debt components issued during 2020 was $17.912 million with the residual of $4.976 million allocated to equity. The debt component has been recorded at amortized cost, net of transaction costs, and is being accreted to face value over the expected life using the effective interest method. No borrowing costs were capitalized during 2020.

9. Non-Convertible Debt and Promissory Note

Details of the Non-Convertible Debt are as follows:

	Year ended December 31,	
	2020	2019
Non-Convertible Debt – beginning of period	**-**	178,483
Change due to modification *(Note 7)*	**-**	(352)
Accretion and capitalized interest	**-**	12,305
Repayment	**-**	(190,436)
Non-Convertible Debt – end of period	**-**	-

Since January 2015, the Company issued $140.0 million of secured non-convertible debentures to Glencore. The Company provided security on these debentures covering all of the assets of PolyMet. Interest was compounded quarterly and payable by increasing the principal amount of the debentures.

On March 22, 2019, the Company entered into an extension agreement with Glencore with respect to the secured convertible and non-convertible debt set to mature on March 31, 2019. Glencore agreed to extend the maturity date of the debt to June 30, 2019 to provide the Company time to complete a rights offering, fully backstopped by Glencore, to raise sufficient funds to repay all outstanding debt. See further discussion of the transaction in Note 8.

Upon closing of the Rights Offering, these debentures were fully repaid on June 28, 2019. Since inception, $50.436 million of interest was capitalized to the principal amount of the debenture. All borrowing costs were eligible for capitalization and $12.305 million was capitalized during 2019.

Details of the Promissory Note are as follows:

		Year ended December 31,		
		2020		2019
Promissory Note – beginning of period	**$**	**15,501**	**$**	-
Funding, net of costs		**-**		15,000
Accretion and capitalized interest		**1,128**		501
Promissory Note – end of period	**$**	**16,629**	**$**	15,501

On August 7, 2019, the Company issued to Glencore a promissory note in the amount of $15.0 million with proceeds to be used for general corporate purposes. The promissory note bears interest at three month U.S. dollar LIBOR plus 6.0% and is payable on the earlier of (i) December 31, 2021 or (ii) the availability of at least $100 million of debt or equity financing, on which date all principal and interest accrued to such date will be due and payable. Since inception, $1.629 million of interest has been capitalized to the principal amount of the promissory note. Borrowing costs of $0.341 million were eligible for and were capitalized during 2019. No borrowing costs were capitalized during 2020.

10. Share Capital

a) Issuances for Cash and Land Acquisition

On May 24, 2019, the Company filed a prospectus for an offering of rights to holders of common shares of the Company to raise up to $265.0 million in gross proceeds (“Rights Offering”). Every shareholder received one right ("Right") for each common share owned on June 3, 2019, the Record Date, and each Right entitled the holder to acquire 2.119069 new common shares of the Company at $0.3881 per share. This offering of Rights expired on June 26, 2019.

Under the terms of a Standby Purchase Agreement, Glencore agreed to purchase any common shares not subscribed for by holders of Rights, subject to certain conditions. Because the Rights Offering was not fully subscribed, Glencore purchased 430,521,941 common shares under its standby commitment in addition to the 196,726,042 common shares purchased under Glencore’s Rights which resulted in Glencore owning 71.6% of the Company’s issued shares.

Upon closing of the Rights Offering on June 28, 2019, the Company issued a total of 682,813,838 common shares for gross proceeds of $265.0 million. Expenses and fees relating to the Rights Offering were $11.953 million, including a $7.690 million standby commitment fee paid to Glencore, and reduced the gross proceeds recorded as share capital. Closing of the Rights Offering triggered customary anti-dilution provisions for outstanding warrants, share options, and unissued restricted share units. Proceeds of the Rights Offering were used to repay the convertible debt of $59.881 million owed to Glencore and non-convertible debt of $190.436 million owed to Glencore (see Notes 8 and 9). The Company and Glencore agreed to net settle Glencore’s Rights Offering subscription amount of $243.435 million against the debt amounts owed.

During 2020, the Company issued nil shares (2019 – 40,017 shares) pursuant to the exercise of share options for proceeds of $nil (2019 - $0.274 million).

During 2020, the Company issued nil shares (2019 – 7,875 shares) to maintain land purchase options with the shares valued at $nil (2019 - $0.046 million).

On June 24, 2020, shareholders approved the proposed consolidation of the issued and outstanding common shares of the Company on the basis of up to ten (10) pre-consolidation shares for every one (1) post-consolidation share and further authorized the Board of Directors to determine when and if to effect such consolidation. Effective August 26, 2020, the Company completed the consolidation at a ratio of ten pre-consolidation common shares for one post-consolidation common share.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

10. Share Capital - *Continued*

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 June 27, 2018. 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 250,000 common shares underlying options pursuant to an exemption approved by the Toronto Stock Exchange.

During 2020, the Company recorded $2.193 million for share-based compensation (2019 - $2.055 million) with $1.842 million expensed to share-based compensation (2019 - $1.558 million) and $0.351 million capitalized to mineral property, plant and equipment (2019 - $0.497 million). The offsetting entries were to equity reserves for $1.203 million (2019 - $1.986 million), share capital for $0.150 million (2019 - $0.084 million) and payables for $0.840 million (2019 - $0.015 million decrease). Total share-based compensation for the period comprised $0.159 million for share options (2019 - $1.171 million), $1.884 million for restricted share units (2019 - $0.800 million), and $0.150 million for issuance of 57,481 unrestricted shares (2019 - $0.084 million for 10,292 shares). Exercise of options and warrants and vesting of restricted share units during the period resulted in $0.874 million being transferred from equity reserves to share capital (2019 - $1.013 million).

c) Share Options

Share options granted may not exceed a term of ten years and the expiration date is accelerated if the grantee ceases to be an eligible person under the Omnibus Plan.

Details of the share options outstanding are as follows:

	Year ended December 31,					
	2020			2019		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Outstanding – beginning of period	**2,406,600**	**$**	**7.68**	2,269,200	$	9.11
Granted	**25,000**		**3.90**	362,500		8.10
Exercised	**-**		**-**	(62,500)		7.11
Expired	**(136,400)**		**9.84**	(162,600)		10.09
Anti-dilution adjustment	**-**		**-**	-		(1.21)
Outstanding – end of period	**2,295,200**	**$**	**7.51**	2,406,600	$	7.68

Range of Exercise Prices	**Number of options outstanding**	**Number of options exercisable**		**Weighted Average Exercise Price**	**Weighted Average Remaining Life**
3.90 to 7.00	1,048,500	1,048,500	$	6.27	1.44
7.01 to 8.70	966,700	896,800		7.68	2.79
8.71 to 13.00	175,000	175,000		9.21	2.38
13.01 to 16.30	105,000	105,000		15.61	0.15
	2,295,200	**2,225,300**	**$**	**7.51**	**2.02**

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

10. Share Capital - *Continued*

As at December 31, 2020 all outstanding share options had vested and were exercisable, with the exception of 69,900, which are scheduled to vest upon production. The outstanding share options have expiry periods between 0.07 and 9.49 years and are expected to primarily be settled in shares upon exercise.

During 2020, the Company granted 25,000 share options (2019 – 362,500) which had a fair value of $0.057 million (2019 - $1.042 million) to be expensed and capitalized over the vesting periods.

The fair value of share options granted were estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

	Year ended December 31,	
	2020	2019
Risk-free interest rate	**0.33%**	2.52%
Expected dividend yield	**-**	-
Expected forfeiture rate	**-**	-
Expected volatility	**71.88%**	54.56%
Expected life in years	**5.00**	2.50
Weighted average fair value of each option	**$2.27**	$2.87

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.

Effective June 28, 2019, the Company reduced the exercise price of all options that were outstanding prior to the Rights Offering, to reflect the dilutive effect of the common shares that were issued in connection with the Rights Offering. The adjustment did not impact the financial statements.

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 the restricted shares and restricted share units are as follows:

	Year ended December 31,	
	2020	2019
Outstanding - beginning of period	**464,886**	334,791
Granted	**918,252**	172,587
Vested	**(221,979)**	(104,937)
Forfeited	**(10,099)**	-
Anti-dilution adjustment	**-**	62,445
Rounding due to share consolidation	**(25)**	-
Outstanding - end of period	**1,151,035**	464,886

As at December 31, 2020, outstanding restricted shares and restricted share units are scheduled to vest upon completion of specific targets or dates (Construction Finance – 86,557; Production – 45,261; January 2021 – 152,312; January 2022 – 800,459 and Other – 6,250). The remaining 60,196 outstanding restricted share units have vested but share delivery is deferred until retirement, termination, or death. The Company expects 418,187 outstanding restricted share units will be settled in cash and the remainder will be settled in shares as allowed under the Omnibus Plan.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

10. Share Capital - *Continued*

During 2020, the Company granted 918,252 restricted share units (2019 – 172,587) which had a fair value of $2.389 million (2019 - $1.355 million) to be expensed and capitalized over the vesting periods.

During 2020, there were nil restricted shares (2019 – 9,550) settled upon vesting in shares, 153,304 restricted share units (2019 – 64,451) settled upon vesting with shares and 68,675 restricted share units (2019 – 30,936) settled upon vesting with cash for $0.204 million (2019 – $0.232 million).

Effective June 28, 2019, the Company increased the number of common shares issuable for all restricted share units outstanding prior to the Rights Offering, to reflect the dilutive effect of the common shares that were issued in connection with the Rights Offering. The adjustment did not impact the financial statements.

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 in May 2004. The Company has authorized 364,000 bonus shares for the achievement of Milestone 4 representing commencement of commercial production at NorthMet. At the Company's Annual General Meeting of shareholders held in June 2008, the disinterested shareholders approved issuance of these shares upon achievement of Milestone 4. Regulatory approval is also required prior to issuance of these shares. The fair value of these unissued bonus shares has been fully amortized.

Details of the bonus shares are as follows:

	Year ended December 31,			
	2020		2019	
	Allocated	**Authorized & Unissued**	Allocated	Authorized & Unissued
Outstanding – beginning of period	**270,000**	**364,000**	270,000	364,000
Outstanding – end of period	**270,000**	**364,000**	270,000	364,000

f) Share Purchase Warrants

Details of the share purchase warrants are as follows:

	Year ended December 31,			
	2020		2019	
	Number of Purchase Warrants	**Weighted Average Exercise Price**	Number of Purchase Warrants	Weighted Average Exercise Price
Outstanding – beginning of period	**3,137,918**	**$ 8.04**	2,718,971	$ 9.49
Granted	**-**	**-**	645,800	7.37
Expired	**-**	**-**	(645,800)	8.23
Anti-dilution adjustment	**-**	**-**	418,947	(1.20)
Outstanding – end of period	**3,137,918**	**$ 8.04**	3,137,918	$ 8.04

The outstanding share purchase warrants have expiry periods between 0.80 years and 3.25 years, subject to acceleration in certain circumstances.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

10. Share Capital - *Continued*

Effective June 28, 2019, the Company increased the number of common shares issuable and reduced the exercise price of all warrants that were outstanding prior to the Rights Offering, to reflect the dilutive effect of the common shares that were issued in connection with the Rights Offering. The adjustment did not impact the financial statements.

The fair value of share purchase warrants granted were estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

	Year ended December 31,	
	2020	2019
Risk-free interest rate	**-**	2.18%
Expected dividend yield	**-**	-
Expected forfeiture rate	**-**	-
Expected volatility	**-**	52.59%
Expected life in years	**-**	3.00
Weighted average fair value of each warrant	**$ -**	$ 2.42

The expected volatility reflects the Company's expectation that historical volatility over a period similar to the life of the warrant is indicative of future trends, which may or may not necessarily be the actual outcome.

11. Finance Costs – Net

Details of net finance costs are as follows:

	Year ended December 31,	
	2020	2019
Debt accretion and capitalized interest:		
Promissory note *(Note 9)*	**$ 1,128**	$ 501
Convertible debt *(Note 8)*	**835**	2,105
Non-convertible debt *(Note 9)*	**-**	12,305
Less: amounts capitalized on qualifying assets	**-**	(14,751)
Environmental rehabilitation accretion *(Note 6)*	**2,083**	2,072
Restricted deposit income	**(1,527)**	(1,163)
Cash interest income	**(23)**	(218)
Other finance (income) costs	**(1,452)**	681
Finance costs - net	**$ 1,044**	$ 1,532

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

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:

	Year ended December 31,	
	2020	2019
Salaries and other short-term benefits	**$ 2,351**	$ 2,247
Other long-term benefits	**59**	47
Share-based payment [(1)]	**1,781**	1,917
Total	**$ 4,191**	$ 4,211

[(1)] Share-based payment represents the amount capitalized or expensed during the period (see Note 10).

Agreements with senior management contain severance provisions in certain circumstances, including, for example, for termination without cause, in the event of a change in control, or in the event of the employee having good reason. Other than Jonathan Cherry, no PolyMet director has an agreement providing for benefits upon termination.

As a result of Glencore's ownership of 71.5% it is also a related party. In addition to the transactions described in Notes 7, 8 and 9 the Company is party to a Technical Services Agreement with Glencore whereby the Company reimburses Glencore for Project technical support costs requested under an agreed scope of work, primarily in detailed project design and mineral processing. During 2020, the Company recorded $0.309 million (2019 - $0.474 million) for services under this agreement.

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:

	Year ended December 31,	
	2020	2019
Loss for the year before taxes	**$ (20,830)**	$ (57,903)
Combined statutory tax rate	**27.0%**	27.0%
Expected tax recovery	**(5,624)**	(15,634)
Difference in foreign tax rates	**(303)**	(914)
Non-deductible items	**-**	541
Change in unrecognized deferred tax and other items	**5,927**	16,007
Income Tax Expense / (Recovery)	**$ -**	$ -

b) Deferred income tax assets and liabilities

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

	Year ended December 31,	
	2020	2019
Non-capital loss carry forward assets	**$ 17,738**	$ 16,994
Mineral property acquisition, exploration and development costs	**(17,738)**	(16,994)
Net deferred income tax liabilities	**$ -**	$ -

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

13. Income Taxes - *Continued*

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

	Year ended December 31, 2020	2019
Non-capital loss carry forward assets	$ **46,414**	$ 41,104
Capital loss carry forward assets	**360**	360
Intercompany receivable assets	**2,690**	2,690
Other assets	**4,186**	4,288
Unrecognized deferred income tax assets	$ **53,650**	$ 48,442

As at December 31, 2020, the Company has Canadian non-capital loss carry forwards of approximately $60.1 million (December 31, 2019 - $53.8 million), which expire between 2026 and 2040. The Company also has US federal non-capital loss carry forwards of approximately $167.5 million (December 31, 2019 - $152.3 million), of which approximately $134.2 million were generated prior to 2018 and expire between 2021 and 2037. The remaining $33.3 million were generated in tax years since 2018 and do not expire. The Company's US state non-capital loss carry forwards expire between 2021 and 2035. Further, US net operating loss carry forwards may be subject to an annual limitation in the event of a 50% or greater change of ownership within a 3 year period as defined under Section 382 of the Internal Revenue Code.

The Company is not recognizing these deferred tax assets because they relate to entities with a history of losses and there is not convincing evidence that future taxable income will enable timely offset.

14. Commitments and Contingencies

In the normal course of business, the Company enters into contracts that give rise to firm commitments for future minimum payments. In addition to items described elsewhere in these financial statements, the following table summarizes the Company's contractual obligations as at December 31, 2020:

Contractual Obligations	**Carrying Value**	**Contractual Cash flows**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**More than 5 years**
Accounts payable and accruals	$ 3,392	$ 3,392	$ 2,755	$ 637	$ -	$ -
Lease liability	557	659	145	297	217	-
Promissory note *(Note 9)*	16,629	16,919	16,919	-	-	-
Convertible debt *(Note 8)*	18,747	24,056	-	24,056	-	-
Firm commitments	-	436	64	284	88	-
Total	**$ 39,325**	**$ 45,462**	**$ 19,883**	**$ 25,274**	**$ 305**	**$ -**

The Company is involved in various claims, litigation and other matters arising in the ordinary course and conduct of business. While it is not possible to determine the ultimate outcome of such actions at this time, and inherent uncertainties exist in predicting such outcomes, it is the Company's belief that the ultimate resolution of such actions is not reasonably likely to have a material adverse effect on its consolidated financial position or results of operations. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. As a result of the assessment, no significant contingent liabilities were recorded as at December 31, 2020.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

15. Financial Instruments and Risk Management

The carrying values of each classification of financial instrument as at December 31, 2020 are:

	Amortized Cost	Fair value through profit or loss	Total carrying value
Financial assets			
Cash	**$ 3,554**	**$ -**	**$ 3,554**
Restricted deposits	**575**	**12,401**	**12,976**
Amounts receivable and other assets	**650**	**2,382**	**3,032**
Total financial assets	**4,779**	**14,783**	**19,562**
Financial liabilities			
Accounts payable and accruals	**2,620**	**772**	**3,392**
Convertible debt	**18,747**	**-**	**18,747**
Promissory note	**16,629**	**-**	**16,629**
Lease liabilities	**557**	**-**	**557**
Total financial liabilities	**$ 38,553**	**$ 772**	**$ 39,325**

The carrying values of each classification of financial instrument as at December 31, 2019 are:

	Amortized Cost	Fair value through profit or loss	Total carrying value
Financial assets			
Cash	$ 7,401	$ -	$ 7,401
Restricted deposits	809	10,640	11,449
Amounts receivable and other assets	738	2,176	2,914
Total financial assets	8,948	12,816	21,764
Financial liabilities			
Accounts payable and accruals	4,408	125	4,533
Promissory note	15,501	-	15,501
Lease liabilities	616	-	616
Total financial liabilities	$ 20,525	$ 125	$ 20,650

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.

Financial instruments measured at fair value subsequent to recognition include restricted deposits (see Note 6) measured at fair value through profit or loss using Level 1 inputs resulting in a carrying value of $12.401 million (December 31, 2019 - $10.640 million), amounts receivable measured at fair value through profit or loss using Level 3 inputs resulting in a carrying value of $2.382 million (December 31, 2019 - $2.176 million) and accruals for expected payments to settle restricted share units measured at fair value through profit or loss using Level 2 inputs resulting in a carrying value of $0.772 million (December 31, 2019 - $0.125 million).

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

15. Financial Instruments and Risk Management - *Continued*

The fair values of the convertible debt and promissory note approximate the carrying amount at amortized cost using the effective interest method. The fair values of other financial assets and other financial 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 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 the United States. The functional and reporting currency of the Company and its subsidiary is the U.S. dollar. Foreign exchange risk arises because the amount of Canadian dollar cash, amounts receivable, or accounts payable and accruals will vary in U.S. dollar terms due to changes in exchange rates.

As the majority of the Company's expenditures are in U.S. dollars, the Company has kept a significant portion of its cash in U.S. dollars. The Company has not hedged its exposure to currency fluctuations as the exposure to currency risk is currently insignificant.

Interest Rate Risk

Interest rate risk arises from interest paid on floating rate debt and interest received on cash and liquid short-term deposits. The Company has not hedged any of its interest rate risk.

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

	December 31, 2020	December 31, 2019
Cash and restricted deposits	**$ 16,530**	$ 18,850
Promissory Note	**$ 16,629**	$ 15,501

Based on the above net exposures, as at December 31, 2020, a 1% change in interest rates would have impacted the Company's loss by approximately $0.165 million and carrying value of the promissory note by approximately $0.166 million.

15. Financial Instruments and Risk Management - *Continued*

Credit Risk

Credit risk arises on cash and restricted deposits held with banks and financial institutions, as well as credit exposure on outstanding amounts receivable and other assets. The maximum exposure to credit risk is equal to the carrying value of the financial assets of $19.562 million.

The Company's cash and restricted deposits are primarily held through large Canadian and United States financial institutions.

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 expects to have the necessary resources to carry out its plans and operations through December 31, 2021, it does not currently have sufficient capital to complete the development of the Project and generate future profitable operations and is in discussions to arrange sufficient capital to meet these requirements. The Company's objective is to identify the source or sources from which it will obtain the capital required to complete the Project and manage liquidity risk. Further, Glencore has committed to provide financial support to enable the Company to continue its business operations for the next twelve months from the date of the consolidated financial statements (see Note 1).

16. Subsequent Events

On February 24, 2021, the Minnesota Supreme Court overturned a decision by the Court of Appeals that had remanded the air permit back to the MPCA. The Supreme Court returned the case to the Court of Appeals to resolve items not specifically addressed in the original decision of the Court of Appeals.

POLYMET MINING

POLYMET MINING CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

Years ended December 31, 2020 and 2019

General

The following information, prepared as at March 18, 2021 should be read in conjunction with the audited consolidated financial statements of PolyMet Mining Corp. and its subsidiaries (together "PolyMet" or the "Company") for the years ended December 31, 2020 and 2019 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in United States ("U.S.") dollars unless otherwise indicated.

Effective August 26, 2020, the Company completed a consolidation of its common shares at a ratio of ten pre-consolidation common shares for one post-consolidation common share. As a result of the consolidation, shares issuable pursuant to the Company's outstanding options, warrants, restricted share units and other convertible securities were proportionally adjusted on the same basis. All common share numbers, numbers of shares issuable under options, warrants and restricted share units and related per share amounts in these consolidated financial statements have been retrospectively adjusted to reflect the share consolidation.

Cautionary Note Regarding Forward Looking Statements

This Management Discussion and Analysis ("MD&A") contains "forward-looking statements" within the meaning of applicable Canadian securities legislation and Section 27A of the United States Securities Act of 1933 and Section 21E of the United States Securities Exchange Act of 1934.

Forward-looking statements are not, and cannot be, a guarantee of future results or events. Forward looking statements are based on, among other things, opinions, assumptions, estimates and analyses that are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking statement.

All statements in this MD&A that address events or developments that PolyMet expects to occur in the future are forward-looking statements and are generally, although not always, identified by words such as "expect", "plan", "anticipate", "project", "target", "potential", "schedule", "forecast", "budget", "estimate", "intend" or "believe" and similar expressions or their negative connotations, or that events or conditions "will", "would", "may", "could", "should" or "might" occur. These forward-looking statements include, but are not limited to, PolyMet's objectives, strategies, intentions, expectations, production, costs, capital and exploration expenditures, including estimated economics of future financial and operating performance. All forward-looking statements in this MD&A are qualified by this cautionary note.

The material factors or assumptions applied in drawing the conclusions or making forecasts or projections set in the forward-looking statements include, but are not limited to:
- various economic assumptions, in particular, metal price estimates;
- certain operational assumptions, including mill recovery, operating scenarios;
- construction schedules and timing issues; and
- assumptions concerning timing and certainty regarding the environmental review and permitting process.

The risks, uncertainties, contingencies and other factors that may cause actual results and events to differ materially from those expressed or implied by the forward-looking statement may include, but are not limited to, risks generally associated with the mining industry, such as: economic factors (including future commodity prices, currency fluctuations, inflation rates, energy prices and general cost escalation); uncertainties related to the development of the NorthMet Project; dependence on key personnel and employee relations; risks relating to political and social unrest or change, operational risk and hazards, including unanticipated environmental, industrial and geological events and developments and the inability to insure against all risks; failure of plant, equipment, processes, transposition and other infrastructure to operate as anticipated; compliance with governmental and environmental regulations, including permitting requirements; the outcome of ongoing litigation in connection with PolyMet's permits for the NorthMet Project; the potential impact of COVID-19 on PolyMet, as well as other factors identified and as described in more detail under the heading "Risk Factors" in Item 5 of the Annual Information Form. The list is not exhaustive of the factors that may affect the forward-looking statements. There can be no assurance that such statements will prove to be accurate, and actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. Accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits or liabilities PolyMet will derive therefrom. The forward-looking statements reflect the current expectations regarding future events and operating performance and speak only as of the date hereof and PolyMet does not assume any obligation to update the forward-looking statements if circumstances or management's beliefs, expectations or opinions should change other than as required by applicable law. For the reasons set forth above, undue reliance should not be placed on forward-looking statements.

Cautionary Note to United States Readers Regarding Resource and Reserve Estimates

Mineral reserves and mineral resources presented in this MD&A have been estimated in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("**NI 43-101**"), as required by Canadian securities regulatory authorities. In accordance with NI 43-101, the Company uses the terms mineral reserves and resources as they are defined in accordance with the CIM Definition Standards on mineral reserves and resources ("CIM") adopted by the Canadian Institute of Mining, Metallurgy and Petroleum.

The United States Securities and Exchange Commission ("**SEC**") has adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC under the U.S. Securities Exchange Act of 1934, as amended. These amendments became effective February 25, 2019 (the "**SEC Modernization Rules**") with compliance required for the first fiscal year beginning on or after January 1, 2021. The SEC Modernization Rules replace the historical property disclosure requirements for mining registrants that were included in SEC Industry Guide 7 ("**Guide 7**"), which will be rescinded from and after the required compliance date of the SEC Modernization Rules. As a foreign private issuer that files its annual report on Form 40-F with the SEC pursuant to the multi-jurisdictional disclosure system ("MJDS"), the Company is not required to provide disclosure on its mineral properties under the SEC Modernization Rules and will continue to provide disclosure under NI 43-101. However, if the Company either ceases to be a "foreign private issuer" or ceases to be entitled to file reports under the MJDS and the CIM Definition Standards, then the Company will be required to provide disclosure on its mineral properties under the SEC Modernization Rules. Accordingly, United States investors are cautioned that the disclosure the Company provides on its mineral properties in this annual report on Form 40-F and under its continuous disclosure obligations under the Exchange Act may be different from the disclosure that the Company would otherwise be required to provide as a U.S. domestic issuer or a non-MJDS foreign private issuer under the SEC Modernization Rules.

The SEC Modernization Rules include the adoption of terms describing mineral reserves and mineral resources that are substantially similar to the corresponding terms under the CIM. As a result of the adoption of the SEC Modernization Rules, the SEC now recognizes estimates of "measured", "indicated" and "inferred" mineral resources. In addition, the SEC has amended its definitions of "proven mineral reserves" and "probable mineral reserves" to be substantially similar to the corresponding CIM definitions, as required by NI 43-101.

United States investors are also cautioned that while the SEC will now recognize "measured mineral resources", "indicated mineral resources" and "inferred mineral resources", investors should not assume that any part or all of the mineral deposits in these categories will ever be converted into a higher category of mineral resources or into mineral reserves. These terms have a great amount of uncertainty as to their economic and legal feasibility. Accordingly, United States investors are cautioned not to assume that any "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" of PolyMet are or will be economically or legally mineable. Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies, except in limited circumstances where permitted under NI 43-101.

Summary of Business

PolyMet is a TSX and NYSE American listed Issuer engaged in the exploration and development of natural resource properties. The Company's primary mineral property and principal focus is the commercial development of its NorthMet Project ("NorthMet" or "Project"), a polymetallic project in northeastern Minnesota, United States of America, which hosts copper, nickel, cobalt, gold, silver and platinum group metal mineralization.

The NorthMet ore body is at the western end of a series of known copper-nickel-precious metals deposits in the Duluth Complex, one of the largest undeveloped mineral resources in the world. An updated technical report and feasibility study published in March 2018 confirmed the technical and economic viability, positioning NorthMet as the most advanced of the four large scale deposits in the Duluth Complex: namely, from west to east, NorthMet, Mesaba, Serpentine and Maturi.

The Company acquired a former taconite processing facility in 2005 which is located about six miles west of the NorthMet ore body and comprises a crushing and milling facility, railroad and access rights connecting the plant site to the NorthMet ore body, tailings storage facilities, locomotive fueling and maintenance facilities, water rights and pipelines, administrative offices and lands to the east and west of the existing tailings storage facilities.

PolyMet completed a land exchange with the U.S. Forest Service ("USFS") on June 28, 2018 and now controls approximately 30 square miles of contiguous surface rights stretching from west of the processing facility to east of the proposed East Pit at NorthMet.

PolyMet received its Permit to Mine from the State of Minnesota on November 1, 2018, a crucial permit for construction and operation of the Project. The Minnesota Department of Natural Resources ("MDNR") issued all other permits for which the Company applied including dam safety, water appropriations, endangered and threatened species takings, and public waters work permits, along with Wetlands Conservation Act approval. In addition, PolyMet received air and water permits from the Minnesota Pollution Control Agency ("MPCA") on December 18, 2018 and the federal Record of Decision ("ROD") and Section 404 Wetlands Permit from the U.S. Army Corps of Engineers ("USACE") on March 21, 2019, which was the last key permit or approval needed to construct and operate the Project. Legal challenges contesting various aspects of the MDNR, MPCA, and USACE decisions are ongoing and have led to court rulings that have delayed the Project timeline. Those legal challenges that have reached a final determination have been in favor of the Company.

See additional discussion below.

Summary of Recent Events and Outlook

Highlights and Recent Events

The Company received all key permits and approvals required to construct and operate NorthMet (subject to the ongoing legal challenges summarized below under "Environmental Review and Permitting") and secured title to the surface rights over and around the NorthMet mineral rights. PolyMet also completed geotechnical investigations, implemented its environmental management system and strengthened its financial position.

More specifically:

- In February 2021, the Minnesota Supreme Court overturned a decision by the Court of Appeals that had remanded the air permit back to the MPCA. The Supreme Court ruled in favor of the Company on the most significant legal issue and returned the case to the Court of Appeals to resolve a limited number of items the lower court had not specifically addressed in its original decision. This resolution is anticipated during the second or third quarter of 2021;

- In November 2019, mineral resources and reserves for the NorthMet deposit were updated based on results of the 2018-2019 drilling program resulting in a Proven and Probable Reserve increase of 14% to 290 million tons and a Measured and Indicated Resource increase of 22% to 795 million tons;

- In June 2019, a $265.0 million rights offering was completed with the proceeds used to fully repay outstanding debt and strengthen the Company's financial position. The rights offering resulted in Glencore, AG ("Glencore") owning 71.6% of the Company's issued shares;

- In March 2019, the federal ROD and wetlands permit were received from the USACE, which was the last key permit or approval needed to construct and operate the Project; and

- As noted in the "Environmental Review and Permitting" section below, a number of challenges have been filed contesting various aspects of federal and state permitting decisions. The Company continues to litigate these challenges and has received favorable decisions in all final rulings to date.

Net cash used in operating and investing activities during 2020 was $26.532 million. Primary activities during the period related to studies and evaluation of the NorthMet Project, maintaining existing infrastructure, site monitoring and compliance, legal defense of permits, financing and general corporate purposes.

Goals and Objectives for the Next Twelve Months

PolyMet's objectives include:

- Successfully defend against legal challenges to permits;
- Maintain political, social and regulatory support for the Project; and
- Continue engineering and optimization of the Project.

The Company is in discussions with various sources of debt and equity financing sufficient to fund ongoing permit litigation, Project optimization and construction. Construction and ramp-up to commercial production is anticipated to take approximately thirty months from receipt of construction funding. As noted in the "Environmental Review and Permitting" section below, legal challenges contesting various aspects of the MDNR, MPCA, and USACE decisions are ongoing and have led to court rulings which adversely affect the Project timeline; however, the Company continues to make preparations to act on those permits as appropriate and assuming positive legal outcomes.

See additional discussion in the sections below.

Detailed Description of Business

Asset Acquisition

In November 2005, the Company acquired from Cliffs Erie LLC, a subsidiary of Cleveland-Cliffs Inc. (together "Cliffs"), a former taconite processing facility located approximately six miles west of the NorthMet deposit which includes crushing and milling equipment, plant site buildings, real estate, tailings storage facilities and mine workshops, as well as access to extensive mining infrastructure including roads, rail, water and power.

Plans are to refurbish, reactivate and, as appropriate, update the crushing, concentrating and tailings storage facilities to produce concentrates containing copper, nickel, cobalt and precious metals – platinum, palladium, gold and silver. Once commercial operations are established, the Company may install an autoclave to upgrade nickel concentrates to produce a nickel-cobalt hydroxide and a precious metals precipitate.

In December 2006, additional property and associated rights were acquired from Cliffs sufficient to provide a railroad connection linking the NorthMet deposit and processing facilities. The transaction also included railcars, locomotive fueling and maintenance facilities, water rights and pipelines, administrative offices and land to the east and west of the existing tailings storage facilities.

PolyMet indemnified Cliffs for reclamation and remediation associated with the property under both transactions and long-term mitigation plans are included in the Company's environmental rehabilitation provision.

In June 2018, the Company acquired surface rights over the NorthMet deposit through a land exchange with the USFS using land the Company previously owned. With the exchange, PolyMet has total surface rights, including ownership and other use and occupancy rights, to approximately 30 square miles of land including the land at the mine and processing sites, the transportation corridor connecting those sites and buffer lands.

Mineral rights in and around the NorthMet orebody are held through mineral leases with RGGS Land & Minerals Ltd., L.P. ("RGGS") and LMC Minerals ("LMC"). The RGGS lease covers 5,123 acres. Provided the Company continues to make annual lease payments, the lease period continues until June 12, 2048 with an option to extend the lease for up to five additional ten-year periods on the same terms and further extend as long as there are commercial mining operations. The LMC lease covers 120 acres that are encircled by the RGGS property. Provided the Company continues to make annual lease payments, the lease period continues until December 1, 2028 with an option to extend the lease for up to four additional five-year periods on the same terms. Lease payments to both lessors 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.

Feasibility Study, Mineral Resources and Mineral Reserves

PolyMet published an updated Technical Report under NI 43-101 on the NorthMet Project dated March 26, 2018 (the "Technical Report") incorporating process improvements, project improvements and environmental controls described in the Final Environmental Impact Statement ("EIS") and draft permits. The update also included detailed capital costs, operating costs and economic valuations for the mine plan being permitted. Preliminary economic assessments for higher production scenarios were also presented. Proven and Probable mineral reserves were estimated to be 254.7 million short tons grading 0.294% copper, 0.084% nickel, 80 ppb platinum, 268 ppb palladium, 39 ppb gold, 74.42 ppm cobalt, and 1.06 ppm silver. These mineral reserves lie within Measured and Indicated mineral resources of an estimated 649.3 million short tons grading 0.245% copper, 0.074% nickel, 65 ppb platinum, 221 ppb palladium, 33 ppb gold, 71 ppm cobalt, and 0.91 ppm silver. See additional details in the Company's most recent Annual Information Form or the Technical Report, both filed on SEDAR and EDGAR.

In November 2019, PolyMet published an updated Mineral Resource and Reserve statement which increased Proven and Probable mineral reserves by 14% to 290 million short tons grading 0.288% copper, 0.083% nickel, 75 ppb platinum, 264 ppb palladium, 39 ppb gold, 73.95 ppm cobalt and 1.06 ppm silver. These mineral reserves lie within Measured and Indicated mineral resources of an estimated 795.2 million short tons grading 0.234% copper, 0.071% nickel, 62 ppb platinum, 214 ppb palladium, 31 ppb gold, 69 ppm cobalt and 0.87 ppm silver. The mineral reserve estimates are based on metal prices of $2.91 per pound copper, $5.54 per pound nickel, $28.82 per pound cobalt, $1,058 per ounce palladium, $889 per ounce platinum, $1,274 per ounce gold and $16.19 per ounce silver. The mineral resource estimates are based on metal prices of $3.34 per pound copper, $6.37 per pound nickel, $33.14 per pound cobalt, $1,216 per ounce palladium, $1,023 per ounce platinum, $1,465 per ounce gold and $18.62 per ounce silver. Metal recovery factors were applied to each metal based on recovery curves developed. The net smelter return cutoff was set at $7.98 per ton for mineral reserves and $6.34 per ton for mineral resources and include processing, general and administrative, and water treatment costs.

Environmental Review and Permitting

In November 2015, the MDNR, USACE, and USFS published the Final Environmental Impact Statement and in March 2016, the MDNR issued its decision that the Final EIS met the requirements under the Minnesota Environmental Policy Act.

In November 2018, the Company received all final MDNR permits for which the Company had applied, including the Permit to Mine, dam safety, water appropriations, endangered and threatened species takings, and public waters work permits, along with Wetlands Conservation Act approval.

In December 2018, the Company received all final MPCA permits for which the Company had applied, including the water quality permit, air emission quality permit, and Section 401 Certification.

In March 2019, the Company received the federal ROD and Section 404 Wetlands Permit from the USACE, which was the last key permit or approval needed to construct and operate the Project. In September 2019, two lawsuits were filed in Minnesota federal court challenging the USACE permits. In one case, the Environmental Protection Agency in March 2021 sought and received a voluntary remand to conduct a 90-day review of downstream water quality under section 401(a)(2) of the Clean Water Act and supplement the record. Because EPA's downstream water quality determination is a prerequisite for the Company's federal section 404 wetlands permit, the USACE subsequently notified the Company it had suspended the permit for the duration of EPA's review.

Legal challenges were filed in the Minnesota Court of Appeals contesting various aspects of the MDNR and MPCA decisions. PolyMet is a co-respondent in all suits.

- During 2019, the Court of Appeals ruled in favor of PolyMet in two state court actions, one which sought to force a supplemental environmental review and the other which challenged the rules used to permit the Project. These rulings are final.

- In June 2019, the Court of Appeals transferred challenges to the MPCA water quality permit to Ramsey County District Court for the limited purpose of an evidentiary hearing. In September 2020, the District Court found that PolyMet's water quality permit was issued with proper procedures; the ruling will be incorporated into the broader challenge to that permit currently pending before the Court of Appeals. The case is not expected to be heard until after the Permit to Mine and dam safety permit case currently pending before the Minnesota Supreme Court is decided.

- In January 2020, the Court of Appeals remanded the Permit to Mine and dam safety permits to the MDNR for a contested case hearing. The Company and MDNR successfully petitioned the Minnesota Supreme Court to review that decision. The Company cannot act on the MDNR permits until the Supreme Court rules on the case. This is anticipated during the first or second quarter of 2021.

- In March 2020, the Court of Appeals remanded the air permit to the MPCA with instructions to provide more information to the court in support of its decision to issue the permit. In February 2021, the Minnesota Supreme Court overturned the decision by the Court of Appeals to remand the air permit back to the MPCA. The Supreme Court ruled in favor of the Company on the most significant legal issue and returned the case to the Court of Appeals to resolve a limited number of items the lower court had not specifically addressed in its original decision. This resolution is anticipated during the second or third quarter of 2021.

<u>USFS Land Exchange</u>
In January 2017, the USFS issued its Final ROD authorizing the land exchange. In June 2018, the Company and USFS exchanged titles to federal and private lands, completing the land exchange giving the Company control over both surface and mineral rights in and around the NorthMet ore body and consolidating the Superior National Forest's land holdings in northeast Minnesota.

Four legal challenges were filed contesting various aspects of the land exchange Final ROD. Motions were filed by PolyMet to dismiss each of these suits for lack of standing. On October 1, 2019, the U.S. District Court for the District of Minnesota dismissed all lawsuits challenging the land exchange Final ROD. These rulings were not appealed and stand as final.

Financing Activities

<u>Glencore Financing</u>
Since October 2008, the Company and Glencore have entered into a series of financing agreements resulting in the following financial interests as at December 31, 2020:

- Equity – 72,008,404 common shares of the Company acquired between 2009 and 2019;
- Convertible debt – $23.0 million initial principal unsecured convertible debentures due March 31, 2023; and
- Promissory note – $15.0 million initial principal note due December 31, 2021.

On March 22, 2019, the Company entered into an extension agreement with Glencore with respect to the secured convertible and non-convertible debt set to mature on March 31, 2019. Glencore agreed to extend the maturity date of the debt to June 30, 2019 to provide the Company time to complete a rights offering, fully backstopped by Glencore, to raise sufficient funds to repay all outstanding debt (see Rights Offering below). In connection with the extension agreement, the Company issued 6,458,001 purchase warrants to Glencore with an expiration date of March 31, 2024 and an exercise price of $0.7368, which was approved by the NYSE American and TSX. In addition, the Company agreed to extend the expiration date of the convertible debt exchange warrant to the earlier of March 31, 2020 or the date on which the convertible debt is fully repaid, which occurred on June 28, 2019.

On June 28, 2019, Glencore purchased 430,521,941 common shares under its standby commitment under the rights offering in addition to the 196,726,042 common shares purchased under its rights. See below for proceeds usage from the Rights Offering.

On August 7, 2019, the Company issued to Glencore a promissory note in the amount of $15.0 million with proceeds to be used for general corporate purposes. The promissory note bears interest at three month U.S. dollar LIBOR plus 6.0% and is payable on the earlier of (i) December 31, 2021 or (ii) the availability of at least $100 million of debt or equity financing, on which date all principal and interest accrued to such date will be due and payable.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

On March 17, 2020, the Company agreed to issue unsecured convertible debentures to Glencore in four tranches with a total minimum principal amount of $20.0 million and total maximum principal amount of $30.0 million, the amount of each tranche to be determined jointly by the Company and Glencore. The debentures are due on the earlier of March 31, 2023 or upon US$100 million of Project financing. Interest will accrue on the unsecured debentures at 4% per annum on the balance drawn and the principal amount of the debentures is convertible into common shares of the Company at a conversion price equal to $2.223. The first tranche in the amount of $7.0 million was issued on March 18, 2020, the second tranche in the amount of $7.0 million was issued on June 23, 2020 and the third tranche in the amount of $9.0 million was issued on September 30, 2020. The final tranche of $7.0 million was issued subsequent to year end on January 28, 2021.

Rights Offering

On May 24, 2019, the Company filed a prospectus for an offering of rights to holders of common shares of the Company to raise up to $265.0 million in gross proceeds (“Rights Offering”). Every shareholder received one right ("Right") for each common share owned on June 3, 2019, the Record Date, and each Right entitled the holder to acquire 2.119069 new common shares of the Company at $0.3881 per share. This offering of Rights expired on June 26, 2019.

Under the terms of a Standby Purchase Agreement, Glencore agreed to purchase any common shares not subscribed for by holders of Rights, subject to certain conditions. As the Rights Offering was not fully subscribed, Glencore purchased 430,521,941 common shares under its standby commitment in addition to the 196,726,042 common shares purchased under its Rights which resulted in Glencore owning 71.6% of the Company’s issued shares.

Upon closing of the Rights Offering on June 28, 2019, the Company issued a total of 682,813,838 common shares for gross proceeds of $265.0 million. Expenses and fees relating to the Rights Offering were $11.953 million, including a $7.690 million standby commitment fee paid to Glencore, and reduced the gross proceeds recorded as share capital. Closing of the Rights Offering triggered customary anti-dilution provisions for outstanding warrants, share options, and unissued restricted share units. Proceeds of the Rights Offering were used to repay the convertible debt of $59.881 million owed to Glencore and non-convertible debt of $190.436 million owed to Glencore. The Company and Glencore agreed to net settle its Rights Offering subscription amount of $243.435 million against the debt amounts owed.

The Rights Offering prospectus stated that the proceeds of the Rights Offering were to be used as follows: (a) repayment of the Glencore debt upon closing of the Rights Offering at a cost of approximately $251.310 million (b) payment of rights offering standby fee to Glencore at a cost of approximately $7.690 million, and (c) payment of other rights offering expenses at a cost of approximately $6.0 million.

As at December 31, 2019, approximate proceeds usage from the Rights Offering were as follows:

Purpose	Planned	Actual To Date	Variance	
Rights Offering Proceeds	265,000	265,000	-	
Repay Glencore Debt	(251,310)	(250,318)	992	(1)
Rights Offering Standby Fee	(7,690)	(7,690)	-	
Rights Offering Expenses & General Corporate Purposes	(6,000)	(6,992)	(992)	
TOTAL	-	-	-	

(1) Rights offering closed and debt repaid sooner than planned due to expedited Hart-Scott-Rodino approval.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

Other Financing
During 2020, the Company issued nil common shares (2019 – 40,017 shares) pursuant to the exercise of share options for proceeds of $nil (2019 - $0.274 million).

During 2020, the Company issued nil common shares (2019 – 7,875 shares) to maintain land purchase options with the shares valued at $nil (2019 - $0.046 million).

On June 24, 2020, shareholders approved the proposed consolidation of the issued and outstanding common shares of the Company on the basis of up to ten (10) pre-consolidation shares for every one (1) post-consolidation share and further authorized the Board of Directors to determine when and if to effect such consolidation. Effective August 26, 2020, the Company completed the consolidation at a ratio of ten pre-consolidation common shares for one post-consolidation common share.

Summary of Quarterly Results

	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Loss from operations	**(3,992)**	(4,296)	(6,582)	(5,207)	(2,818)	(1,287)	(1,021)	(2,744)
Other income (expense)	**(37)**	955	531	(2,202)	(46,779)	(291)	111	(3,074)
Loss for the period	**(4,029)**	(3,341)	(6,051)	(7,409)	(49,597)	(1,578)	(910)	(5,818)
Loss for the period ($/share) [1]	**(0.04)**	(0.03)	(0.06)	(0.07)	(0.49)	(0.02)	(0.03)	(0.18)
Cash (used in) provided by operating activities	**(4,239)**	(3,976)	(6,156)	(3,569)	(2,393)	(1,415)	1,640	(1,897)
Cash (used in) provided by financing activities	**(119)**	9,000	6,915	6,888	-	14,997	2,713	62
Cash used in investing activities	**(1,907)**	(1,682)	(2,450)	(2,553)	(5,189)	(4,749)	(4,488)	(5,721)

(1) Loss per share amounts may not reconcile due to rounding differences and share issuances during the year.

The loss for the period includes share-based compensation for the period ended:

December 31, 2020 - $0.361 million
September 30, 2020 - $0.322 million
June 30, 2020 - $0.648 million
March 31, 2020 - $0.511 million

December 31, 2019 - $0.140 million
September 30, 2019 - $0.120 million
June 30, 2019 - $0.109 m4134illion
March 31, 2019 - $1.189 million

Results fluctuate from period to period based on NorthMet development, corporate activities, and non-cash items. Additional discussion of significant items is included below.

Three months ended December 31, 2020 compared to three months ended December 30, 2019

Focus during the current year period was on legal defense of Project permits, engineering and optimization opportunities, site monitoring and permit compliance, and maintenance of existing infrastructure.

a) Loss for the Period:

During the current year period, the Company incurred a loss of $4.029 million ($0.04 per share) compared to a loss of $49.597 million ($0.49 per share) during the prior year period. The decreased loss was due to a $47.168 million non-cash asset impairment in the prior year related to Mineral PP&E.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

b) Cash Flows for the Period:

Cash used in operating activities during the current year period was $4.239 million compared to cash used during the prior year period of $2.393 million. The increase was primarily due to cash used on additional studies and further evaluation of the mineral resource and changes in working capital.

Cash used in financing activities during the current year period was $0.119 million compared to cash used during the prior year period of $nil.

Cash used in investing activities during the current year period was $1.907 million compared to cash used during the prior year period of $5.189 million. The decrease was primarily due to lower capitalized spend following receipt of permits in March 2019 as the Company awaits resolution of legal challenges to permits.

Including the effect of foreign exchange, cash decreased during the current year period by $6.263 million to $3.554 million compared to the prior year period where cash decreased by $7.594 million to $7.401 million for the reasons noted above.

c) Capital Expenditures for the Period:

During the current year period, mineral property, plant, and equipment costs were capitalized in the amount of $1.164 million as compared to $3.813 million during the prior year period. The decrease was primarily due to lower capitalized spend as noted above.

Selected Annual Financial Information

For the Year Ended	**December 31, 2020**	December 31, 2019	December 31, 2018
Revenue	**-**	-	-
Net loss	**(20,830)**	(57,903)	(15,043)
Basic and diluted loss per share	**(0.21)**	(0.86)	(0.47)
Total Assets	**460,714**	457,315	485,629
Convertible and non-convertible debt	**35,376**	15,501	235,467
Total Shareholders' Equity	**369,639**	384,140	185,042

<u>Year ended December 31, 2020 compared to year ended December 31, 2019</u>

Focus during 2020 was on legal defense of Project permits, engineering and optimization opportunities, site monitoring and permit compliance, maintenance of existing infrastructure and financing.

a) Loss for the Year:

During 2020, the Company incurred a loss of $20.830 million ($0.21 per share) compared to a loss of $57.903 million ($0.86 per share) during 2019. The decreased loss was primarily due to a $47.168 million non-cash asset impairment during 2019 related to Mineral PP&E partially offset by $10.811 million for additional studies and further evaluation of the mineral resource.

b) Cash Flows for the Year:

Cash used in operating activities during 2020 was $17.940 million compared to cash used during 2019 of $4.472 million. The increase was primarily due to cash used on additional studies and further evaluation of the mineral resource and changes in working capital.

Cash provided by financing activities during 2020 was $22.684 million compared to cash provided during 2019 of $17.772 million. The increase was due to convertible debenture funding in the current year period compared with rights offering proceeds, debenture repayment, and non-convertible debenture funding in the prior year period.

Cash used in investing activities during 2020 was $8.592 million compared to cash used during 2019 of $19.740 million. The decrease was primarily due to lower capitalized spend following receipt of permits in March 2019 as the Company awaits resolution of legal challenges to permits.

Including the effect of foreign exchange, cash decreased during 2020 by $3.847 million to $3.554 million compared to 2019 where cash decreased $6.456 million to $7.401 million for the reasons noted above.

c) Capital Expenditures for the Year:

During 2020, mineral property, plant, and equipment costs were capitalized in the amount of $7.923 million as compared to $34.702 million during 2019. The decrease was primarily due to lower capitalized spend as noted above and lower capitalized borrowing costs.

Year ended December 31, 2019 compared to year ended December 31, 2018

Focus during 2019 was on litigation defense of NorthMet permits, Project engineering and optimization, site monitoring and permit compliance, maintenance of existing infrastructure and financing.

a) Loss for the Year:

During 2019, the Company incurred a loss of $57.903 million ($0.09 loss per share) compared to a loss of $15.043 million ($0.05 loss per share) during 2018. The increased net loss was primarily due to a $47.168 million non-cash asset impairment during 2019 related to Mineral PP&E.

b) Cash Flows for the Year:

Cash used in operating activities during 2019 was $4.472 million compared to cash used during 2018 of $5.802 million. The variance was primarily due to changes in working capital balances.

Cash provided by financing activities during 2019 was $17.772 million compared to cash provided during 2018 of $70.088 million. The decrease is primarily due to lower expenditures requiring less funding during 2019.

Cash used in investing activities during 2019 was $19.740 million compared to cash used during 2018 of $57.353 million. The decrease was primarily due to a $10.0 million contribution to the environmental rehabilitation trust required under the Permit to Mine and a $21.055 million purchase of wetland credits required by the USACE 404 Wetlands Permit during 2018.

Including the effect of foreign exchange, total cash on hand decreased during 2019 by $6.456 million to $7.401 million compared to 2018 where cash increased $6.926 million to $13.857 million for the reasons noted above.

c) Capital Expenditures for the Year:

During 2019, mineral property, plant, and equipment costs were capitalized in the amount of $34.702 million as compared to $41.797 million during 2018. The decrease was primarily related to lower capitalized borrowing costs following repayment during the rights offering. The Company capitalized $0.195 million of intangibles during 2019 compared to $21.055 million during 2018. The decrease was due to purchase of wetland credits during 2018 as required by the USACE 404 Wetlands Permit issued in March 2019.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

Liquidity and Capital Resources

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.

In the normal course of business, the Company enters into contracts that give rise to firm commitments for future minimum payments. In addition to items described elsewhere in these financial statements, the following table summarizes the Company's contractual obligations as at December 31, 2020:

Contractual Obligations	Carrying Value	Contractual Cash flows	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Accounts payable and accruals	$ 3,392	$ 3,392	$ 2,755	$ 637	$ -	$ -
Lease liability	557	659	145	297	217	-
Promissory note	16,629	16,919	16,919	-	-	-
Promissory note	18,747	24,056	-	24,056	-	-
Firm commitments	-	436	64	284	88	-
Total	$ 39,325	$ 45,462	$ 19,883	$ 25,274	$ 305	$ -

The Company is involved in various claims, litigation and other matters arising in the ordinary course and conduct of business. While it is not possible to determine the ultimate outcome of such actions at this time, and inherent uncertainties exist in predicting such outcomes, it is the Company's belief that the ultimate resolution of such actions is not reasonably likely to have a material adverse effect on its consolidated financial position or results of operations. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. As a result of the assessment, no significant contingent liabilities were recorded as at December 31, 2020.

Given the ongoing development of the Project, the Company has experienced recurring losses from operations and net cash outflows for operating and investing activities, which are expected to continue until the Project is constructed and operational. As at December 31, 2020, the Company had cash of $3.554 million, a working capital deficiency of $15.241 million and an agreement with Glencore to issue unsecured convertible debentures to Glencore in four tranches with a total minimum principal amount of $20.0 million and total maximum principal amount of $30.0 million, the amount of each tranche to be determined jointly by the Company and Glencore. As of December 31, 2020, the Company had issued $23.0 million of convertible debentures to Glencore under this agreement. The final tranche of $7.0 million was issued subsequent to year end on January 28, 2021.

The Company believes it is probable it will continue to receive funding from Glencore or other financing sources, including funding from the issuance of unsecured convertible debentures, allowing the Company to satisfy future financial obligations, complete development of the Project and to conduct future profitable operations. Management’s belief is based upon the underlying value of the Project, progress on obtaining and maintaining permits, ongoing discussions with potential financiers and the majority shareholder relationship with Glencore. Glencore has committed to provide financial support to enable the Company to continue its business operations for the next twelve months from the date of the consolidated financial statements. See additional discussion in the “Financing Activities” section above.

The Company is in discussions with various sources of debt and equity finance sufficient to fund ongoing permit litigation, Project optimization and construction. Construction and ramp up to commercial production is anticipated to take approximately thirty months from receipt of construction funding.

In late December 2019, a novel coronavirus (“COVID-19”) was identified and subsequently spread worldwide. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic creating an unprecedented global health and economic crisis. COVID-19's impact on global markets has been significant. The duration and magnitude of COVID-19's effects on the economy, movement of goods and services, the copper market, and on the Company's financial and operational performance remains uncertain at this time. As of the date of these statements, there has not been any direct impact on the Company's operations as a result of COVID-19.

The Company will continue to closely monitor the potential impact of COVID-19 on its business. Should the duration, spread or intensity of the COVID-19 pandemic deteriorate in the future, there could be a potentially material and negative impact on the Company's business, including the market for its securities, the ability to raise capital, and the valuation of its non-financial assets including mineral property, plant and equipment and intangibles due to sustained decreases in metal prices. Impacts from COVID-19 could also include a temporary cessation of operations due to a localized outbreak amongst Company personnel or in the Company's supply chain.

Financial Instruments and Risk Management

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; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value subsequent to recognition include restricted deposits measured at fair value through profit or loss using Level 1 inputs resulting in a carrying value of $12.401 million (2019 - $10.640 million), amounts receivable measured at fair value through profit or loss using Level 3 inputs resulting in a carrying value of $2.382 million (2019 - $2.176 million) and accruals for expected payments to settle restricted share units measured at fair value through profit or loss using Level 2 inputs resulting in a carrying value of $0.772 million (2019 - $0.125 million).

The fair values of the convertible debt and promissory note approximate the carrying amount at amortized cost using the effective interest method. The fair values of other financial assets and other financial 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 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 the United States. The functional and reporting currency of the Company and its subsidiary is the U.S. dollar. Foreign exchange risk arises because the amount of

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

Canadian dollar cash, amounts receivable, or accounts payable and accrued liabilities will vary in U.S. dollar terms due to changes in exchange rates.

As the majority of the Company's expenditures are in U.S. dollars, the Company has kept a significant portion of its cash in U.S. dollars. The Company has not hedged its exposure to currency fluctuations as the exposure to currency risk is currently insignificant.

Interest Rate Risk
Interest rate risk arises from interest paid on floating rate debt and interest received on cash and liquid short-term deposits. The Company has not hedged any of its interest rate risk.

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

	December 31, 2020	December 31, 2019
Cash and restricted deposits	**$ 16,530**	$ 18,850
Promissory note	**$ 16,629**	$ 15,501

Based on the above net exposures, as at December 31, 2020, a 1% change in interest rates would have impacted the Company's loss by approximately $0.164 million and carrying value of the promissory note by approximately $0.166 million.

Credit Risk
Credit risk arises on cash and restricted deposits 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 $19.562 million.

The Company's cash and restricted deposits are primarily held through large Canadian and United States financial institutions.

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 and managing debt. 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 in the future. See additional discussion in the "Liquidity and Capital Resources" section above.

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 Board of Directors.

Although the Company expects to have the necessary resources to carry out its plans and operations through December 31, 2021, it does not currently have sufficient capital to complete the development of NorthMet and generate future profitable operations and is in discussions to arrange sufficient capital to meet these requirements. The Company's objective is to identify the source or sources from which it will obtain the capital required to complete the Project and manage liquidity risk. Further, Glencore has committed to provide financial support to enable the Company to continue its business operations for the next twelve months from the date of the consolidated financial statements. See additional discussion in the "Liquidity and Capital Resources" section above.

Tabular amounts in thousands of U.S. Dollars, except for shares and per share amounts

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:

	Year ended December 31,	
	2020 (1)	2019 (2)
Salaries and other short-term benefits	**$ 2,351**	$ 2,247
Other long-term benefits	**59**	47
Share-based payment (3)	**1,781**	1,917
Total	**$ 4,191**	$ 4,211

(1) 2020 includes Directors (Nathan Bullock, Jonathan Cherry, David Dreisinger, David Fermo, W. Ian L. Forrest, Peter Freyberg, Helen Harper, Alan Hodnik, Roberto Huby, Hilmar Rode, Stephen Rowland and Michael Sill) and senior management (Jonathan Cherry, Patrick Keenan, Bradley Moore and Richard Lock).
(2) 2019 includes Directors (Dennis Bartlett, Jonathan Cherry, Mike Ciricillo, David Dreisinger, W. Ian L. Forrest, Peter Freyberg, Helen Harper, Alan Hodnik, Stephen Rowland and Michael Sill) and senior management (Jonathan Cherry, Patrick Keenan and Bradley Moore).
(3) Share-based payment represents the amount capitalized or expensed during the period.

Agreements with senior management contain severance provisions in certain circumstances, including, for example, for termination without cause, in the event of a change in control, or in the event of the employee having good reason. Other than Jonathan Cherry, no PolyMet director has an agreement providing for benefits upon termination.

As a result of Glencore's 71.5% ownership and majority shareholder relationship, Glencore is also a related party. In addition to the transactions described in the "Financing Activities" section above, the Company is party to a Technical Services Agreement with Glencore whereby the Company reimburses Glencore for NorthMet technical support costs requested under an agreed scope of work, primarily in detailed project design and mineral processing. During 2020, the Company recorded $0.309 million (2019 - $0.474 million) for services under this agreement.

Off Balance-Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Proposed Transactions

There are no proposed asset or business acquisition/disposal transactions that will materially affect the performance of the Company.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. This requires management to make 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 used in the preparation of the consolidated financial statements are as follows:

<u>Determination of Mineral Reserves</u>

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, metal 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 prices for its products, based on current and long-term historical average price trends. Changes in the proven and probable reserve estimates may impact the carrying value of property, plant and equipment, rehabilitation provisions, deferred tax amounts and depreciation, depletion and amortization.

<u>Provision for Environmental Rehabilitation Costs</u>

Provisions for environmental rehabilitation costs associated with mineral property, plant and equipment, are recognized when there is 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 risk-free rate reflecting current market assessments of the time value of money. The provision for environmental rehabilitation obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability.

The estimates of 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, changes in operating plans, or changes in cost estimates. 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. The likelihood of new regulations and overall effect upon the Company may vary greatly and are not predictable.

Critical Accounting Judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting judgments. This requires management to make judgments 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 judgments used in the preparation of the consolidated financial statements are as follows:

<u>Impairment of non-financial assets</u>
The carrying amounts of non-financial assets, including mineral property, plant and equipment, and intangibles are reviewed at each reporting date, or when events or circumstances 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

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disposal ("FVLCD"). 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.

The Company considers both external and internal sources of information in assessing whether there are any indications of impairment. External sources of information 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. Internal sources of information include indications of economic performance of the asset.

Going concern assumptions

The Company must assess its ability to continue as a going concern and prepare financial statements on a going concern basis unless it either intends to liquidate or cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, the Company takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

Other MD&A Requirements

Outstanding Share Data

Authorized Capital: Unlimited common shares without par value.

The following table summarizes the outstanding share information as at March 12, 2021:

Type of Security	Number Outstanding	Weighted Average Exercise Price
Issued and outstanding common shares (1)	100,877,320	$ -
Restricted share units	1,014,406	$ -
Share options	1,935,300	$ 7.19
Share purchase warrants	3,137,918	$ 8.04

(1) Includes 9,550 of restricted shares which vest upon production.

As at December 31, 2020, the Company had obligations to issue up to 364,000 shares under the Company's bonus share incentive plan upon achievement of Milestone 4 representing commencement of commercial production at NorthMet. At the Company's Annual General Meeting of shareholders held in June 2008, the disinterested shareholders approved issuance of these shares upon achievement of Milestone 4. Regulatory approval is also required prior to issuance of these shares.

Risks and Uncertainties

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described in PolyMet's Annual Information Form for the year ended December 31, 2020 and other information filed with both the Canadian and United States securities regulators before investing in the Company's common shares. The risks described in PolyMet's Annual Information Form are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of the risks described in PolyMet's Annual Information Form for the year ended December 31, 2020 occur, the

Company's business, operating results and financial condition could be seriously harmed and investors could lose all of their investment.

Management's Responsibility for Consolidated Financial Statements

The information provided in this report and the accompanying Consolidated Financial Statements are the responsibility of management. The Consolidated Financial Statements have been prepared by management in accordance with IFRS as issued by the IASB and include certain estimates that reflect management's best judgments.

The 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.

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 US Exchange Act and the rules of the Canadian Securities Administrators as at December 31, 2020 (the "Evaluation Date"). Based on such evaluation, such officers 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 US Securities and Exchange Commission and the Canadian Securities Administrators 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 reports filed or submitted under Canadian and United States securities legislation is accumulated and communicated to the Company's management to allow timely decision regarding disclosure.

There have been no changes in the Company's disclosure controls and procedures during the year ended December 31, 2020 that have materially affected, or are reasonably likely to material affect, its disclosure controls and procedures.

Management's Report on Internal Control over Financial Reporting

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 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 December 31, 2020. 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 December 31, 2020 has been audited by Deloitte & Touche LLP, the Company's independent registered public accounting firm, as stated in their report, which is included with the Company's annual consolidated financial statements.

Additional Information

Additional information related to the Company is available on SEDAR and EDGAR, respectively, at www.sedar.com and at www.sec.gov, and on the Company's website www.polymetmining.com.

EXHIBIT 99.4

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 2020 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.

Mine ID number[(1)]	Mine or Operating Name	Section 104 Significant and Substantial Citations [(2)]	Section 104(b) Orders [(3)]	Section 104(d) Citations and Orders [(4)]	Section 110(b)(2) Violations [(5)]	Section 107(a) Orders [(6)]	Total dollar value of MSHA assessments proposed [(7)]	Total number of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e) yes/no	Received Notice of Potential to Have Pattern under section 104(e) yes/no	Legal Actions Pending as of Last Day of Period[(8)]	Categories of Pending Legal Actions (i-vii)[(9)]	Legal Actions Initiated During Period	Legal Actions Resolved During Period
2103658	POLYMET	0	0	0	0	0	$ 246	0	No	No	0	NA	0	0

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.

EXHIBIT 99.5

CERTIFICATION

I, Jonathan Cherry, certify that:

1. I have reviewed this Annual Report on Form 40-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: March 18, 2021

/s/ Jonathan Cherry
Name: Jonathan Cherry
Title: Chief Executive Officer (Principal Executive Officer)

EXHIBIT 99.6

CERTIFICATION

I, Patrick Keenan, certify that:

1. I have reviewed this Annual Report on Form 40-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: March 18, 2021

/s/ Patrick Keenan

Name: Patrick Keenan

Title: Chief Financial Officer (Principal Financial Officer)

EXHIBIT 99.7

CERTIFICATION
Pursuant to 18 United States Code § 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers hereby certify that the Annual Report on Form 40-F for the fiscal year ended December 31, 2020 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: March 18, 2021	*/s/ Jonathan Cherry* Name: Jonathan Cherry Title: Chief Executive Officer (Principal Executive Officer)
Date: March 18, 2021	*/s/ Patrick Keenan* Name: Patrick Keenan Title: Chief Financial Officer (Principal Financial Officer)

EXHIBIT 99.8

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-192208 on Form S-8 and to the use of our reports dated March 18, 2021, relating to the financial statements of PolyMet Mining Corp. and the effectiveness of PolyMet Mining Corp.'s internal control over financial reporting appearing in this Annual Report on Form 40-F of PolyMet Mining Corp. for the year ended December 31, 2020.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
March 18, 2021

EXHIBIT 99.9

CONSENT OF TECHNICAL REPORT AUTHOR

Zachary J. Black, SME-RM

To: PolyMet Mining Corp.

To: United States Securities and Exchange Commission

Re: PolyMet Mining Corp.'s Incorporation by Reference of the "NorthMet Project Form NI 43-101F1 Technical Report" with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersigned does hereby consent to the incorporation by reference of extracts of the Technical Report entitled "NorthMet Project Form NI 43-101F1 Technical Report" (the "Technical Report") with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersignd does hereby consent to extracts from, or a summary of, the Technical Report in Item 4, Description of the Business (the "relevant sections") of PolyMet Mining Corp.'s Annual Information Form included as an exhibit to the Form 40-F filing with the Securities and Exchange Commission, for the fiscal year ended December 31, 2020.

The undersigned does herby confirm that I have read the relevant sections of the Annual Information Form included as an exhibit to the Form 40-F filing for PolyMet Mining Corp. for the fiscal year ended December 31, 2020 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 18th day of March, 2021.

/s/ Zachary J. Black
Name: Zachary J. Black

EXHIBIT 99.10

CONSENT OF TECHNICAL REPORT AUTHOR

Jennifer J. Brown, P.G.

To: PolyMet Mining Corp.

To: United States Securities and Exchange Commission

Re: PolyMet Mining Corp.'s Incorporation by Reference of the "NorthMet Project Form NI 43-101F1 Technical Report" with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersigned does hereby consent to the incorporation by reference of extracts of the Technical Report entitled "NorthMet Project Form NI 43-101F1 Technical Report" (the "Technical Report") with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

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The undersigned does herby confirm that I have read the relevant sections of the Annual Information Form included as an exhibit to the Form 40-F filing for PolyMet Mining Corp. for the fiscal year ended December 31, 2020 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 18th day of March, 2021.

/s/ Jennifer J. Brown

Name: Jennifer J. Brown

EXHIBIT 99.11

CONSENT OF TECHNICAL REPORT AUTHOR

Nicholas Dempers, Pr.Eng., SAIMM

To: PolyMet Mining Corp.

To: United States Securities and Exchange Commission

Re: PolyMet Mining Corp.'s Incorporation by Reference of the "NorthMet Project Form NI 43-101F1 Technical Report" with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersigned does hereby consent to the incorporation by reference of extracts of the Technical Report entitled "NorthMet Project Form NI 43-101F1 Technical Report" (the "Technical Report") with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersignd does hereby consent to extracts from, or a summary of, the Technical Report in Item 4, Description of the Business (the "relevant sections") of PolyMet Mining Corp.'s Annual Information Form included as an exhibit to the Form 40-F filing with the Securities and Exchange Commission, for the fiscal year ended December 31, 2020.

The undersigned does herby confirm that I have read the relevant sections of the Annual Information Form included as an exhibit to the Form 40-F filing for PolyMet Mining Corp. for the fiscal year ended December 31, 2020 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 18th day of March, 2021.

/s/ Nicholas Dempers

Name: Nicholas Dempers

EXHIBIT 99.12

CONSENT OF TECHNICAL REPORT AUTHOR

Thomas L. Drielick, P.E.

To: PolyMet Mining Corp.

To: United States Securities and Exchange Commission

Re: PolyMet Mining Corp.'s Incorporation by Reference of the "NorthMet Project Form NI 43-101F1 Technical Report" with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersigned does hereby consent to the incorporation by reference of extracts of the Technical Report entitled "NorthMet Project Form NI 43-101F1 Technical Report" (the "Technical Report") with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

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The undersigned does herby confirm that I have read the relevant sections of the Annual Information Form included as an exhibit to the Form 40-F filing for PolyMet Mining Corp. for the fiscal year ended December 31, 2020 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 18th day of March, 2021.

/s/ Thomas L. Drielick

Name: Thomas L. Drielick

EXHIBIT 99.13

CONSENT OF TECHNICAL REPORT AUTHOR

Art S. Ibrado, P.E.

To: PolyMet Mining Corp.

To: United States Securities and Exchange Commission

Re: PolyMet Mining Corp.'s Incorporation by Reference of the "NorthMet Project Form NI 43-101F1 Technical Report" with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersigned does hereby consent to the incorporation by reference of extracts of the Technical Report entitled "NorthMet Project Form NI 43-101F1 Technical Report" (the "Technical Report") with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersignd does hereby consent to extracts from, or a summary of, the Technical Report in Item 4, Description of the Business (the "relevant sections") of PolyMet Mining Corp.'s Annual Information Form included as an exhibit to the Form 40-F filing with the Securities and Exchange Commission, for the fiscal year ended December 31, 2020.

The undersigned does herby confirm that I have read the relevant sections of the Annual Information Form included as an exhibit to the Form 40-F filing for PolyMet Mining Corp. for the fiscal year ended December 31, 2020 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 18th day of March, 2021.

/s/ Art S. Ibrado
Name: Art S. Ibrado

EXHIBIT 99.14

CONSENT OF TECHNICAL REPORT AUTHOR

M3 Engineering & Technology Corporation

To: PolyMet Mining Corp.

To: United States Securities and Exchange Commission

Re: PolyMet Mining Corp.'s Incorporation by Reference of the "NorthMet Project Form NI 43-101F1 Technical Report" with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersigned does hereby consent to the incorporation by reference of extracts of the Technical Report entitled "NorthMet Project Form NI 43-101F1 Technical Report" (the "Technical Report") with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersignd does hereby consent to extracts from, or a summary of, the Technical Report in Item 4, Description of the Business (the "relevant sections") of PolyMet Mining Corp.'s Annual Information Form included as an exhibit to the Form 40-F filing with the Securities and Exchange Commission, for the fiscal year ended December 31, 2020.

The undersigned does herby confirm that I have read the relevant sections of the Annual Information Form included as an exhibit to the Form 40-F filing for PolyMet Mining Corp. for the fiscal year ended December 31, 2020 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 18th day of March, 2021.

/s/ Alberto Bennett

Name: Alberto Bennet, P.E.

EXHIBIT 99.15

CONSENT OF TECHNICAL REPORT AUTHOR

Thomas J. Radue, P.E.

To: PolyMet Mining Corp.

To: United States Securities and Exchange Commission

Re: PolyMet Mining Corp.'s Incorporation by Reference of the "NorthMet Project Form NI 43-101F1 Technical Report" with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersigned does hereby consent to the incorporation by reference of extracts of the Technical Report entitled "NorthMet Project Form NI 43-101F1 Technical Report" (the "Technical Report") with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersignd does hereby consent to extracts from, or a summary of, the Technical Report in Item 4, Description of the Business (the "relevant sections") of PolyMet Mining Corp.'s Annual Information Form included as an exhibit to the Form 40-F filing with the Securities and Exchange Commission, for the fiscal year ended December 31, 2020.

The undersigned does herby confirm that I have read the relevant sections of the Annual Information Form included as an exhibit to the Form 40-F filing for PolyMet Mining Corp. for the fiscal year ended December 31, 2020 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 18th day of March, 2021.

/s/ Thomas J. Radue

Name: Thomas J. Radue

EXHIBIT 99.16

CONSENT OF TECHNICAL REPORT AUTHOR

Jeff S. Ubl, P.E.

To: PolyMet Mining Corp.

To: United States Securities and Exchange Commission

Re: PolyMet Mining Corp.'s Incorporation by Reference of the "NorthMet Project Form NI 43-101F1 Technical Report" with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersigned does hereby consent to the incorporation by reference of extracts of the Technical Report entitled "NorthMet Project Form NI 43-101F1 Technical Report" (the "Technical Report") with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersignd does hereby consent to extracts from, or a summary of, the Technical Report in Item 4, Description of the Business (the "relevant sections") of PolyMet Mining Corp.'s Annual Information Form included as an exhibit to the Form 40-F filing with the Securities and Exchange Commission, for the fiscal year ended December 31, 2020.

The undersigned does herby confirm that I have read the relevant sections of the Annual Information Form included as an exhibit to the Form 40-F filing for PolyMet Mining Corp. for the fiscal year ended December 31, 2020 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 18th day of March, 2021.

/s/ Jeff S. Ubl
Name: Jeff S. Ubl

EXHIBIT 99.17

CONSENT OF TECHNICAL REPORT AUTHOR

Herbert E. Welhener, SME-RM

To: PolyMet Mining Corp.

To: United States Securities and Exchange Commission

Re: PolyMet Mining Corp.'s Incorporation by Reference of the "NorthMet Project Form NI 43-101F1 Technical Report" with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

The undersigned does hereby consent to the incorporation by reference of extracts of the Technical Report entitled "NorthMet Project Form NI 43-101F1 Technical Report" (the "Technical Report") with effective date March 26, 2018 and inclusion of references to the Technical Report in the Company's Annual Information Form included as an exhibit to Form 40-F for the fiscal year ended December 31, 2020.

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The undersigned does herby confirm that I have read the relevant sections of the Annual Information Form included as an exhibit to the Form 40-F filing for PolyMet Mining Corp. for the fiscal year ended December 31, 2020 and that it fairly and accurately represents the information in the Technical Report that supports the disclosure.

Dated this 18th day of March, 2021.

/s/ Herbert E. Welhener
Name: Herbert E. Welhener