

# Reasons and Benefits of the Transaction

Shareholders should review the complete *Reasons for the Recommendation* section in the management proxy circular mailed to shareholders, filed on SEDARplus and EDGAR, and available on PolyMet's website at <https://polymetmining.com/investors/news/special-meeting/>. All italicized references correspond to sections of the management proxy circular.

## ***Challenging Market Conditions and Uncertain Standalone Plan***

- The Special Committee, with the assistance of its experienced and qualified independent financial and legal advisors, considered extensive information concerning the business, operations, financial condition and prospects of the Company, as well as the current and prospective environment in which the Company operates, and assessed the relative benefits and risks of the Arrangement compared to other strategic alternatives, including the Company's uncertain standalone plans if the Arrangement is not completed. In considering such plans as an alternative to pursuing the Arrangement, the Special Committee assessed the Company's current business plan given the Special Committee's assessment of the current and anticipated future opportunities and risks, in particular, the recent revocation of the CWA Section 404 permit in June 2023 and associated potential delays in developing NorthMet, an expanded work program at NewRange, and the dilutive implications for Minority Shareholders in the event of a funding gap. The Special Committee considered that Minority Shareholder appetite to participate in the recent 2023 Rights Offering had not been strong, which was an indication of market interest in PolyMet.
- In concluding that the Arrangement is in the best interests of the Company and fair to the Minority Shareholders, the Special Committee and the Unconflicted Board of Directors considered, among other things, the volatility of the current global economy, the challenging capital market conditions for development companies in the mining space and that Glencore will provide certainty for the financing needs of NewRange and alleviates any further funding risks for Minority Shareholder.

## ***Consideration Payable to Minority Shareholders***

- **Minority Shareholders Receive a Premium.** The Special Committee considered the current market prices, historical market prices and trading information prior to June 30, 2023 included under the heading "*Information Concerning PolyMet – Trading in Shares*", including that the Consideration to be paid to the Minority Shareholders of US\$2.11 in cash per Minority Share represents a 167% premium to the closing price of C\$1.04 (US\$0.79 based on the daily average exchange rate of C\$1.00 = US\$0.7553 and US\$1.00 = C\$1.3240 for June 30, 2023 as reported by the Bank of Canada) of the Shares on the TSX and a 167% premium to the closing price of US\$0.79 of the Shares on the NYSE American on June 30, 2023, being the last trading date prior to Glencore's Non-Binding Proposal. The Consideration also represents a premium of approximately 34% to the closing price of the Company's shares on the NYSE American on June 6, 2023, the last trading day before the announcement of the CWA Section 404 permit revocation.
- **Formal Valuation.** Maxit, the independent valuator retained by the Special Committee, prepared the Formal Valuation in accordance with MI 61-101. In the Formal Valuation, which was delivered orally to the Special Committee at the time the Special Committee approved entering into the Arrangement Agreement, Maxit determined that as of July 15, 2023, and based on Maxit's analysis and subject to the assumptions, limitations and qualifications set forth therein, the fair market value of the Shares is in the range of US\$1.40 to US\$2.50 per Share, placing the US\$2.11 in cash per Minority Share at the 65th percentile of the range.
- **Maxit Fairness Opinion.** The Special Committee has received the Maxit Fairness Opinion to the effect that, as of July 15, 2023, and subject to the assumptions, limitations and qualifications set forth in the Maxit Fairness Opinion and such other matters that Maxit considered relevant, the Consideration to be received by the

Shareholders (other than Glencore or any of its affiliates) pursuant to the Arrangement is fair, from a financial point of view, to the Shareholders (other than Glencore or any of its affiliates).

- **Paradigm Fairness Opinion.** The Board has received the Paradigm Fairness Opinion to the effect that, as of the date of such opinion, and based upon and subject to the assumptions, limitations and qualification set forth in the Paradigm Fairness Opinion and such other matters Paradigm considered relevant, the Consideration to be received by the Minority Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Minority Shareholders.
- **Best and Final Offer from Glencore.** Glencore informed the Special Committee that the Consideration of US\$2.11 per Minority Share to be paid to the Minority Shareholders pursuant to the Arrangement is its best and final offer.
- **All Cash Consideration.** The payment to the Minority Shareholders pursuant to the Arrangement will be all cash, which will provide Minority Shareholders with certainty of value and immediate liquidity at a price that may not otherwise be available, in particular in the short to medium term, in the absence of the Arrangement.
- **Alternatives and the Potential Benefits to Shareholders.** Prior to the announcement of the Arrangement, the Board of Directors from time-to-time considered PolyMet's strategic alternatives for financing and developing PolyMet's material assets. This ongoing process led to, among other things, the NewRange Transaction, which linked the expertise, experience and financial resources of PolyMet, Teck and Glencore in order to advance the development of PolyMet's material assets. In connection with the NewRange Transaction, in April 2023, PolyMet carried out the 2023 Rights Offering to, among other things, fund PolyMet's portion of its financing obligations in NewRange. Although the 2023 Rights Offering was completed successfully, 5.2% of the rights offered were purchased by PolyMet Shareholders other than Glencore.

In the context of limited Minority Shareholder appetite to provide additional equity financing to PolyMet (as shown by the 2023 Rights Offering), possible alternatives to a go-private transaction with Glencore (other than the possibility of continuing to operate PolyMet as a publicly-traded entity and the perceived risks of that alternative) did not appear to be reasonably available to the Special Committee. In light of this background, the range of potential benefits to Shareholders of any possible alternatives and the timing and the likelihood of accomplishing the goals of any alternatives, and the assessment by the Special Committee regarding the likelihood that any alternatives would be likely to present superior opportunities for PolyMet (taking into account the likelihood of execution as well as business, competitive, industry and market risks) compared with a potential transaction with Glencore, all favored having pursued and successfully executed the NewRange Transaction and a transaction with Glencore.

- **Limited Trading Volume.** The limited trading volume of the Shares on the NYSE American and the TSX and the possibility that it could take a considerable period of time before the trading price of the Shares would reach and sustain at least the Consideration of US\$2.11, as adjusted for present value, and the possibility that such value might otherwise never be obtained by the Minority Shareholders.

#### ***Limited Alternatives for Sale to Third Parties***

- **Only Transaction Supported by Glencore.** During negotiations with Glencore, Glencore informed the Company that it was not interested in pursuing any alternative transaction, including any transaction which could result in the sale of Glencore's interest in PolyMet or the acquisition by a third party of PolyMet or NewRange in partnership with or independent of Glencore.
- **Unlikelihood of any Alternatives Proposals.** Given that Glencore controls approximately 82% of the Shares and could therefore block a competing transaction, it is unlikely that any other party or combination of

parties would make a proposal to acquire the Company or any material portion of the Company for a higher price than the Consideration to be paid pursuant to the Arrangement, or that any such proposal would be reasonably capable of completion. Following the public announcement of the Company's receipt of Glencore's non-binding offer of US\$2.11 per Minority Share on July 3, 2023, neither the Company nor any of its advisors received any proposals to acquire the Company or any material portion of the Company from any third party.

### ***Procedural Safeguards***

- **Arm's Length Negotiations and Oversight.** The Arrangement Agreement is the result of a robust negotiation process that was undertaken at arm's length between the Special Committee with assistance from Management and their respective advisors, on the one hand, and Glencore and its advisors, on the other hand. This process was undertaken in the context of a broader consideration of PolyMet's strategic alternatives, which had been ongoing for a 15 month period. Notably, the Special Committee was originally formed in April 2022 in connection with the negotiation by the Company of the Joint Venture Agreement with Teck American and the NewRange Transaction. The members of the Special Committee, namely Al Hodnik, David Dreisinger and David Fermo, were all deemed to be independent directors under applicable Securities Laws. The Special Committee played a key role in assessing and negotiating the Joint Venture Agreement and related agreements. The Special Committee remained in place following the execution of the Joint Venture Agreement in order to advise on the closing of the NewRange Transaction as well as the subsequent 2023 Rights Offering. Procedural safeguards had therefore been in place well in advance of the negotiations of the Arrangement and the Special Committee also had the benefit of its recent experience with the NewRange Transaction and the 2023 Rights Offering when considering the benefits and risks of the Arrangement. In connection with the Arrangement the Special Committee had the authority to not recommend the Arrangement or any other transaction to the Board and to identify, evaluate, negotiate and make recommendations to the Board regarding any alternative transaction. As part of its continuing and expanded mandate from April 2022 the Special Committee held 10 formal meetings to consider and review the terms of the Non-Binding Proposal and the Arrangement and its members were adequately compensated for their services and their compensation was in no way contingent on their approving the Arrangement Agreement or taking the other actions described herein. The Special Committee was comprised solely of independent directors who are unrelated to Glencore and Management, and was advised by experienced and qualified independent financial and legal advisors. The advice received by the Special Committee included detailed financial advice from a highly qualified independent financial advisor, including with respect to the Company remaining a publicly traded company and continuing to pursue its business plan on a stand-alone basis, as well as an independent formal valuation of the Shares prepared in accordance with MI 61-101.
- **Ability to Respond to Superior Proposals.** Notwithstanding Glencore's 82% majority interest in the Company and the fact that Glencore informed PolyMet that it was not interested in pursuing any alternative transaction and the limitations contained in the Arrangement Agreement on the Company's ability to solicit interest from third parties, the Arrangement Agreement allows the Company to engage in discussions or negotiations regarding any unsolicited Acquisition Proposal received prior to the approval of the Arrangement Resolution by Shareholders that the Board determines, after consultation with its financial and legal advisors, is or could reasonably be expected to lead to a Superior Proposal.
- **Reasonable Termination Payment.** The Special Committee and the Unconflicted Board of Directors believes that the US\$12 million Termination Amount, which is payable in certain circumstances described under "*Arrangement Agreement - Termination*", is reasonable in the circumstances. In the view of the Special Committee and the Unconflicted Board of Directors, the Termination Amount would not preclude a third party from potentially making a Superior Proposal and the Company is only obligated to pay the Termination Amount under specific circumstances such as a change in the Board's recommendation, entering into another Acquisition Proposal, or a material breach of the Company's covenants under the Arrangement Agreement.
- **Shareholder Approval.** The Arrangement will become effective only if the Arrangement Resolution is approved by (i) at least two-thirds (66⅔%) of the votes cast by Shareholders present in person, virtually present or represented by proxy at the Meeting, voting as a single class; and (ii) a simple majority (more than 50%) of the votes cast by Shareholders present in person, virtually present or represented by proxy at the Meeting, excluding, for the purposes of this Minority Approval, the votes attached to the Excluded Shares and the Shares held by any other Shareholders required to be excluded under MI 61-101.

- **Court Approval.** Completion of the Arrangement is subject to the approval of the Court, after considering the procedural and substantive fairness of the Arrangement at a hearing at which Minority Shareholders and certain others are entitled to be heard.
- **Dissent Rights.** Dissent Rights are available to registered Minority Shareholders with respect to the Arrangement. See "*Dissenting Shareholders' Rights*".

***Deal Certainty***

- Completion of the Arrangement is subject to a limited number of conditions which the Special Committee believes are reasonable under the circumstances.
- Completion of the Arrangement is not subject to any financing condition.
- All members of the Board of Directors and executive officers of PolyMet who hold securities of PolyMet have entered into voting support agreements with Glencore pursuant to which, and subject to the terms thereof, they have agreed to vote their Shares in favor of the Arrangement.
- The Company has the ability to seek specific performance to prevent breaches of the Arrangement Agreement and to enforce specifically the terms of the Arrangement Agreement.
- Completion of the Arrangement is not subject to the approval of the Arrangement by the holders of any share capital or comparable equity interest of Glencore.