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

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended January 31, 2006

OR

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

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

Commission file number 0-18701

POLYMET MINING CORP.
(Formerly Fleck Resources Ltd.)
(Exact name of Registrant as specified in its charter)

British Columbia, Canada
(Jurisdiction of incorporation or organization)

Suite 2350 - 1177 West Hastings St., Vancouver, British Columbia V6E 2K3
(Address of principal executive offices)

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:
Common Shares, without par value
(Title of Class)

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. 100,173,173

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

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

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

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

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

Indicate by check mark which financial statement item the registrant has elected to follow:
☑ Item 17 ☐ Item 18

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

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Part I

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Part III

Financial Statements:

This Annual Report on Form 20-F contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). These statements appear in a number of different places in this Annual Report and can be identified by words such as "estimates", "projects", "expects", "intends", "believes", "plans", or their negatives or other comparable words. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may expressed or implied by such forward-looking statements. The statements, including the statements contained in Item 3D “Risk Factors”, Item 4B “Business Overview”, Item 5 “Operating and Financial Review and Prospects” and Item 11 “Quantitative and Qualitative Disclosures About Market Risk”, are inherently subject to a variety of risks and uncertainties that could cause actual results, performance or achievements to differ significantly. Forward-looking statements include statements regarding the outlook for our future operations, plans and timing for our exploration and development programs, statements about future market conditions, supply and demand conditions, forecasts of future costs and expenditures, the outcome of legal proceedings, and other expectations, intentions and plans that are not historical fact. You are cautioned that any such forward-looking statements are not guarantees and may involve risks and uncertainties. Our actual results may differ materially from those in the forward-looking statements due to risks facing us or due to actual facts differing from the assumptions underlying our predictions. Some of these risks and assumptions include:

- general economic and business conditions, including changes in interest rates;
- prices of natural resources, costs associated with mineral exploration and development, and other economic conditions;
- natural phenomena;
- actions by government authorities, including changes in government regulation;
- uncertainties associated with legal proceedings;
- changes in the resources market;
- future decisions by management in response to changing conditions;
- our ability to execute prospective business plans; and misjudgments in the course of preparing forward-looking statements.

We advise you that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to us or persons acting on our behalf. We assume no obligation to update our forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such statements. You should carefully review the cautionary statements and risk factors contained in this and other documents that we file from time to time with the Securities and Exchange Commission (the “SEC”).

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table presents selected financial information. Our financial statements are stated in United States Dollars and are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP); the application of which conforms in all material respects for the periods presented with US GAAP, except as disclosed in footnotes to the financial statements.

Selected Financial Data
(US$ in 000's)

	Year Ended 1/31/06	Year Ended 1/31/05	Year Ended 1/31/04	Year Ended 1/31/03	Year Ended 1/31/02
Revenue	$ —	$ —	$ —	$ —	$ —
Income (loss) from Operations	$ —	$ —	$ —	$ —	$ —
Net Loss	$ (15,930)	$ (3,776)	$ (147)	$ (472)	$ (1,156)
US GAAP Net Loss[1]	$ (15,930)	$ (3,776)	$ (147)	$ (469)	$ (1,226)
Loss Per Share	$ (0.22)	$ (0.07)	$ —	$ (0.04)	$ (0.04)
US GAAP Loss Per Share	$ (0.22)	$ (0.07)	$ —	$ (0.04)	$ (0.04)
Diluted Net Loss Per Share	$ (0.22)	$ (0.07)	$ —	$ (0.01)	$ (0.04)
Dividends Per Share	$ —	$ —	$ —	$ —	$ —
Weighted Average Shares[1]	73,484,000	51,946,000	32,452,000	32,658,000	31,925,000
Working Capital	$ 9,071	$ 1,274	$ 424	$ (73)	$ 322
Total Assets	$ 26,035	$ 2,350	$ 1,025	$ 52	$ 504
US GAAP Total Assets[3]	$ 26,035	$ 2,350	$ 1,025	$ 52	$ 504
Long-Term Debt	$ 1,421	$ —	$ —	$ —	$ —
Shareholders' Equity	$ 19,387	$ 2,019	$ 926	$ (31)	$ 441
US GAAP Shareholders' Equity[3]	$ 19,387	$ 2,019	$ 926	$ (29)	$ 441
Capital Stock	$ 53,453,739	$ 20,156,740	$ 15,286,816	$ 14,183,450	$ 14,285,450
US GAAP Mineral Properties[2 3]	$ —	$ —	$ —	$ —	$ —

1 Under US GAAP, contingently-cancelable (and escrowed) common shares would not have been included in the calculation of the weighted average number of shares used to determine EPS. We have no such shares.

2 Under Canadian GAAP, mineral properties may be carried at cost and written-off or written-down if the properties are abandoned, sold, or if management decides not to pursue the properties. Under US GAAP, mineral properties are carried at the lesser of cost and net realizable value based on periodic review supported by independent reports. In 2003, we changed our accounting policy to conform to the US GAAP method and therefore there are no differences between our presentation under Canadian and US GAAP and SEC regulations in our financial statements.

3 Under US GAAP, long-term investments would be written down to market value on an individual basis and charged to a contra-equity account for unrealized losses on investments.

All monetary amounts in this annual report are expressed in United States dollars unless otherwise indicated.

D. Risk Factors

An investment in our common shares is speculative and subject to a number of risks. 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 below and the other information that we file with the SEC and with Canadian securities regulators before investing in our common shares. The risks described below are not the only ones faced. Additional risks that we are aware of or that we currently believe are immaterial may become important factors that affect our business in the future. If any of the following risks occur, or if others occur, our business, operating results, and financial condition could be seriously harmed and our investors may lose all of their investment.

RISKS RELATING TO OUR BUSINESS

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

As a pre-feasibility stage company, our work is speculative and involves unique and greater risks than are generally associated with other businesses. We cannot know if our properties contain commercially viable ore bodies or reserves until additional evaluation work concludes that development of and production from the ore body is technically, economically, and legally feasible.

There is no known body of commercial ore on the NorthMet Project and there is no certainty that the expenditures made to complete the Definitive Feasibility Study, or otherwise will establish the existence of a commercial orebody. The development of mineral deposits involves uncertainties, which careful evaluation, experience, and knowledge cannot eliminate. Although the discovery of an ore body may result in substantial rewards, few properties explored are ultimately developed into producing mines. It is impossible to ensure that the current pre-feasibility programs we have planned will result in a profitable commercial mining operation. Significant capital investment is required to achieve commercial production from successful exploration efforts.

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

- Success in discovering and developing commercially viable quantities of minerals is the result of a number of factors, including the quality of management, the interpretation of geological data, the level of geological and technical expertise and the quality of land available for exploration;

- Exploration for minerals is highly speculative and involves substantial risks, even when conducted on properties known to contain significant quantities of mineralization, and most exploration projects do not result in the discovery of commercially mineable deposits of ore;

- Operations are subject to a variety of existing laws and regulations relating to exploration and development, permitting procedures, safety precautions, property reclamation, employee health and safety, air and water quality standards, pollution and other environmental protection controls, all of which are subject to change and are becoming more stringent and costly to comply with;

- A large number of factors beyond our control, including fluctuations in metal prices and production costs, inflation, the proximity and liquidity of precious metals and energy fuels markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection, and other economic conditions, will affect the economic feasibility of mining;

- Substantial expenditures are required to establish proven and probable ore reserves through drilling, to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities; and

- If we proceed to the development stage of a mining operation, our mining activities could be subject to substantial operating risks and hazards, including metal bullion losses, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit-wall failures, flooding, rock falls, periodic interruptions due to inclement weather conditions or other unfavorable operating conditions and other acts of God. Some of these risks and hazards are not insurable or may be subject to exclusion or limitation in any coverage which we obtain or may not be insured due to economic considerations.

As a result of all of these factors, we may run out of money, in which case we will have to suspend or cease operations which could result in the loss of your investment.

We have had no production history and we do not know if we will generate revenues in the future. If we do not, you may lose your investment.

While we were incorporated in 1981, we have no history of producing minerals. We have not developed or operated any mines, and we have no operating history upon which an evaluation of our future success or failure can be made. We currently have no mining operations of any kind. Our ability to achieve and maintain profitable mining operations is dependent upon a number of factors, including:

- our ability to locate an economically feasible mineral property; and
- our ability to either attract a partner to operate, or to successfully build and operate mines, processing plants and related infrastructure ourselves.

We are subject to all the risks associated with establishing new mining. We may not successfully establish mining operations or profitably produce metals at any of our properties. As such, we do not know if we will ever generate revenues. If we do not generate revenues, you may lose your investment in our common stock.

We have a history of losses which we expect to continue into the future. If we do not begin to generate revenues or find alternate sources of capital, we will either have to suspend or cease operations, in which case you will lose your investment.

As a pre-feasibility stage company that with no holdings in any producing mines, we continue to incur losses and expect to incur losses in the future. As of January 31, 2006, we had an accumulated deficit of $34,067,125. We may not be able to achieve or sustain profitability in the future. If we do not begin to generate revenues or find alternate sources of capital, we may either have to suspend or cease operations, in which case you will lose your investment.

We may not be able to raise the funds necessary to explore our mineral properties. If we are unable to raise such additional funds, we will have to suspend or cease operations in which case you will lose your investment.

We estimate that approximately $13,000,000 will be required to fund our operations for the next 12 months, which will be primarily used to advance our NorthMet Project. We may need to seek additional financing from the public or private debt or equity markets to continue our business activities. We have completed several private placements with certain investors during fiscal 2006, however, we do not know that these investors will continue to advance funds to us or that our efforts to obtain financing will be successful.

We will need to seek additional financing to complete our development of NorthMet. Sources of such external financing include future equity 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. The failure to obtain such additional financing could have a material adverse effect on our results of operations and financial condition. We may not be able to secure the financing necessary to sustain exploration and development activities in the future. If we cannot raise the money necessary to continue to explore and develop our property, we will have to suspend or cease operations and you could lose your investment.

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

The figures for mineral resources stated in this Annual Report are estimates and no assurances can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the prices of metals may render 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.

There is no assurance that any of our mineral resources will ever be classified as reserves under the disclosure standards of the SEC.

Item 4.D of this Annual Report discusses our mineral resources in accordance with Canadian National Instrument 43-101. Resources are classified as "measured resources", "indicated resources" and "inferred resources" under NI 43-101. However, U.S. investors are cautioned that the SEC does not recognize these resource classifications. There is no assurance that any of our mineral resources will be converted into reserves under the disclosure standards of the United States Securities and Exchange Commission.

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

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

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

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

Federal legislation and implementing regulations adopted and administered by the U.S. Environmental Protection Agency, Forest Service, Bureau of Land Management, 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 U.S. exploration, development and mining operations. Due to the uncertainties inherent in the permitting process, we cannot be certain that we will be able to obtain required approvals for proposed activities at any of our properties in a timely manner, or that our proposed activities will be allowed at all.

The process in obtaining federal and local regulatory approvals is increasingly cumbersome, time-consuming, and expensive, and the cost and uncertainty associated with the permitting process could have a material effect on exploring, developing or mining our properties. Moreover, compliance with statutory environmental quality requirements described above may require significant capital outlays, significantly affect our earning power, or cause material changes in our intended activities. Environmental standards imposed by federal, state, or local governments may be changed or become more stringent in the future, which could materially and adversely affect our proposed activities. As a result of these matters, our operations could be suspended or cease entirely, in which case you could lose your investment.

Because the price of metals fluctuate, if the price of metals for which we are exploring decreases below a specified level, it may no longer be profitable to explore for those metals and we will cease operations.

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

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

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

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

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

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

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

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

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

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

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

We are investing heavily to further increase our production capacity, logistics capabilities and to expand the scope of minerals we produce. Our expansion and mining projects are subject to a number of risks that may make them less successful than anticipated, including:

- we may encounter delays or higher than expected costs in obtaining the necessary equipment or services to build and operate our projects; and

- adverse mining conditions may delay and hamper our ability to produce the expected quantities of minerals.

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

RISKS RELATED TO THE OWNERSHIP OF OUR STOCK

We may experience volatility in our stock price, which could negatively affect your investment, and you may not be able to resell your shares at or above the price you purchased your shares.

Our common shares are listed for trading on the TSX Venture Exchange and, since June 26, 2006, on the American Stock Exchange. Our shareholders may be unable to sell significant quantities of the common shares into the public trading markets without a significant reduction in the price of the shares, if at all. The market price of our common shares may be affected significantly by factors such as changes in our operating results, the availability of funds, fluctuations in the price of metals, the interest of investors, traders and others in small pre-feasibility stage public companies such as us and general market conditions. In recent years the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly small capitalization pre-feasibility companies similar to us, have experienced wide fluctuations, which have not necessarily been related to the operating performances, underlying asset values, or the future prospects of such companies. There can be no assurance that future fluctuations in the price of our shares will not occur.

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

Our shares that are eligible for future sale may have an adverse effect on the price of our stock. As of January 31, 2006 there were 100,173,173 shares of our common stock outstanding. The average trading volume for the three months prior to January 31, 2006 was less than 100,000 shares per day. Sales of substantial amounts of common stock, or a perception that such sales could occur, and the existence of options or warrants to purchase shares of common stock at prices that may be below the then current market price of the common stock, could adversely affect the market price of our common stock and could impair our ability to raise capital through the sale of our equity securities.

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

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

Under our “rolling” Stock Option Plan which was adopted on October 3, 2003, approved by our shareholders on May 28, 2004, and accepted by the TSX-Venture Exchange on June 29, 2004, options may be granted equal in number to 10% of the issued and outstanding capital of the Company at the time of grant of the stock option. As of January 31, 2006 we could issue options to purchase up to 10,017,317 shares. Under our bonus share incentive plan (the “Bonus Plan”) for our directors and key employees approved by the disinterested shareholders at the Company’s shareholders’ meeting held on May 28, 2004 we may issue an addition 6,890,000 shares upon achieving certain milestones. On November 4, 2004, the Company adopted, and the shareholders approved, a revised Bonus Plan limiting the aggregate shares that may be issued under the Bonus Plan and the Company’s Amended Stock Option plan to not more than 20% of the Company’s issued and outstanding capital at the time of the issuance of options and bonus shares.

Upon any issuances or exercise of options issued, the ownership interests and voting power of existing shareholders may be further diluted.

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

A Shareholders Rights Plan between us and shareholders effective as of December 3, 2003 and certain employment and management agreements contain provisions that could discourage an acquisition or change of control without our board of directors’ approval. Under the Shareholders Rights Plan, if a shareholder individually or in concert with other shareholders acquires 20% or more of our common shares outstanding without complying with the Shareholder Rights Plan or without the approval of our Board of Directors, all holders of record will have a right to one common share for each share owned. Each right entitles the holder to a certain number of shares, as calculated under the Rights Plan. We have also entered into agreements with certain key employees and officers that contain severance provisions in the event of a take-over bid. The Rights Plan and the preceding agreements may make it more difficult for a third party to acquire control of us, even if such a change of control is more beneficial to shareholders.

Because we believe that we will be classified as a passive foreign investment company (a PFIC), U.S. holders of our common stock may be subject to United States federal income tax consequences that are worse than those that would apply if we were not a PFIC.

Because we believe that we will be classified as a passive foreign investment company (a PFIC), U.S. holders of our common stock may be subject to United States federal income tax consequences that are worse than those that would apply if we were not a PFIC, such as ordinary income treatment plus a charge in lieu of interest upon a sale or disposition of shares of our common stock even if the shares were held as a capital asset. See “Certain United States Federal Income Tax Consequences.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

PolyMet Mining Corp. was incorporated in British Columbia, Canada on March 4, 1981, under the name Fleck Resources Ltd., which we changed to PolyMet Mining Corp. on June 10, 1998.

Our head office is situated at Suite 2350 -1177 West Hastings Street, Vancouver, B.C. V6E 2K3. Our phone number is (604) 669-4701. Our registered and records office is located at our legal counsel's offices situated at 1040 - 999 West Hastings Street, Vancouver, B.C. V6C 2W2. Our agent in the U.S. is Poly Met Mining, Inc. whose office is located at P.O. Box 475, County Road 666,Hoyt Lakes, Minnesota 55750-0475.

We are a reporting issuer in the following Canadian provinces: Alberta, British Columbia, and Ontario. Our common shares have been listed on the TSX Venture Exchange (TSX V) (formerly the Vancouver Stock Exchange) since April 13, 1984 under the symbol "POM" and also trade on the Over the Counter Bulletin Board ("OTCBB") under the symbol "POMGF" in the United States. Since June 26, 2006 our common shares have been listed on the American Stock Exchange (AMEX) under the symbol "PLM".

During the years ended January 31, 2006, 2005, and 2004 we spent $11.120 million, $1.623 million and $0.091 million respectively to acquire property and perform pre-feasibility work primarily on our NorthMet Project located in Minnesota, USA. In addition, during the years ended January 31, 2006 and 2005, we issued shares valued at $7.564 million and $0.229 million, respectively, in optioning and purchasing a nearby crushing and grinding plant and associated infrastructure (the Erie Plant). We did not issue any shares during 2004 in connection with the acquisition of the Erie Plant.

All of these expenses were incurred at our NorthMet Project located in the State of Minnesota and were funded from the proceeds of equity financings. With the exception of the Erie Plant acquisition, until the completion of Definitive Feasibility Study , we will expense all expenditures.

B. Business Overview

We are a pre-feasibility stage company engaged in the exploration and future development of natural resource properties. Our primary mineral property is the NorthMet Project, a polymetallic project located in northeastern Minnesota, USA.

In the years ended January 31, 2006, 2005 and 2004, we conducted exploration and acquisition activities only and did not conduct any operations that generated revenues. Thus, we rely principally on equity financings to fund out projects and expenditures.

Since 2003, we have focused on commencing commercial production on our NorthMet Project. Our efforts have been on four main areas:

1. Acquiring a large processing facility and associated infrastructure located approximately six miles west of our NorthMet deposit. Under an agreement dated February 14, 2004, we paid Cliffs Erie LLC, a subsidiary of Cleveland Cliffs, Inc. of Cleveland, Ohio ("Cliffs"), $500,000 and 1,000,000 of our common shares to acquire the exclusive option to purchase the Erie Plant, including certain property, plant and equipment from Cliffs at any time until June 30, 2006 subject to the payment of an additional $5.0 million within six months of completion of the Definitive Feasibility Study. During the fiscal year ended January 31, 2006, we and Cliffs agreed to expand the scope of the assets to be acquired from Cliffs and on November 15, 2005, we exercised this revised option by paying Cliffs an additional 6,200,547 of our common shares, $1.0 million in cash, and a promissory note for $2.4 million.

2. Environmental permitting. To commence commercial production at NorthMet, various regulatory approvals are needed. Thus, on January 11, 2005, we submitted initial documentation to the Minnesota Department of Natural Resources (the "Minnesota DNR"), the United States Forest Service (the "USFS") and the United States Army Corps of Engineers (the "USACE"). These documents and data provided the information required for preparation of a Draft Scoping Environmental Assessment Worksheet (the "EAW").

On March 14, 2005, we reached an agreement with the Minnesota DNR, USFS and USACE who agreed to cooperate in preparing a single Environmental Impact Statement (the “EIS”) under state guidelines issued by the Minnesota DNR.

On October 25, 2005, the Minnesota DNR issued the Final Scoping EAW and related Final Scoping Decision after a period of public review and comment. These documents define the scope of the EIS and were used to develop a request for proposal (the “RFP”) for third-party preparation of an EIS that will involve public participation. On April 3, 2006 the Minnesota DNR selected the independent EIS contractor. The draft EIS is scheduled to be published in November 2006. Following a period of public review and comment, publication of the final EIS is scheduled by the Minnesota DNR for April 2007 and the determination of adequacy is targeted to be before June 30, 2007.

3. Engineering and feasibility. We retained Bateman Engineering Pty. of Brisbane, Australia (“Bateman”) to complete a review of the Scoping Study for the NorthMet Project and to lead the Definitive Feasibility Study (the “DFS”) as the coordinating consultant. As part of the DFS, Bateman is responsible for:

    - Completing the process design and detail engineering and estimates for the plant and infrastructure,
    - Reviewing environmental permitting,
    - Geo-statistical review of the ore body,
    - Mine planning and scheduling of ore and waste, and;
    - Assessing marketing of the metals to be mined.

Bateman has sub-contracted some of the work to other specialist companies. In 2005, we received reports from Hellmann & Schofield, a geologic consulting firm, and Australian Mine and Development, a mine engineering firm, both of which are based in Australia, that provided a review of the geologic and mine model and mine planning. This work is currently in the process of being updated, with the updated information to be the basis of the DFS. We anticipate that the DFS will be published before the end of September 2006.

As part of the data assembly that is being used to support the DFS, we have conducted an extensive program of drilling including infill and geotechnical core drilling that will enhance the quality of our geologic analysis and understanding, enable us to optimize the mine design, and has provided us with material that has been used in pilot plant testing to optimize the process design.

Our 2005 drill program focused on areas that are expected to be mined in the first 10 years of operations. The objectives of the program were to:

- provide a bulk sample for metallurgical pilot plant test work,
- gather geotechnical information for pit design,
- enhance the geological model through in-fill drilling,
- collect data to support environmental permitting, and
- increase confidence in the resource estimate categorization resulting from reduced drill hole and sample spacing.

During the 2005 program we drilled 109 holes totaling 77,166 feet making the cumulative holes drilled to 310 diamond and reverse circulation holes for an aggregate 261,227 feet. In addition to this latest drill program, we recompiled all prior work begun by U.S. Steel in 1969, thus, increasing the number of samples taken from nearly 12,000 to 17,194. Our latest program added 12,806 samples, making the total 30,000.

Moreover, drill spacing in the area to be mined in the first five years has been reduced to an average of 311 feet (from 427 feet) while the 20 year mine plan spacing has been reduced to an average of 360 feet (from 400 feet).

4. Financing and corporate development. During the fiscal year ended January 31, 2006, we completed a series of equity private placements that raised $22.2 million, net of expenses. Subsequent to the fiscal year end, we obtained approximately $12 million from the exercise of stock options and stock purchase warrants. These funds will be used to complete our DFS, acquisition of the plant facilities from Cliffs, and for general corporate purposes, including detailed engineering prior to starting construction on our NorthMet Project.

We have also continued to strengthen our management team at both the corporate level and at our facilities in Minnesota. During the period ended January 31, 2006, we appointed Douglas Newby as our Chief Financial Officer and also retained a part-time financial controller for our Minnesota operations.

C. Organizational Structure

We have two wholly owned subsidiaries: (1) Fleck Minerals Inc., incorporated in Ontario, Canada, and (2) Poly Met Mining Inc., incorporated in Minnesota, USA.

D. Property, Plant and Equipment

Plant

Our Erie Plant comprises a large crushing, grinding and milling facility that was built by LTV Steel in the mid-1950s and processed low grade iron ore known as taconite that was transported to the facility by railroad from local mines. Since the mid-1960s the plant was operated by Cliffs on behalf of LTV Steel and processed approximately 100,000 tons per day of taconite ore. The plant was shut down in 2000 when LTV Steel filed for bankruptcy protection since when it has been maintained initially by Cliffs and, since November 15, 2005, by us. The plant did not operate during the period ended January 31, 2006. The plant is located approximately six miles west of our NorthMet deposit, about five miles north-northwest of the town of Hoyt Lakes, itself located about fifteen miles west of Virginia, Minnesota. The plant covers approximately 6,400 acres, or approximately 10.0 square miles.

Before 2000, Cliffs had undertaken numerous programs to update and modernize control systems in the Erie Plant. The plant is generally in good physical condition and was operating at or near full capacity prior to its closure. We have examined the plant in detail and have restarted certain pieces of equipment and believe it to be serviceable.

Equipment

All of our material fixed assets are located at the Erie Plant and includes: two rail dump pockets each with a 60” gyratory crusher, 3 x seven-foot standard cone crushers, 6 x seven-foot short-head crushers, 30 mill circuits each comprising one 12’x 14' rod mill and one 12’x 14' ball mill, 3 x 12'x 24' regrind mills, flotation cells, maintenance facilities and spare parts, extensive conveyors, feeders, bins, auxiliary facilities and offices, established infrastructure including a 250 MVA high voltage electrical substation, water supply, roads, tailings basins and rail facilities.

We are currently in the environmental process to obtain all necessary permits required to operate the Erie Plant and all the material fixed assets, as listed above.

Property - NorthMet Project, Minnesota, USA

Cautionary Note to U.S. Investors

TO CLARIFY, WE HAVE NO PROPERTIES THAT CONTAIN "RESERVES" AS DEFINED BY THE SEC AND WE HAVE PROVIDED THE FOLLOWING PROPERTY INFORMATION IN ACCORDANCE WITH NATIONAL INSTRUMENT 43-101.

(a) History

The NorthMet Project is located immediately south of the historic Mesabi Iron Range in northeastern Minnesota. Mining in the Iron Range dates back to the 1850's when high grade iron ore known as hematite was first mined commercially. During the 1940s and 50s, with reserves of hematite dwindling, the iron industry began to focus on taconite, a lower-grade iron ore. Six large crushing, grinding, milling facilities were built by various iron and steel companies to process the taconite, including the Erie Plant that we acquired in November 2005.

Following the discovery of copper and nickel in the 1940s, in the 1960s United States Steel Corporation ("US Steel") staked ground at what was then called Dunka Road, now called NorthMet. At that time, the market did not recognize platinum group metals (PGMs) or gold and the market for PGMs was small because there was no reliable method to assay low grades of these metals. US Steel investigated the deposit as a high-grade, underground copper-nickel resource, but considered it to be uneconomic based on its inability to produce separate, clean nickel and copper concentrates with the metallurgical processes available at that time.

In 1987, the Minnesota Natural Resources Research Institute ("NRRI") published data suggesting that a large resource of platinum group minerals or PGM's may be in the base of the Duluth Complex. In 1989, we acquired a 20-year renewable mining lease over the property from US Steel Corporation and commenced an investigation into the potential for mining and recovery of copper, nickel, and PGM's. We conducted a program to re-assay the previous drill core for PGM's. We entered into joint venture agreements with Nerco and Argosy Mining, which assisted in identifying and quantifying potential PGM values. However, the challenge of producing separate concentrates of saleable copper and nickel remained.

In the mid-90's, we began investigating the use of hydrometallurgical processes, including bio-leaching and pressure oxidation. In 1998 we focused on a hydrometallurgical extractive technology, which led to the development of the PlatSol™ Process. This process uses autoclaves, which are high temperature, high pressure, oxygen enriched vessels, to oxidize the sulfidic ores and leach the metals therein. This technology has been used commercially in the copper, nickel and precious metals industries since the 1980s.

In July 2000, we entered into a joint venture arrangement with North Limited ("North"), a major Australian mining company, to advance the NorthMet Project to commercial production. Under the joint venture arrangement, North had the opportunity to earn an 87.5% interest in the PolyMet Project by producing a feasibility study and funding 100% of the total capital costs to develop the project.

In August 2000, Rio Tinto Limited ("Rio Tinto") completed an on-market takeover of North. Subsequently, Rio Tinto decided not to proceed with the NorthMet project and we exercised our 30-day pre-emptive right, under a "change of control" clause, to terminate the joint venture arrangement. Consequently, we regained a 100% interest in the NorthMet Project.

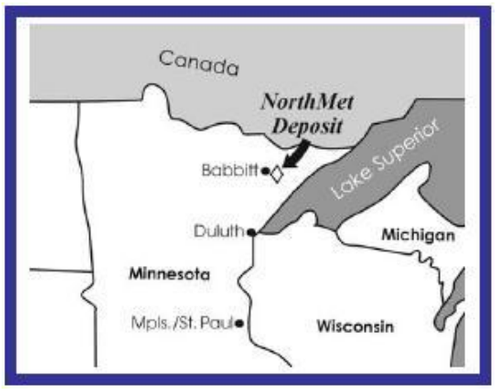
Following completion of the metallurgical pilot plant work in November 2000, we commissioned a pre-feasibility study on the project that was completed in April 2001. The pre-feasibility study included a 50,000 metric tonne per day (55,000 short tpd) operation and assumed the construction of a new, stand-alone processing plant including metal smelters to produce copper, nickel and cobalt metals on site. The study found the economics of the NorthMet Project were unacceptably low owing to the capital cost of building a new plant facility combined with low metal prices prevailing at that time. No further work was done until March 2004, when new management took over our company and commenced a detailed review of the project.

The new management team believed that the Erie Plant had the potential to substantially reduce the capital cost and to simplify the permitting process which could improve the project economics.

As of January 31, 2006, we have expended $14.225 million on the acquisition of the Erie Plant. During the two years ended January 31, 2006 we expended and additional $12.743 million on pre-feasibility work at the deposit and plant. Since inception, we have a cumulative deficit of $34.067 million, most of which has been incurred directly and indirectly in connection with our NorthMet Project. These expenditures supported drilling, sampling, assaying, environmental, metallurgical testing, and the pre-feasibility studies.

The following diagram illustrates the location of the NorthMet Project.

Figure No. 1
NorthMet Project Map



(b) Location/Access/Climate

The NorthMet Project land position covers a total of 10,560 acres or 16.5 square miles comprising two areas: the NorthMet mine site totaling 4,160 acres or 6.5 square miles of patented mineral rights and the Erie plant site totaling 6,400 acres or 10.0 square miles of freehold land located approximately six miles west of the mine site. The property is located in St. Louis County in the Mesabi Range District about 60 miles north of Duluth, Minnesota. The Project is easily accessible via state and county roads. The surfaced Hoyt Road links the plant to the town of Hoyt Lakes, itself approximately fifteen miles east of Virginia, Minnesota which is located on State Highway 53. The mine site is accessible by an all-season gravel road from the plant site and a private railroad crosses the property immediately south of the deposit and runs to the plant site. There is a high-voltage power line supplied by Minnesota Power that supplies the plant site and there is ready access to industrial electric power at the mine site. Two other railway lines are located within ten miles and connect with three ports on Lake Superior and into the US national and Trans-Canadian railroad system.

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

(c) Claims and ownership

(i) NorthMet Lease

Pursuant to an agreement dated January 4, 1989, subsequently amended and assigned, we lease certain lands in covering 4,162 acres or 6.5 square miles located in St. Louis County, Minnesota, known as the NorthMet Project, from RGGS Land & Minerals Ltd., L.P. During the year ended January 31, 2005, US Steel assigned the lease to RGGS Land & Minerals Ltd., L.P. The current term of the renewable lease is 20 years and calls for future annual lease payments of $150,000 in January 2007 through 2009.

We can, at our option, terminate the lease at any time by providing written notice to the lessor at least 90 days prior to the effective termination date or can indefinitely extend the 20 year term by continuing to making the annual lease payment of $150,000 on each successive anniversary date.

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 that we receive. Our recovery of the advance royalty payments is subject to the lessor receiving an amount not less than the amount of the annual lease payment due for that year.

(ii) The Erie Plant

By a Memorandum of Understanding dated December 5, 2003 and an option agreement dated February 14, 2004, we obtained an option ("Cliffs Option") to acquire certain property, plant, and equipment ("Cliffs Assets") from Cleveland Cliffs of Cleveland, Ohio ("Cliffs") located near our NorthMet Project. As consideration for the exclusive Cliffs Option, we paid $500,000 prior to January 31, 2004 and issued to Cliffs 1,000,000 common shares on March 30, 2004, valued at $229,320 to maintain our exclusive rights until June 30, 2006. The option gave us exclusive rights until June 30, 2006 subject to the payment of an additional $5 million to Cliffs with six months of completion of a bankable feasibility study.

On September 15, 2005 we reached an agreement with Cliffs on the terms for the early exercise of our option to acquire 100% ownership of large portions of the former LTV Steel Mining Company ore processing plant in northeastern Minnesota (the "Asset Purchase Agreement").

On November 15, 2005, we consummated the Asset Purchase Agreement and completed the acquisition thereunder. The property, plant, and equipment assets we now own include land, crushing, milling, and flotation capacity, complete spare parts, plant site buildings, real estate, tailings impoundments and mine work shops, as well as access to extensive mining infrastructure.

The consideration for the Asset Purchase Agreement was $1.0 million in cash, the issuance of 6,200,547 of our common shares (issued on November 15, 2005, at fair market value of $7,564,444), and a note for the balance of $2.4 million that will be paid in quarterly installments of $250,000 for a total of $2.5 million, which includes interest of $100,000. The quarterly payments are due starting on March 31, 2006 and every three months thereafter. As of June 30, 2006 the first two payments have been made. As of January 31, 2006, $20,515 of accrued interest has been capitalized as part of the cost of the NorthMet Project assets.

The Erie Plant

As set forth under the Asset Purchase Agreement, we have assumed certain ongoing site-related environmental and reclamation obligations of Cliffs in connection with the Erie Plant. Once we obtain our permit to mine and Cliffs is released from its obligations by certain state agencies, we will be directly obligated to comply with applicable environmental and reclamation obligations. Prior to Cliffs acquisition of the plant from LTV Steel and prior to our acquisition of the plant from Cliffs, both Cliffs and we undertook environmental assessments and concluded that there were no material liabilities other than the ultimate closure and reclamation of the site. Until operating permits are granted to us, Cliffs remains the named party of record for such obligations although, as part of the Asset Purchase Agreement, we have indemnified Cliffs for such costs. As of January 31, 2006 we estimate that liability to be approximately $12.445 million and, based on the expected timing of such payments, our cost of capital, and anticipated inflation rates, we made a provision of $2.511 million in our financial statements for that date.

Under the terms of the agreement Cliffs will have the right to participate on a pro-rata based on their ownership of 6.2% of our outstanding common shares in future cash equity financings.

As of January 31, 2006, we do not have any producing mines, thus, we are not yet utilizing the Erie Plant.

The Erie Plant comprises a large crushing, grinding and million facility that was built by LTV Steel in the mid-1950s and processed low grade iron ore known as taconite that was transported to the facility by railroad from local mines. Since the mid-1960s the plant was operated by Cliffs on behalf of LTV Steel and processed approximately 100,000 tons per day of taconite ore. The plant was shut down in 2000 when LTV Steel filed for bankruptcy protection since when it has been maintained initially by Cliffs and, since November 15, 2005, by us. The plant did not operate during the period ended January 31, 2006.

The plant is located approximately six miles west of our NorthMet deposit, about five miles north-northwest of the town of Hoyt Lakes, itself located about fifteen miles west of Virginia, Minnesota. The plant covers approximately 6,400 acres, or approximately 10.0 square miles, and is powered by electricity from local power lines.

The total plant facilities include two rail dump pockets, each with a 60” gyratory crusher, 3 x seven-foot standard cone crushers, 6 x seven-foot short-head crushers, 30 mill circuits each comprising one 12’x 14' rod mill and one 12’x 14' ball mill, 3 x 12'x 24' regrind mills, flotation cells, maintenance facilities and spare parts, extensive conveyors, feeders, bins, auxiliary facilities and offices, established infrastructure including a 250 MVA high voltage electrical substation, water supply, roads, tailings basins and rail facilities.

Until the plant was closed in 2000, Cliffs had undertaken numerous programs to update and modernize control systems. The plant is generally in good physical condition and was operating at or near full capacity prior to its closure. We have examined the plant in detail and have restarted certain pieces of equipment and believe it to be serviceable.

We plan to use less than one third of the historic productive capacity to crush and grind material that we expect to mine from the NorthMet deposit. We intend to construct new facilities to recover copper metal, nickel and cobalt concentrates, and precious metal precipitates. These new facilities replace the equivalent facilities used historically to recover iron from the taconite, which are not applicable to our anticipated metal products.

We are currently completing a DFS in connection with these plans, which we expect to be completed before the end of September 2006. A scoping study completed in 2004 for a 27,500 ton per day facility indicated a capital cost of $235 million. Since then we have expanded the scale and scope of the plant and will likely be affected by the general cost of inflation in mining equipment supplies. Assuming the completed DFS is positive and the timely receipt of the operating permits, we anticipate commencing construction in the third quarter of 2007 and commencing production approximately one year later.

(d) Permitting and Environmental

The environmental review process in the State of Minnesota is reasonably well-defined. Various permits from state and federal authorities will be necessary. An Environmental Impact Statement will be required, with the Minnesota Department of National Resources as the lead agency.

Two winter wildlife studies, wetland and plant species evaluations, and preliminary geohydrology and rock geochemistry studies were completed in 1999, 2000, and 2001. These environmental studies are important to future permitting efforts.

We commenced the permitting process in early 2004. As of January 31, 2006, we had spent approximately $3.146 million on environmental and permitting activities and we anticipate spending an additional $5.0 million to complete this work.

On February 7, 2006, we announced that the St. Louis County Board of Commissioners had approved our plan to mitigate approximately 1,200 acres of wetlands that would be disturbed by our mining operations on the NorthMet property. Under this plan, we will restore to wetlands status approximately 3,260-acres of drained, partially drained, and existing wetlands primarily on tax-forfeited land in the southwestern corner of St. Louis County, Minnesota, the county in which the project is located.

On March 28, 2006, we executed a formal wetlands restoration agreement with St. Louis County that will create a "wetlands bank" to be share with St. Louis County that will provide a new source of revenue from tax-forfeited acreage that historically has produced little public revenue.

The St. Louis County wetlands restoration project will require the approval by the DNR as well as the USACE.

This approach replaces the former plan to swap land with the USFS that would have required us to acquire a much larger area of designated wetlands that typically costs significantly more per acre than tax-forfeit land.

(e) History of Exploration

Prospectors first discovered copper and nickel near Ely, Minnesota about 20 miles north of NorthMet in the 1940's. Subsequently, the Bear Creek Mining Company conducted a regional exploration program resulting in the discovery of the Babbitt deposit (northeast of NorthMet). US Steel staked an exploration program in the Duluth Complex in the late 1960's and over the next few years drilled 112 core holes into the NorthMet property (then called Dunka Road).

In 1987, the Minnesota NRRI published data suggesting the presence of a large resource of PGM's in the base of the Duluth Complex and, in 1989 we commenced an investigation into the potential for mining and recovery of copper, nickel, and PGM's. We re-assayed pulps and rejects from the previous US Steel drilling to obtain data on the PGM's.

In the early 1990's we leased the NorthMet property first to Nerco Minerals and later to Argosy Mining which continued to delineate the contained PGM's and drilled a few additional core holes.

From 1998 to present, we have conducted four drilling programs totaling 196 holes for approximately 126,700 ft. of core and reverse circulation drilling. The fourth program comprising 109 holes totaling 77,200 feet was completed in the fiscal year ended January 31, 2005 and, combined with earlier drilling, brings the total to 310 diamond and reverse circulation holes aggregating to more than 261,000 feet. In addition, we have meticulously recompiled all prior work started by US Steel in 1969, increasing the number of samples from nearly 12,000 to 17,194. The 2005 program added 12,806 samples, bringing the total to 30,000 samples.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

This section uses the terms ”measured resources,” ”indicated resources,” and ”inferred resources.” We advise United States investors that while these terms are recognized and required by Canadian regulations (under National Instrument 43-101 Standards of Disclosure for Mineral Projects), the SEC does not recognize them. **United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted to reserves.** In addition, ”inferred resources” have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian Rules, estimates of Inferred Mineral Resources may not form the basis of Feasibility or Pre-Feasibility Studies, or economic studies except for a Preliminary Assessment as defined under 43-101. **United States investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.**

The resource estimates included in the Pre-feasibility Study of April 2001 and prepared by Independent Mining Consultants Inc. of Tucson (“IMC”) are shown in the table below.

	Ktonnes	%	Average Grades							
	Above	Of	NSR	CuEq	Cu	Ni	Co	Pd	Pt	Au
Geological Resource Above $7.42 cuttoff	Cutoff	Total	US$/t	%	%	%	g/t	g/t	%	g/t
Measured	201,653	46.8%	11.97	0.878	0.364	0.099	71.20	0.354	0.095	0.049
Indicated	133,853	31.0%	12.41	0.939	0.379	0.096	66.77	0.384	0.110	0.055
Inferred	95,653	22.2%	12.74	0.998	0.387	0.095	62.76	0.424	0.123	0.059
Total	431,159		12.27	0.924	0.374	0.097	67.95	0.379	0.106	0.053

The drilling to date has been adequate to complete the pre-feasibility level work and is supporting the detailed planning for the DFS.

(f) Geology and Mineralization

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

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

The Duluth Complex is represented by the Partridge River Intrusion which overlays the Biwabik Iron Formation - the Partridge River Intrusion can be sub-divided into seven lithologic units:

- Unit 7 and Unit 6 – texturally homogeneous plagioclase-rich troctolite, each with a persistent ultramafic base. Unit 6 contains a mineralized horizon in the southwestern portion of NorthMet which is relatively enriched in PGM’s relative to copper. Units 6 and 7 are each about 400 ft. thick and form the shallowest units.

- Unit 5 – coarse grained anorthositic troctolite (300 ft.) grading down to Unit 4.

- Unit 4 – homogeneous augite troctolite and troctolite, with a less persistent ultramafic horizon. The contact between 4 and 5 is difficult to establish and the two units may actually be a single unit.

- Unit 3 – the most easily recognized unit because of its mottled appearance due to olivine oikocrysts. It is fine grained troctolitic anorthosite to anorthositic troctolite. Average thickness is 250 ft. but locally can be up to 500 ft.

- Unit 2 – homogeneous troctolite with abundant ultramafic units and a generally persistent basal ultramafic. This unit shows the most variation in thickness and may be absent entirely.

- Unit 1 – the most heterogeneous unit, both texturally and compositionally. Grain size is generally coarser at the top of the unit and fines downward. The unit contains abundant inclusions of the footwall rock and is noritic towards the base. This is the main sulfide bearing unit. Two ultramafic layers are generally present. Unit 1 is probably the result of multiple pulses of magma injection. Average thickness is about 450 ft.

The general trend of the sedimentary rocks at the NorthMet deposit is to strike to the east-northeast and to dip to the southeast about 15-25°, and the Partridge River Intrusion appears to follow this general trend. Two east-northeast trending faults have been identified through the construction of cross sections. The faults are steeply dipping and normal in character; offset ranges from negligible to 600 ft. down to the southeast. A third major fault has been identified in the western portion of the area and can be traced to the Northshore Mine in the north. Movement on this fault is down to the east. Numerous other faults can be identified in the cross-sections, but offset is small and they lack continuity. The cross-sectional view shows considerable offset in the more southerly fault, and less offset on the more northerly fault. This relationship can vary over the strike of the deposit.

There are two types of mineralization related to the rift system: hydrothermal and magmatic. The hydrothermal deposits include native copper in basalts and sedimentary interbeds, such as on the Keewenaw Peninsula, sediment-hosted copper sulfide and native copper, represented by the White Pine Mine of Michigan, copper sulfide veins in volcanics and polymetallic veins (silver-nickel-cobalt) in volcanics. The magmatic deposits include copper-nickel-PGM mineralization and titanium-iron mineralization in the Duluth complex, uranium and rare earth elements in carbonatites and Cu-Mo in breccia pipes. More locally the magmatic deposits lie along the northwestern contact of the Duluth Complex with the underlying sediments and Giants Range Batholith. NorthMet and the Babbit (or Minnamax) deposits are the largest of the copper-nickel- PGM mineralization.

The majority of the rock at NorthMet is unaltered, with a minor alteration found along fractures and micro-fractures, consisting of serpentine, chlorite and magnetite replacing olivine, uralite and biotite replacing pyroxene, and sausserite and sericite replacing plagioclase. Sulfide mineralization does not appear to be directly related to the alteration.

The metals of interest at NorthMet are copper, nickel, cobalt, platinum, palladium, gold and lesser amounts of rhodium and ruthenium. In general, the metals are positively correlated with copper mineralization, cobalt being the main exception. Mineralization occurs in four horizons throughout the NorthMet property. Three of these horizons are within basal Unit 1 and in some drill holes the horizons are indistinguishable from each other. The thickness of each of the three horizons varies from 5 to more than 200 feet. Unit 1 mineralization is found throughout the deposit. A less extensive mineralization zone is found in Unit 6 and it is relatively enriched in PGM’s compared to Unit 1.

Sulfide mineralization consists of chalcopyrite, cubanite, pyrrhotite and pentlandite with minor bornite, violarite, pyrite, sphalerite, galena, talnakhite, mackinawite and valleriite. Sulfide minerals occur mainly as blebs interstitial with plagioclase, olivine and augite grains, but also occur within plagioclase and augite grains, as intergrowths with silicates, or as fine veinlets. The percentage of sulfides varies from trace to about 5%. Palladium, platinum and gold are associated with the sulfides.

The NorthMet deposit has been identified over a length of approximately 2.5 miles, has been found to a depth of more than 1,000 feet, and is several hundred feet thick. It is covered by a thin layer of glacial till but otherwise reaches to the subsurface.

The NorthMet property is without known reserves, as defined by the U.S. securities laws.

(g) Exploration and Development Plans

We believe that we have completed exploration work required for the initial phases of production at NorthMet, however, we may need to conduct further in-fill drilling during the anticipated life of the project. The exploration work is being compiled in the DFS which is considering the commercial viability of an open-pit mine. The DFS is contemplating construction of a project mining an average of approximately 70,000 tons of rock per day and processing approximately 32,000 tons per day through the Erie Plant. The finely ground material from the Erie Plant would then be processed through a new hydrometallurgical plant to produce copper metal, nickel-cobalt concentrates, and a precious metals precipitate.

(h) Regulations and Government Rules

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

(a) Operating Results

This discussion and analysis should be read in conjunction with our consolidated financial statements. Our reporting currency is the United States dollar and our financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP); however, there are no material differences between U.S. GAAP and Canadian GAAP with regard to our financial statements. All amounts in this discussion and in the consolidated financial statements are expressed in United States dollars, unless identified otherwise.

Summary of Events During the Fiscal Year Ended January 31, 2006

During the fiscal year ended January 31, 2006, we continued to advance our NorthMet Project including environmental and permitting matters, a phase I drilling program which extracted metallurgical ore samples, a phase II drilling program to complete the planned 90,000 feet of in-fill drill required to add definition to the resource, process design, an integrated pilot plant to demonstrate the process, upgrading resource models, a new mine plan and negotiations with prospective industry partners for strategic off-take agreements.

Also during the year, we commissioned and received two National Instrument 43-101 technical reports. The first reported a revised resource model based on a geological and drill-hole database, which has been updated and contains over 17,000, validated assayed intervals. The second described a revised mine plan showing an improved ore extraction schedule compared to previously published reports.

The goals for the 2005 drill program were met which included:

- a 40 ton bulk sample for metallurgical pilot plant test work representing the 10 year mining envelope was successfully processed at SGS Lakefield Laboratories in Ontario during the latter part of 2005;
- compilation of geotechnical information for pit slope design and pit slope stability studies by Golder Associates;
- enhancement of the comprehensive geological model through in-fill drilling, a new detailed geological and assay model which incorporates all completed work from 2005, the results of which continue to contribute to the ongoing resource evaluation and pit design work;
- confirmation of continuity of metal grades;
- collection of data supporting the environmental permitting; and
- the improvement in the confidence of the resource estimate categorization, resulting from reduced drill hole and sampling space.

On November 15, 2005, we completed the early exercise of our option with Cleveland Cliffs, Inc. through our Minnesota subsidiary, Poly Met Mining, Inc. We now own 100% of the Erie Plant. Under the asset acquisition agreement we signed a note for $2.4 million from Cliffs and paid an addition $1.0 million in cash, in addition to the $500,000 we paid to acquire the exclusive option in 2004. . We also issued 6,200,547 of our common shares to Cliffs, in addition to the 1,000,000 shares issued previously to Cliffs as part of the option payment. Upon receipt of certain operating permits, we will assume from Cliffs ongoing site-related environmental and reclamation obligations and we have indemnified Cliffs for certain on-going liabilities at the Erie Plant prior to receipt of permits. The remaining cash component of the payment of $2.4 million plus interest will be paid from working capital in ten quarterly installments of $250,000.

With a total of 7,200,547 shares, as of January 31, 2006, Cliffs now holds approximately 6.2% of our common stock outstanding. Cliffs continues to have the right to participate on a pro-rata basis in future equity financings. We have the first right of refusal to acquire Cliff’s shares should Cliffs wish to dispose of its interest.

Our NorthMet Project is in the closing stages of its DFS and is scheduled to begin commercial operations in mid 2008. We have decided to expand the scope of the DFS to cover an initial mining rate of 32,000 short tons (29,500 metric tonnes) per day, which is the size which is being permitted. At this production rate, the project will provide full-time employment for at least 400 people. The NorthMet project will produce London Metal Exchange- or Comex-grade copper cathode on site and concentrates for sale off-site comprising: nickel- and cobalt-hydroxides and a platinum, palladium and gold precipitate.

The NorthMet Project commenced environmental permitting activities in February 2004 and is currently undergoing intense state and federal environmental review. We submitted an environmental assessment worksheet to the State of Minnesota regulators in August 2005. This EAW step provides essential information to advance the state’s environmental review process and leads directly to the environmental impact statement and permits to build. The EIS process was simplified on March 14, 2005 when we reached a memorandum of understanding (“MOU”) with federal and state regulators to cooperate in preparing a single EIS on the NorthMet Project. Signatories to the MOU include the U.S. Army Corps of Engineers (“USACE”), U.S. Forest Service (“USFS”), Minnesota Department of Natural Resources (“MDNR”) and our U.S. based subsidiary, Poly Met Mining, Inc. The MOU provides that the lead state and federal agencies will be the MDNR and USACE, respectively, and that the USFS will be involved as a cooperating agency. Since a large component of our plan involves the reactivation of the “brown fields” LTVSMC plant and infrastructure, the permitting process has been dramatically simplified compared to a “green fields” project.

The Minnesota Pollution Control Agency will also be substantially involved in air and water permitting.

The lead agencies will jointly develop a scope of work for EIS preparation and evaluate MDNR's selection of a third party contractor which will be hired by the state at our expense to prepare the EIS.

We continue to negotiate with several major companies for the off-take of the nickel-cobalt hydroxide.

Change in Accounting Policy

Variable Interest Entities. Effective February 1, 2005, we adopted the recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook Accounting Guideline 15 (AcG-15), Consolidation of Variable Interest Entities, effective for annual and interim periods beginning on or after November 1, 2004. Variable interest entities (VIEs) refer to those entities that are subject to control on a basis other than ownership of voting interests. AcG-15 provides guidance for identifying VIEs and criteria for determining which entity, if any, should consolidate them. Adoption of this accounting policy has not affected our financial statements.

Impairment of Long-Lived Assets. We have adopted CICA Section 3063 "Impairment of Long-Lived Assets". This statement establishes standards for the recognition, measurement and disclosure or the impairment of non-monetary long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, deferred pre-operating costs and long-term prepaid assets. The adoption of this standard did not have a material impact on our financial position or results of operations.

Summary of Operating Results

As of January 31, 2006, we operated in one segment, the exploration of the base and precious metals at its NorthMet Project in Minnesota, United States. Other reconciling adjustments comprise general and administrative costs, stock based compensation expense, financing expenses, foreign exchange interest income, assets, purchase of property, plant and equipment and amortization reported by the Canadian head office.

	NorthMet Project in U.S.	Other reconciling adjustments	Consolidated
2006			
Segment operating loss	$ 11,406,553	$ 4,522,984	$ 15,929,537
Purchase property, plant and equipment	$ 2,201	$ 8,142	$ 10,343
Other assets	$ 13,495,647	$ —	$ 13,495,647
Identifiable assets	$ 14,381,120	$ 11,654,116	$ 26,035,236
2005			
Segment operating loss	$ 1,855,631	$ 1,920,706	$ 3,776,337
Purchase property, plant and equipment	$ 12,028	$ 3,810	$ 15,838
Other assets	$ 729,320	$ —	$ 729,320
Identifiable assets	$ 986,065	$ 1,364,099	$ 2,350,164
2004			
Segment operating loss	$ 124,473	$ 22,327	$ 146,800
Purchase property, plant and equipment	$ —	$ 2,061	$ 2,061
Other assets	$ 500,000	$ —	$ 500,000
Proceeds on sale of resource property	$ —	$ 219,925	$ 219,925
Proceeds on disposal of property, plant and equipment	$ 33,331	$ —	$ 33,331
Identifiable assets	$ 505,500	$ 519,437	$ 1,024,937

Year ended January 31, 2006 compared with the year ended January 31, 2005

Overall. Our focus for the fiscal year ended January 31, 2006, was to advance the feasibility study, to complete a drill program, conduct pilot plant testing, and advance the environmental and permitting process at the NorthMet project. We expanded our operations in Minnesota by retaining several key consultants to assist in the completion of the environmental study and permitting requirements of the project. We raised $22.2 million in new equity and we acquired the Cliffs Assets from Cliffs.

Loss for the year. We recorded a loss in the year ended January 31, 2006 of $15,929,537 ($0.22 per share) compared to a loss of $3,776,337 ($0.07 per share) in 2005 and a loss of $146,800 ($0.00 per share) in 2004. The increase in the net loss for the year was primarily attributable to the increased level of work, our accounting policy of expensing the costs of pre-feasibility work related to the NorthMet Project of $11,120,145 ($1,622,983 in the fiscal year ended January 31, 2005), and an increase in general and administrative costs including non-cash stock compensation expense of $3,523,324 ($992,658 in the fiscal year ended January 31, 2005).

Pre-feasibility costs. During 2006 we expended $11,120,145 in exploration, pre-feasibility and lease payments compared to $1,622,983 in 2005 and 91,616 in 2004. The substantial increase was a result of our direct participation in the environmental and permitting advancement at the NorthMet Project.

Administrative fees and wages. Our administrative fees and wage expense for the year ended January 31, 2006 was $207,650 representing an increase of approximately 97% compared to administrative fees and wage expense of $105,449 for the year ended January 31, 2005. The increase is primarily the result of increased compensation paid to employees.

Consulting fees. Consulting fees for the year ended January 31, 2006 was $388,900 representing an increase of approximately 5% compared to consulting fees of $370,815 for the year ended January 31, 2005. The increased in consulting fees during the fiscal year ended January 31, 2006, is due to the hiring of several consultants for investor relations and communications activities and financial and accounting services.

Interest Income. Interest income for the year ended January 31, 2006 was $148,036 representing an increase of approximately 6,565% compared to interest income of $2,221 for the year ended January 31, 2005. The interest income earned during the fiscal year ended January 31, 2006, is primarily from higher cash balances held on deposit during the most recent period.

Management fees. Management fees for the year ended January 31, 2006 was $129,483 representing a decrease of approximately 8% compared to management fees of $141,270 for the year ended January 31, 2005. The management fees incurred during the fiscal year ended January 31, 2006, derive from payments made for management services.

Stock-based compensation expense. Stock-based compensation expense for the year ended January 31, 2006 was $3,523,324 representing an increase of approximately 255%% compared to stock-based compensation expense of $992,658 for the year ended January 31, 2005. The stock-based compensation expense incurred during the fiscal year ended January 31, 2006 is the result of issuing 3,580,000 options to directors, officers, consultants, and employees, which is 1,035,000 more options than the 2,545,000 options issued during the year ended January 31, 2005, combined with a greater value per option based on the Black-Scholes calculation. These additional incentive options were part of our overall plan to lin corporate development and shareholder value.

Year ended January 31, 2005 compared with the year ended January 31, 2004

Overall. Our focus for the year ended January 31, 2005, was to further advance the environmental and permitting process and to commence a diameter core drill program at the NorthMet project. We expanded our operations in Minnesota by retaining several key consultants to assist in the completion of the environmental study and permitting requirements of the project. In addition we initiated negotiations to secure off take partnership agreements.

Loss for the year. We recorded a loss in the year ended January 31, 2005 of $3,776,337 ($0.07 per share) compared to a loss of $146,800 ($0.00 per share) in 2004 and a loss of $471,679 ($0.01 per share) in 2003. The increase in the net loss for the year was primarily attributable to the increased level of work, our accounting policy of expensing the costs of pre-feasibility work related to the NorthMet Project of $1,622,983 ($91,616 in the fiscal year ended January 31, 2004), and an increase in general and administrative costs including non-cash stock compensation expense of $992,658 ($55,048 in the fiscal year ended January 31, 2004).

Pre-feasibility costs. During 2005 we expended $1,622,983 in exploration, pre-feasibility and lease payments compared to $91,616 in 2004 and 112,318 in 2003. The substantial increase was a result of our direct participation in the environmental and permitting advancement at the NorthMet Project.

Administrative fees and wages. Our administrative fees and wage expense for the year ended January 31, 2005 was $105,449 representing an increase of approximately 228% compared to administrative fees and wage expense of $32,120 for the year ended January 31, 2004. The increase is primarily the result of increased corporate activity.

Consulting fees. Consulting fees for the year ended January 31, 2005 was $370,815 representing an increase of approximately 1,643% compared to consulting fees of $21,278 for the year ended January 31, 2004. The increase in consulting fees is mainly due to the hiring of several consultants in response to increased corporate activity.

Interest Income. Interest income for the year ended January 31, 2005 was $2,221 as compared to interest expense of $380 for the year ended January 31, 2004. The interest income earned during the fiscal year ended January 31, 2005, is primarily from maintaining higher cash balances during the period.

Management fees. Management fees for the year ended January 31, 2005 was $141,270 representing an increase of approximately 170% compared to management fees of $52,388 for the year ended January 31, 2004. The increase in management fees incurred during the fiscal year ended January 31, 2005, is the result of payments to for increased management services based on increased corporate activity.

Stock-based compensation expense. Stock-based compensation expense for the year ended January 31, 2005 was of $992,658 representing an increase of approximately 1,703% compared to stock-based compensation expense of $55,048 for the year ended January 31, 2004. The stock-based compensation expense incurred during the fiscal year ended January 31, 2005 is the result of issuing 2,545,000 options to directors, officers, consultants, and employees, which is 46,500 fewer options than the 2,591,500 options issued during the year ended January 31, 2004. However, the per-option expense based the Black-Scholes calculation was significantly greater in the fiscal year ended January 31, 2005. These additional incentive options were issued as part of our overall plan to line up corporate development and shareholder value.

Year ended January 31, 2004 compared with the year ended January 31, 2003

Overall. Our primary objective for the fiscal year ended January 31, 2004 was to achieve certain milestones with respect to the NorthMet project. We were successful in obtaining the option to acquire the Cliffs-Erie facility, which if exercised will significantly reduce the capital costs for the project. In addition an independent scoping study on the NorthMet project was completed integrating the Cliffs-Erie facility and its impact on the overall pre-feasibility capital costs. Expenditures of $500,000 were made to obtain the option to acquire the Cliffs-Erie facility. During March 2004, upon receipt of regulatory approval of the option agreement, we issued 1,000,000 common shares to maintain the exclusive rights under the option until June 30, 2006.

With our focus on the NorthMet project, we reached an agreement for the sale of Marathon leases and related land for proceeds of $250,000.

Loss for the year. We recorded a loss in the year ended January 31, 2004 of $146,800 ($0.00 per share) compared to a loss of $471,679 ($0.01 per share) in 2003 and a loss of $1,155,762 in 2002 ($0.02 per share). The decrease in the net loss for the year was primarily attributable to the decreased level of work, at our NorthMet project.

Pre-feasibility costs. During 2004 we expended $91,616 in exploration, pre-feasibility and lease payments compared to $112,318 in 2003 and $606,162 in 2002. The decrease was a result of reduced work during the period leading up to the hiring of a new management team.

Administrative fees and wages. Our administrative fees and wage expense for the year ended January 31, 2004 was $32,120 representing a decrease of approximately 78% compared to administrative fees and wage expense of $143,146 for the year ended January 31, 2003. The decrease is primarily the result of a substantial reduction in operations and activity.

Consulting fees. Consulting fees for the year ended January 31, 2004 was $21,278 representing a decrease of approximately 22% compared to consulting fees of $27,267 for the year ended January 31, 2003. The decrease in consulting fees is mainly due to reduced corporate activity during our transition to our new management team.

Interest expense. Interest expense for the year ended January 31, 2004 was $380 as compared to interest expense of $589 for the year ended January 31, 2003. The interest expense during the fiscal year ended January 31, 2004, is primarily from short-term overdraft fees.

Foreign Currency

The impact of foreign currency fluctuations between the U.S. dollar and the Canadian dollar are not material on us. We currently do not engage in any hedging activities intended to minimize the effect of currency fluctuations.

(b) Liquidity And Capital Resources

Financing Activities

During the year ended January 31, 2006, we completed:

- a non-brokered private placement for 3,544,657 units at a price of CDN$1.40 per unit. Each unit consisted of one common share and one half of one share purchase warrant. One full warrant entitles the holders, on exercise, to purchase one additional common share of ours at a price of CDN$2.00 per warrant share at any time until the close of business on the day which is 18 months from the date of closing, provided that if the closing price of the our shares as traded on the Toronto Stock Exchange (the “Exchange”) is over CDN$2.50 per share for 20 consecutive trading days, the Warrants will terminate 30 days thereafter;

- a non brokered private placement for 6,672,219 units at a price of CDN$0.90 per unit. Each unit consisted of one common share and one half of one share purchase warrant. One full warrant entitles the holders, on exercise, to purchase one additional common share of ours at a price of CDN$1.25 per warrant share at any time until the close of business on the day which is 30 months from the date of closing, provided that if the closing price of our shares as traded on the Exchange is over CDN$2.50 per share for 20 consecutive trading days, the warrants will terminate 30 days thereafter; and

- a brokered private placement for 9,277,777 units at a price of CDN$0.90 per unit. Each unit consisted of one common share and one half of one share purchase warrant. One full warrant entitles the holders, on exercise, to purchase one additional common share of ours at a price of CDN$1.25 per warrant share at any time until the close of business on the day which is 30 months from the date of closing, provided that if the closing price of our shares as traded on the Exchange is over CDN$2.50 per share for 20 consecutive trading days, the warrants will terminate 30 days thereafter.

- a non brokered private placement for 9,000,000 units at a price of CDN$0.55 per unit. Each unit consisted of one common share and one half of one share purchase warrant. One full warrant entitles the holders, on exercise, to purchase one additional common share of ours at a price of $0.70 per warrant share at any time until the close of business on the day which is 24 months from the date of closing, provided that if the closing price of the our shares as traded on the Exchange at or exceed $1.00 per share for 30 consecutive trading days, the Warrants will terminate 30 days thereafter;

In addition to the financings during the year ended January 31, 2006, we also issued:

- 5,700,628 shares pursuant to the exercise of 5,700,628, share purchase warrants for total proceeds of $3,296,143; and

- 1,795,852 shares pursuant to the exercise of stock options for total proceeds of $196,988.

During the year ended January 31, 2005, we issued:

- 5,277,574 share purchase warrants were exercised at exercise prices between CDN$0.10 - CDN$0.25 for proceeds of $828,554;

- stock options in the amount of 1,088,400 were exercised at prices between CDN$0.08 - CDN$0.13 per share for proceeds of $81,383;

- a private placement for 1,550,000 units at a price of CDN$0.80 per unit and a private placement for 1,250,000 units at a price of CDN$0.80 per unit for total proceeds of $1,733,984; and

- subsequent to our year-end, a private placement for 9,000,000 units at CDN$0.55 per unit for net proceeds of $3,831,795 was completed of which $762,804 was deposited prior to January 31, 2005.

Year Ended January 31, 2006

Our operating activities used cash of $10,845,532 during the fiscal year ended January 31, 2006 as compared to using cash of $2,575,732 during the fiscal year ended January 31, 2004 and $303,515 in the fiscal year ended January 31, 2003. The cash used for operations during the fiscal year ended January 31, 2006 was primarily due to our loss of $15,929,537 and stock-based compensation paid of $3,523,324.

Cash used in investing activities was $203,143 the fiscal year ended January 31, 2006 as compared to using cash of $823,038 during the fiscal year ended January 31, 2004 and $248,805 in the fiscal year ended January 31, 2003. The cash used for investing activities during the fiscal year ended January 31, 2006 was primarily due to a payment of $1,000,000 made to Cliffs in connection with the acquisition of the Erie Plant and $10,343 for the purchase of office and computer equipment, less $807,200 of cash provided by cashing in the term deposit made during the fiscal year ended January 31, 2005. We anticipate continued near-term capital expenditures in connection periodic payments made in connection with the Erie Plant acquisition.

We generated cash of $22,209,231 in financing activities during the fiscal year ended January 31, 2006 as compared to generating cash of $3,414,090 during the fiscal year ended January 31, 2004 and $1,044,684 in the fiscal year ended January 31, 2003. . Cash from financing activities for the year ended January 31, 2006 was from the proceeds of four private placements, the exercise of options, and share purchase warrants. Cash from financing activities for the year ended January 31, 200 was from the proceeds of two private placements, the exercise of share purchase warrants and stock options, and proceeds from share subscriptions.

Total cash for the year ended January 31, 2006 increased by $11,160,556 for a balance of $11,671,427 compared to the year ended January 31, 2005 where cash increased $15,320 to a balance of $510,871. Management anticipates that additional sources of capital beyond those currently available to it will be required to continue to advance the NorthMet Project toward commencement of commercial production.

Substantially all cash and equivalents are held in Canadian currency.

As at January 31, 2006, we had working capital of $9,070,555 (2005 - $1,273,660) consisting primarily of cash $11,671,427 (2005 - $510,871). We will facilitate debt financing to Cliffs for the exercise of the Cliffs Option, for the current portion of $1,000,000 (2005 - $Nil) and the remaining balance of $1,420,515 long term (2005 - $Nil) from working capital.

As at January 31, 2006, we, in addition to its obligation to Cliffs as described herein, have obligations to issue shares under our Bonus Share Plan. We have received shareholder approval for the Bonus Shares of Milestones 1 - 4 and regulatory approval for Milestones 1 and 2. Milestones 3 and 4 are subject to regulatory approval, which will be sought when we are closer to completing these Milestones. To date 1,590,000 shares have been issued to achieve Milestone 1. The bonus shares allocated for Milestones 1 thru 4 are valued using our closing trading price on November 5, 2003 of CDN$0.19 per share, the date of the approval of the bonus plan by the board of directors.

As part of certain employment and management contracts, we have agreed to severance allowances for key employees and management in the event of a take-over bid. These allowances will be based upon our implied market capitalization at the time, calculated by multiplying the number of shares outstanding on a fully diluted basis by the take-over bid price per share. If the market capitalization is CDN$100 million, the total severance payment would be CDN$1,000,000 and would increase CDN$600,000 for every additional CDN$25 million of implied market capitalization, with no maximum.

As a result of the recent private placements as described above, our current available cash and working capital will be adequate to meet our current obligations, maintain our property lease, fund completion of our DFS, administrative costs, and payments to Cliffs for the next 12 months. To advance the NorthMet project further, additional funding will be required and there are no assurances that we will be able to complete the necessary financings or obtain a joint venture in order to carry out such further work. See Risk Factors.

As we are in the pre-feasibility stage, we do not have revenues from operations and, except for income from cash and cash equivalents, we rely on equity funding for our continuing financial liquidity. We will continue to evaluate alternative sources of capital to meet our cash requirements, including issuing additional equity securities and entering into other financing arrangements and we are hopeful that we will be successful in this regard. There can be no assurance, however, that we will be able to continue to raise funds, on terms favorable to us, in which case it may be unable to continue to advance the NorthMet project. Should we be unable to realize on its assets and discharge its liabilities in the normal course of business, the realizable value of its assets may be materially less than the amounts recorded on the balance sheets. We do not have any arrangements or commitments in place for any additional financing.

Debt

Pursuant to the Asset Purchase Agreement between Cliffs and our wholly owned subsidiary Poly Met Mining Inc., dated September 15, 2005, Poly Met Mining, Inc. signed a note payable to Cliffs in the amount of $2,400,000. The note is interest bearing at the annual simple rate of four percent (4%) and will be paid in ten quarterly installments equal to $250,000 for total repayment of $2,500,000 including interest. The first payment was made on March 31, 2006 and the note will mature on September 30, 2008. As at January 31, 2006, the outstanding long term debt was as follows:

Note payable	$ 2,400,000
Accrued interest	20,515
Total debt	2,420,515
Less current portion	(1,000,000)
Long term debt	$ 1,420,515

We anticipate using the funds recently acquired through equity financing transactions to meet our payment obligations under the promissory note held by Cliffs.

Pursuant to the Asset Purchase Agreement, we also agreed to indemnify Cliffs for the liability for final reclamation and closure of the Erie Plant and to assume these liabilities upon receipt of operating permits and approval by the DNR.

Federal, state and local laws and regulations concerning environmental protection affect our operations. Under current regulations, we are obligated to indemnify Cliff's requirement to meet performance standards to minimize environmental impact from operations and to perform site restoration and other closure activities. Our provisions for future site closure and reclamation costs are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. Our estimate of the present value of the obligation to reclaim the NorthMet Project is based upon existing reclamation standards as of January 31, 2006 and Canadian GAAP. Once we obtain our permit to mine the environmental and reclamation obligations will be direct liable to the governing bodies.

Our estimates are based upon a January 31, 2006 liability estimate of $12,444,478, an annual inflation rate of 3.80%, a discount rate of 9.00% and a mine life of 28.5 years, commencing in mid-2008 and a reclamation period of 3 years. Accretion of the liability until the commencement of commercial production will be capitalized to the NorthMet Project assets.

(c) Research and Development, Patents and Licenses, Etc.

Not applicable.

(d) Trend Information

Not applicable.

(e) Off-Balance Sheet Arrangements

Not applicable.

(f) Tabular Disclosure of Contractual Obligations

	Payments due Period			
	Less than 1 Year	1 –3 Years	3 – 5 Years	More than 5 years
Note Payable[1]	$ 1,000,000	$ 1,500,000	$ —	$ —
Lease Obligations[2]	$ —	$ 150,000 - 450,000	$ 150,000 - 450,000	$ 150,000 per annum

1 Pursuant to the Asset Purchase Agreement between Cliffs and our wholly owned subsidiary Poly Met Mining Inc., dated September 15, 2005, Poly Met Mining, Inc. signed a note payable to Cliffs in the amount of $2,400,000. The note is interest bearing at the annual simple rate of four percent (4%) and will be paid in quarterly installments equal to $250,000 for total repayment of $2,500,000.

2 By an agreement dated January 4, 1989 and a subsequent amendment, we entered into a lease agreement with US Steel on certain lands in St. Louis County, Minnesota. The current term of the lease is 20 years and calls for total lease payments of $1,475,000. All lease payments have been paid or accrued to January 31, 2005. The agreement requires future annual lease payments of $150,000 from January 4, 2006 to 2009.

We can, at our option, terminate the lease at any time by giving written notice to the lessor not less than 90 days prior to the effective termination date or can extend the 20-year term by continuing to make $150,000 annual lease payments on each successive anniversary date.

The lease payments are considered advance royalty payments and shall be deducted from future production royalties payable to the lessor, which range from 3% to 5% based on the net smelter return received. Our recovery of the advance royalty payments is subject to the lessor receiving an amount not less than the amount of the annual lease payment due for that year.

During the year ended January 31, 2005, USX assigned the lease to RGGS Land & Minerals Ltd., L.P.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Each Director serves until the next annual general meeting or until his/her successor is duly elected, unless his/her office is vacated in accordance with our Certificate 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, at which time they may be re-elected or replaced. (For more details on the process for nominating directors, see our Nominations Committee Charter, attached hereto as Exhibit 11.2.)

The following is a list of the names and ages of our directors and executive officers:

Name	Age	Position
William Murray	57	Director, President, and Chief Executive Officer
Douglas J. Newby	47	Chief Financial Officer
Graham Scott	59	Secretary
David Dreisinger	48	Director
W. Ian L. Forrest	68	Director, Chairman of the Board
George Molyviatis	43	Director
James Swearingen	62	Director

William Murray has served as our president and chief executive officer and as director since March 17, 2003. Mr. Murray is an engineer in the mining industry with 36 years of experience in construction management and project evaluation in North America and Africa. He became involved with our operations in March 2003 as a principal of Optimum Project Services Ltd., a consulting firm whose work with us led to technical improvements and large capital cost reductions on the NorthMet Project. Prior to that, Mr. Murray was employed by at Fluor Daniel, a large U.S. Engineering & Construction contractor, as the Director of New Business from October 1989 to April 1993. From September 1981 to May 1987, Mr. Murray was a Director of Project Services at Denison Mines where he participated in the construction of the $1.2 billion Quintette Coal project. From September 1970 to August 1981, Mr. Murray held a number of positions at Anglo American Corp in South Africa, principally in the Gold Division, where he eventually became the Chief Engineer. Mr. Murray is also a director of Baja Mining Corp and Kernow Resource Developments Ltd. Mr. Murray currently resides in Canada.

Douglas J. Newby has served as our Chief Financial Officer since Nov. 22, 2005. Mr. Newby has approximately 25 years of experience in the evaluation and financing of mining companies and projects around the world. Before coming to PolyMet, Mr. Newby served variously as a director, executive vice president, interim Chairman, president and chief executive officer Western Goldfields, Inc. a US-based gold mining company. Mr. Newby has also been President of Proteus Capital Corp., a corporate advisory firm that specializes in the natural resource industries, since July 2001. Mr. Newby served as Managing Director of Proteus Consultants Ltd. from January 1991 to July 2001 and Managing Partner of Moyes Newby & Co., Inc. from April 1994 to December 1998, both of which provided corporate advisory services primarily to the international energy and mining industries. Since January 2004, Mr. Newby has served as Vice-President of Cadence Resources Corporation, an oil and gas exploration and development company. Before forming Proteus Consultants Ltd., Mr. Newby held senior positions with the investment banking firms of S.G. Warburg & Co., Inc., Morgan Grenfell & Co., and James Capel & Co. His primary responsibility with us is to structure and arrange financing to place our NorthMet project into production.

Graham Scott has served as our Secretary since May, 2004. Mr. Scott is the Principal of Vector Corporate Finance Lawyers, a firm he founded in 2001. Vector practices securities law, primarily in the mining sector. In addition to us, Mr. Scott represents many Canadian public companies which are listed on the TSX and TSX Venture Exchanges, and clients in the corporate finance business. Mr. Scott has presented papers on securities and mining law matters and has chaired many legal and industry conferences. Mr. Scott is listed in the inaugural edition of “The Best Lawyers in Canada” and in the “International Who’s Who of Mining Lawyers.”

Dr. David Dreisinger has served as a member of our board of directors since October 3, 2003. Dr. Dreisinger also serves on our audit, compensation, and corporate governance committees. Dr. Dreisinger is currently a member of the faculty at the University of British Columbia in the Department or Metal and Material Engineering. He has published over 100 papers and has been extensively involved as a process consultant in industrial research programs with metallurgical companies. Dr. Dreisinger has participated in 11 U.S. patents for work in areas such as pressure leaching, ion exchange removal of impurities from process solutions, use of thiosulfate as an alternative to cyanide in gold leaching, and leach-electrolysis treatment of copper recovery from sulfide ores and the Sepon Copper Process for copper recovery from sulfidic-clayey ores. He will work closely with our feasibility consultant to design and complete all aspects of the testwork.

W. Ian L. Forrest has served as a director of our board since October 3, 2003. Mr. Forrest also serves on our audit, compensation, and corporate governance committees. Mr. Forrest is a member of the Institute of Chartered Accountants of Scotland and continues to practice as a public accountant in Geneva, Switzerland. Mr. Forrest has 30 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 serves as a director on the boards two Canadian public companies, Caledonian Mining Corporation and Mengold Resources Inc. Having played an important role in the revival of PolyMet Mining Corporation in 2003, he was appointed Chairman in May 2004. Mr. Forrest currently resides in Switzerland.

George Molyviatis has served as a member of our board of directors since March 17, 2003. Mr. Molyviatis also serves on our audit and compensation committees. Mr. Molyviatis has approximately twenty years experience as an investment banker and businessman. He started his career with BNP Paribas in Geneva in 1986 where held increasingly senior positions, ultimately becoming a Senior Vice-President. In 1994 he joined the Credit Suisse group as a Senior Vice-President and left in 1996 to join Pegasus Securities, S.A., a Greek investment bank that he ran until 1999, when it was sold. Since then Mr. Molyviatis has been a private investor in several natural resource companies and owns several large forestry and timber processing facilities in Georgia and Russia. Mr. Molyviatis currently resides in Greece.

James Swearingen has served as a member of our board of directors since January 14, 2005. Mr. Swearingen formerly managed the largest mining operation in North America, US Steel's Minntac mine and plant along Minnesota's Mesabi Iron Range, serving as General Manager of Minnesota Ore Operations. He currently serves as co-chair of the Governor's Committee on Minnesota's Mining Future. Mr. Swearingen is also active with other groups that bring new technology to northeastern Minnesota to develop non-ferrous mines and new, value added, projects in steel making. He is also an active advisor to the University of Minnesota's Natural Resources Research Institute based in Duluth, Minnesota. Mr. Swearington resides in the United States.

B. Statement of Executive Compensation

During the fiscal year ended January 31, 2006, the Company had two Named Executive Officers (for the purposes of applicable securities legislation), namely:

(a) William Murray, the President and Chief Executive Officer;
(b) Douglas Newby, Chief Financial Officer

The following table sets forth, for the periods indicated, the compensation of the Named Executive Officers.

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
NEO Name and Principal Position	**Year** (1)	**Salary ($) (US$)**	**Bonus ($) (US$)**	**Other Annual Compen-sation ($)**(3)	**Securities Under Options/ SARs granted (#)**	**Shares or Units subject to Resale Restrictions ($)**(2)	**LTIP payouts ($)**	**All Other Compen-sation ($)**(4)
William Murray, President & CEO	2004 2005 2006	$52,388 $141,270(6) $129,480(7)	Nil $93,519(8) Nil	Nil Nil Nil	656,600 100,000 300,000	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Douglas Newby, CFO(5)	2004 2005 2006	N/A N/A $18,750	N/A N/A Nil	N/A N/A Nil	N/A N/A 350,000(9)	N/A N/A Nil	N/A N/A Nil	N/A N/A Nil
Terese Gieselman, Former CFO(5)	2004 2005 2006	$5,820 $12,781 $21,703	Nil Nil Nil	Nil Nil Nil	 60,000 80,000	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil

(1) February 1 to January 31.
(2) Includes the dollar value (net of consideration paid by the NEO) calculated by multiplying the closing market price of the Company's freely trading shares on the date of grant by the number of stock or stock units awarded.
(3) Perquisites and other personal benefits, securities or property for the most three most recently completed financial years do not exceed the lesser of CDN $50,000 and 10% of the total annual salary and bonus.
(4) Including, but not limited to, amount paid, payable or accrued upon resignation, retirement or other termination of employment or change in control and insurance premiums with respect to term life insurance.
(5) On November 14, 2005 Terese Gieselman was replaced as the Company's CFO by Douglas Newby.
(6) Comprising of management fees payable to Group 4 Ventures Ltd. ("Group 4"), a non-reporting company owned by William Murray in the amount of CDN $11,000 per month for the period February 1, 2005 to September 30, 2005 and thereafter at a rate of CDN $17,000 per month and management fees paid to William Murray in the amount of CDN $5,000 per month, commencing February 1, 2005.
(7) Comprising of management fees payable to Group 4 in the amount of CDN $17,000 per month and management fees paid to William Murray in the amount of CDN $5,000 per month.
(8) Pursuant to the Bonus Share Incentive Plan (as summarized below), 600,000 common shares were accrued at a deemed price of (CDN) $0.19 per share. By treasury order dated March 8, 2005 and amended March 23, 2005, the shares were issued to Group 4.
(9) 250,000 of these options are held in the name of Proteus Capital Corp. a non-reporting company owned by Douglas Newby.

Option/SAR Grants During the Most Recently Completed Financial Year

Name	**Securities Under Options/ SARs Granted (#)**	**% of Total Options/SARs Granted to Employees in Financial Year**(1)	**Exercise or Base Price (CDN$/Security)**	**Market Value of Securities Underlying Options/SARs on the Date of Grant (CDN$/Security)**	**Expiration Date**
T. Gieselman	40,000 80,000	1.12% 2.23%	$0.65 $1.36	$0.65 $1.75	March 30/2010 Sept. 19/2010
W. Murray	300,000	8.38%	$1.36	$1.75	Sept. 19/2010
D. Newby	40,000 210,000	1.12% 5.87%	$0.94 $1.36	$0.95 $1.75	June 15/2010 Sept. 19/2010

	100,000	2.79%	$1.15	$1.43	Dec. 5/2010

(1) Reflected as a percentage of the total number of options to purchase common shares granted (3,580,000) during the Financial Period.

Aggregate Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values"

NEO Name	Securities Acquired on Exercise	Aggregate Value Realized (CDN $)[2]	Unexercised Options/SARs at Jan. 31, 2006 (#) Exercisable/ Unexercisable	Value of Unexercised in-the-money[1] Options/SARs at Jan. 31, 2006 ($) Exercisable/ Unexercisable
T. Gieselman	60,000	$39,950	120,000/0	$194,000/0
W. Murray	656,600	$1,674,330	700,000/0	$1,405,000/0

(1) "In-the-money" means the excess of the market value of the common shares of the Company on January 31, 2006 ($2.74), over the base price of the options. In the case of Ms. Gieselman, the base price was $0.40 with respect to 60,000 options. In the case of Mr. Murray, the base price was $0.10 with respect to 656,600 options.

(2) "Aggregate Value Realized" means the excess of the market value at exercise.

Pension Plan

The Company does not have a pension plan.

Compensation of Directors

During the Financial Period, no compensation was paid or is payable by the Company to the directors of the Company, other than the Named Executive Officers (the "Other Directors"), or the Company's subsidiaries, if any, for their services:

(a) in their capacity as directors, including any amounts payable for committee participation or special assignments pursuant to any standard or other arrangements; or
(b) as consultants or experts.

The Company has no pension plan or other arrangement for non-cash compensation to the Other Directors, except as follows:

Name of Director	Consulting Fees
George Molyviatis	CDN $46,799 [1]
W. Ian L. Forrest	CDN $46,799 [1]
David Dreisinger	CDN $36,779 [2]

(1) Pursuant to the Bonus Plan (as summarized below), 300,000 common shares were accrued at January 31, 2005 to Messrs. Molyviatis and Forrest at a deemed price of $0.19 per share. The Shares were issued on March 15, 2005. See Other Remuneration.

(2) Consulting Fees paid in connection with the Company's NorthMet Project

During the most recently completed financial year (February 1, 2005 to January 31, 2006) (the "Financial Period"), the Company granted the following incentive stock options to its Other Directors and insiders:

Name of Optionee	Date of Grant	No. of Shares	Exercise Price Per Share	Expiry Date
James Swearingen	March 30, 2005	350,000	CDN $0.65	March 30, 2010
Ian Forrest	Sept. 19, 2005	150,000	CDN $1.36	Sept. 19, 2010
David Dreisinger	Sept. 19, 2005	150,000	CDN $1.36	Sept. 19, 2010
James Swearingen	Sept. 19, 2005	150,000	CDN $1.36	Sept. 19, 2010
George Molyviatis	Sept. 19, 2005	150,000	CDN $1.36	Sept. 19, 2010

Reference is made to the section captioned "Election of Directors" for further details with respect to the present positions of the aforesaid persons and number of shares held in the Company.

The following are particulars of incentive stock options exercised by the Other Directors and insiders of the Company during the Financial Period:

No. of Shares	Exercise Price Per Share	Date of Exercise	Closing Price per Share on Exercise Date	Aggregate Net Value [1]
328,200	CDN $0.10	Sept. 8, 2005	CDN $1.32	CDN $400,404
150,000	CDN $0.13	Sept. 8, 2005	CDN $1.32	CDN $178,500
200,000	CDN $0.13	Jan. 27, 2006	CDN $2.65	CDN $504,000

(1) Aggregate net value represents the market value at exercise less the exercise price at the date of exercise.

We have a formalized stock option plan for the granting of incentive stock options to the employees, officers, and directors. The purpose of granting such options is to assist in compensating, attracting, retaining, and motivating out directors and to closely align the personal interests of such persons to that of the shareholders. (For further details of the plan, see Exhibit 4.1.)

Summary of Bonus Plan

On November 5, 2003, we adopted a bonus share incentive plan (the “Bonus Plan”) for our directors and key employees. The Bonus Plan was initially approved at our Annual General and Special Meeting held on May 28, 2004. Thereafter the Bonus Plan was submitted in a revised form in response to comments received from the TSX-VE and approved thereafter by our shareholders at their Extraordinary General Meeting held on November 4, 2004.

The issuance of bonus shares is seen to be a true incentive to key members of the management team as opposed to the granting of more conventional stock options. If the milestones are not accomplished, the bonus shares are not granted.

We have determined to limit the aggregate number of shares that may be issued under the Bonus Plan and our incentive stock option plan to not more than 20% of our issued shares from time to time. Accordingly, we received approval for the issuance of up to a total of 2,890,000 shares of our common stock with respect to Milestones 1 and 2 as per the following:

Milestone 1: Execution of an option agreement with Cleveland Cliffs for the use or purchase of what is referred to as the Cliffs-Erie Facility. This consists of real property located near Hoyt Lakes, Minnesota (the “Erie Site”), on which are located various ore processing facilities formerly operating by LTV Steel Mining Company as part of that company’s taconite mining and processing operations (the “Property”). The Property will be used to process mineral products from our NorthMet property, in nearby Babbitt, Minnesota. This Milestone was negotiated in September 2003 and a final agreement was signed in February 2004. Accordingly, the number of shares issuable was 1,590,000 shares of which 1,500,000 were issued to the following directors on March 15, 2005:

Name of Director	**No. of Common Shares**
William Murray	600,000
P. Terry O’Kane	300,000
George Molyviatis	300,000
W. Ian L. Forrest	300,000

Milestone 2: Negotiation and completion of an off-take agreement with one or more senior metals producers for the purchase of the nickel hydroxide concentrate produced from the NorthMet Property, and/or an equity investment in us by such a producer or producers.

Upon achievement of the Milestone, 1,300,000 shares will be issued, of which 900,000 have been designated to the following directors:

Name of Director	No. of Common Shares
William Murray	300,000
James Swearingen	150,000
George Molyviatis	150,000
W. Ian L. Forrest	150,000
David Dreisinger	150,000

and an additional 400,000 shares will be issued to certain Key Employees as more fully set forth below:

Name of Employee	No. of Common Shares
Douglas Newby	100,000
Gaston Reymenants	125,000
Warren Hudelson	50,000
Jim Scott	125,000
TOTAL	**400,000**

Gaston Reymenants has been retained as a specialist in metal sales to assist with off-take negotiations and project financing.

Warren Hudelson is a director of our U.S. Subsidiary, Poly Met Mining, Inc. and will be involved in the permitting process.

Jim Scott is responsible for the permitting process and involved in the project environmental statement.

Don Hunter is the project manager for the NorthMet Project and responsible for the overall completion of the bankable feasibility study.

As at the date of this Annual Report the Bonus Shares under Milestone 2 have been allotted but have not been earned or issued.

We received approval of Milestones 3 and 4 of the Bonus Plan at our Annual and Special Meeting held on June 24, 2005 which provides for the issuance of up to a total of 5,990,000 shares as outlined below:

Milestone 3: Completion of a bankable feasibility study which indicates that production from the NorthMet Property is commercially feasible.

Upon the achievement of Milestone 3, 1,500,000 shares will be issued as follows:

Name of Director	No. of Common Shares
William Murray	500,000
George Molyviatis	250,000
James Swearingen	250,000
W. Ian L. Forrest	250,000
Dave Dreisinger	250,000
TOTAL	**1,500,000**

and an additional 850,000 shares will be issued to certain Key Employees as more fully set forth below:

Name of Employee	No. of Common Shares
Douglas Newby	200,000
Gaston Reymenants	200,000
Warren Hudelson	125,000
Jim Scott	125,000
Don Hunter	200,000
TOTAL	**850,000**

Gaston Reymenants has been retained as a specialist in metal sales to assist with off-take negotiations and project financing.

Warren Hudelson is a director of our U.S. Subsidiary, Poly Met Mining, Inc. and will be involved in the permitting process.

Jim Scott is responsible for the permitting process and involved in the project environmental statement.

Don Hunter is the project manager for the NorthMet Project and responsible for the overall completion of the bankable feasibility study.

Milestone 4: Commencement of Commercial Production of the NorthMet Property.

Upon the achievement of Milestone 4, 2,400,000 shares will be issued to the Directors as follows:

Name of Director	No. of Common Shares
William Murray	800,000
George Molyviatis	400,000
James Swearingen	400,000
W. Ian L. Forrest	400,000
Dave Dreisinger	400,000
TOTAL	**2,400,000**

and an additional 1,240,000 shares will be issued to certain Key Employees as follows:

Name of Employee	No. of Common Shares
Gaston Reymenants	400,000
Warren Hudelson	240,000
Jim Scott	200,000
Don Hunter	400,000
TOTAL	**1,240,000**

As of the date of this Annual Report the Bonus Shares under Milestone 3 and 4 have been allotted but have not been earned or issued.

We have a formalized stock option plan for the granting of incentive stock options to the employees, officers, and directors. The purpose of granting such options is to assist in compensating, attracting, retaining and motivating our directors and to closely align the personal interests of such persons to that of the shareholders.

C. Board Practices

Term

All of our directors hold office until the next annual meeting of shareholders and until their successors have been elected and qualified. Our officers are elected by the shareholders at each annual meeting of shareholders and hold office until death, resignation, removal from office, or upon a successor having been elected. For the periods each person has served in his respective office, see Item 6(A) Directors and Senior Management.

Employment Agreements

Under an employment agreement between us and Mr. William Murray, dated March 17, 2004, Mr. Murray has the right to receive a severance allowance in the event of a take-over bid as defined in Section 13 of the *Securities Act* (British Columbia), and where the rule requires that the offeror take up and pay for more than 50% of our issued shares. The severance allowance will be based on our implied market capitalization under the take-over-bid, calculated by multiplying the price actually paid under the take-over bid by the number our common shares issued on a fully diluted basis at the time of the take-over bid (the "Severance Allowance") to be calculated as follows:

(a) if the implied market capitalization is at least CDN$50,000,000 but less than CDN$75,000,000, Mr. Murray will receive a Severance Allowance of CDN$200,000;
(b) if the implied market capitalization is at least CDN$75,000,000 but less than CDN$100,000,000, Mr. Murray will receive a Severance Allowance of CDN$400,000; and thereafter;
(c) for every increase in the implied market capitalization of CDN$25,000,000, the Severance Allowance will increase by an additional CDN$400,000.

Notwithstanding the aforementioned provisions, if we terminate the employment agreement with Mr. Murray for any reason other than cause, under the terms of the agreement, Mr. Murray will be entitled to receive 200% of all compensation to be paid for the remaining balance of the term of the agreement which expired on March 17, 2006.

Under an employment agreement between us and Mr. Douglas Newby, dated November 22, 2005, Mr. Newby has the right to receive a severance allowance in the event of a take-over bid as defined in Section 13 of the *Securities Act* (British Columbia), and where the rule requires that the offeror take up and pay for more than 50% of our issued shares. The severance allowance will be based on our implied market capitalization under the take-over-bid, calculated by multiplying the price actually paid under the take-over bid by the number our common shares issued on a fully diluted basis at the time of the take-over bid (the "Severance Allowance") to be calculated as follows:

(a) if the implied market capitalization is at least CDN$50,000,000 but less than CDN$75,000,000, Mr. Newby will receive a Severance Allowance of CDN$50,000;
(b) if the implied market capitalization is at least CDN$75,000,000 but less than CDN$100,000,000, Mr. Newby will receive a Severance Allowance of CDN$100,000; and thereafter;
(c) for every increase in the implied market capitalization of CDN$25,000,000, the Severance Allowance will increase by an additional CDN$100,000.

Audit Committee

Our audit committee consists of George Molyviatis, W. Ian L. Forrest, and David Dreisinger, all of whom are independent under AMEX guidelines. The audit committee oversees our audit procedures, reviews the audited and unaudited financial statements and disclosures, oversees our internal systems of accounting and management controls, makes recommendations to our board of directors as to the selection and appointment of our auditors, and ensures an open outlet to protect individuals who report concerns from retaliatory action. Our Audit Committee Charter is attached as Appendix 1 of the attached Exhibit 12.1.

Compensation Committee

The Compensation Committee, consisting of George Molyviatis, W. Ian L. Forrest, and David Dreisinger, recommends to the board, compensation levels of our executive officers. See "Report on Executive Compensation" below for further details.

Report on Executive Compensation

As part of its responsibilities, the compensation committee reviews our overall compensation plan and the policies to ensure they are consistent with our goals of attracting and retaining the best available personnel, align employees' interests with ours, and suitably pay for performance. In establishing remuneration levels and in granting stock options, the compensation committee evaluates an executive's performance, level of expertise, responsibilities, length of service with us, and comparable levels of remuneration paid to executives of other companies of comparable size and development within the industry.

Statement of Corporate Governance Practices

Corporate governance relates to the activities of the board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the board and who are charged with managing our day-to-day business. Our board is committed to sound corporate governance practices, which are in the interests of our shareholders and contribute to effective and efficient decision-making. As a Tier 1 company listed on the TSX-V, we are required to comply with the guidelines for improved corporate governance in Canada as adopted by the TSX (the "Exchange Guidelines"). Our approach to corporate governance in the context of 14 specific Exchange Guidelines is set out in the attached Exhibit 11.2.

D. Employees

As of January 31, 2006 we had two full-time employees, our president and chief executive officer and an office manager, both located in our Vancouver office. None of our employees are covered by a collective bargaining agreement.

During the fiscal year ended January 31, 2006, we employed an average of ten consultants working out of our Vancouver and Minnesota offices.

E. Share Ownership

For the shareholdings of our directors and executive officers see Item 7(A).

We have two arrangements by which we encourage our employees to acquire ownership interests in us: (1) the Stock Option Plan, and (2) the Bonus Share Plan. For a description, see footnote 1, under Item 6B.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth, as of July 21, 2006, certain information regarding the ownership of our voting securities by each stockholder known to our management to be (i) the beneficial owner of more than 5% of our outstanding common stock, (ii) our directors, (iii) our current executive officers identified under Item 6(A), and (iv) all executive officers and directors as a group. We believe that, except as otherwise indicated, the beneficial owners of the common stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership	Percent of Outstanding Shares of Common Stock
William Murray (2)	2,452,276	2.1%
Douglas J. Newby (3)	850,000	*
Graham Scott (4)	75,000	*
David Dreisinger (5)	890,700	*
W. Ian L. Forrest (6)	2,855,680	2.4%
George Molyviatis (7)	8,335.020	7.1%
James Swearingen (8)	660,900	*
All executive officers and directors as a group (7 persons) (9)	16,120,476	13.3%
5% or more shareholders:		
Cleveland-Cliffs, Inc. (10) 1100 Superior Avenue Cleveland, OH 44114-2589	7,200,547	6.2%

* Less than 1%.

1. The address of each person, unless otherwise noted, is c/o PolyMet Mining Corp., Suite 2350-1177 West Hastings Street, Vancouver, British Columbia V6E2K3.

2. Includes 300,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$0.13 per share set to expire on October 3, 2008, 100,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$0.66 per share set to expire on July 5, 2009, 300,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$1.36 per share set to expire on September 19, 2010, and 450,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$2.76 per share set to expire on March 20, 2011. Mr. Murray directly owns 815,000 shares and has voting and dispositive control over 487,176 shares owned in the name of Group 4 Ventures of which he is the sole stockholder.

3. Includes 100,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$1.15 per share set to expire on December 5, 2010, 500,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$2.76 per share set to expire on July 5, 2009 held in Mr. Newby's name; and 40,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$0.94 per share set to expire on June 15, 2010, and 210,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$1.36 per share set to expire on March 20, 2011 held in the name of Proteus Capital Corp. of which he is the President and controlling shareholder.

4. Includes 75,000 shares of common stock held by Vector Corporate Financial Law Partners of which Graham Scott is a partner.

5. Includes 300,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$0.66 per share set to expire on July 5, 2009, 150,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$1.36 per share set to expire on September 19, 2010, and 250,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$2.76 per share set to expire on March 20, 2011. Dr. Dreisinger directly owns 190,700 shares.

6. Includes 328,300 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$0.10 per share set to expire on July 18, 2008, 150,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$0.13 per share set to expire on October 3, 2008, 350,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$0.66 per share set to expire on July 5, 2009, 150,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$1.36 per share set to expire on September 19, 2010, and 250,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$2.76 per share set to expire on March 20, 2011. Mr. Forrest has voting and dispositive control with respect to 300,000 shares owned in the name of Micor Trading SA of which he is a director, 375,000 shares owned in the name of Panares Resources Inc. of which he is a director, and Catherine L Forrest, Mr. Forrest's wife, directly owns 952,380 shares.

7. Includes 100 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$0.10 per share set to expire on July 18, 2008, 150,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$1.36 per share set to expire on September 19, 2010, and 250,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$2.76 per share set to expire on March 20, 2011. Mr. Molyviatis directly owns 7,934,920 shares.

8. Includes 150,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$0.65 per share set to expire on October 3, 2008, 150,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$1.36 per share set to expire on September 19, 2010, and 250,000 shares of common stock issuable upon exercise of currently exercisable options, at an exercise price of CDN$2.76 per share set to expire on March 20, 2011. Mr. Swearingen directly owns 110,000 shares and Sandra J. Swearingen, Mr. Swearingen's wife, directly owns 900 shares.

9. Includes 4,878,400 shares of common stock issuable upon exercise of currently exercisable options.

10. This shareholder held no shares as of January 31, 2004, 1,000,000 shares as of January 31, 2005, and 7,200,547 as of January 31, 2006.

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

As of July 21, 2006, there were 351 holders of record of our common shares of which 262 were U.S. residents owning 30,391,875 (26.1%) of our outstanding shares.

B. Related Party Transactions

We have conducted transactions with officers, directors and persons or companies related to directors as follows:

	2006	2005	2004
Management fees paid to a company controlled by the president [1]	$ 129,480	$ 141,270	$ 52,388
Consulting fees paid to our officers, directors and companies controlled by our directors [2]	327,110	336,448	—
Legal fees paid to an officer [3]	84,089	59,700	—
Office facilities charges paid to a director [4]	39,604	23,070	—
	$ 580,283	$ 560,488	$ 52,388

1. $129,480 paid to Group 4 Ventures, a company controlled by William Murray for management services rendered.

2. $8,837 to Dreisinger Consulting of which David Dreisinger is the controlling shareholder; $48,694 to Minco Corporate Management of which Terese J.Gieselman, the former CFO, is the controlling shareholder; $120,359 to Proteus Capital Corp. of which Douglas Newby is the controlling shareholder; and $7,595 to William Murray.

3. $58,531 to Vector Corporate Finance of which Graham Scott is a partner.

4. Paid to Panares Resources Inc., of which W. Ian L. Forest is a director.

Note: The amounts charged to us for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Item 17.

Legal Proceedings

None.

Dividend Policy

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

B. Significant Changes

Subsequent to January 31, 2006:

On April 10, 2006, we provided notice to the outstanding warrants holders of approximately 9.7 million warrants that had not already been exercised at prices between CDN$1.25 and CDN$2.00 that the accelerated expiry provision of their warrants was effectively triggered and all unexercised warrants as at the close of business on May 10, 2006 will have been deemed cancelled. During April and May, we received CDN$10,804,875 upon exercise of these warrants.

In March 2006, we completed our evaluation and compilation of the assay results from its 2005, diamond drilling program on the NorthMet Project. The data has been integrated into a resource model, which will contribute to the Definitive Feasibility Study (“DFS”) scheduled for completion by the end of September 2006;

We issued: 9,445,168 common shares pursuant to the exercise of share purchase warrants at a prices between CDN$0.20 and CDN$2.00 per share, and 1,045,000 common shares pursuant to the exercise of stock options at prices ranging from CDN$0.10 to CDN$1.36; and

We granted 3,200,000 stock options to directors, officers, consultants, and employees at an exercise price of CDN$2.76.

ITEM 9. THE OFFER AND LISTING

A. The Offer and Listing Details

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

	Toronto Stock Exchange		Over-the-Counter Bulletin Board	
Fiscal Year Ended	**High**	**Low**	**High**	**Low**
January 31, 2006	CDN$2.74	CDN$0.51	US$2.42	US$0.42
January 31, 2005	CDN$1.20	CDN$0.27	US$0.90	US$0.20
January 31, 2004	CDN$0.30	CDN$0.05	US$0.30	US$0.04
January 31, 2003	CDN$0.80	CDN$0.04	US$0.22	US$0.02
January 31, 2002	CDN$0.75	CDN$0.10	US$0.50	US$0.05

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

Fiscal Quarter Ended	Toronto Stock Exchange		Over-the-Counter Bulletin Board	
	High	Low	High	Low
July 31, 2006[1]	CDN$5.34	CDN$2.58	US$4.85	US$2.30
April 30, 2006	CDN$4.00	CDN$2.29	US$3.56	US$2.00
January 31, 2005	CDN$2.74	CDN$1.31	US$2.42	US$1.12
October 31, 2004	CDN$1.91	CDN$0.87	US$1.62	US$0.72
July 31, 2004	CDN$1.03	CDN$0.82	US$0.85	US$0.65
April 30, 2005	CDN$0.85	CDN$0.51	US$0.68	US$0.42
January 31, 2005	CDN$0.73	CDN$0.51	US$0.61	US$0.41
October 31, 2004	CDN$0.92	CDN$0.66	US$0.71	US$0.50
July 31, 2004	CDN$0.98	CDN$0.64	US$0.72	US$0.48
April 30, 2004	CDN$1.20	CDN$0.27	US$0.90	US$0.20

The following table outlines the high and low market prices for each of the most recent six months:

Fiscal Quarter Ended	Toronto Stock Exchange		Over-the-Counter Bulletin Board[2]	
	High	Low	High	Low
June 30, 2006	CDN$4.24	CDN$2.58	US$3.85	US$2.30
May 31, 2006	CDN$5.34	CDN$3.60	US$4.85	US$2.86
April 30, 2006	CDN$4.00	CDN$3.01	US$3.56	US$2.54
March 31, 2006	CDN$3.14	CDN$2.35	US$2.67	US$2.03
February 28, 2006	CDN$2.78	CDN$2.29	US$2.45	US$2.00
January 31, 2006	CDN$2.74	CDN$1.68	US$2.42	US$1.38

1. May 1, 2006 through July 20, 2006.

2. On June 26, 2006, we began trading on the American Stock Exchange.

C. Markets

In April 1984, our common shares commenced trading on the TSX Venture Exchange in British Columbia, Canada under the symbol "POM." In August 2000, our common shares began trading on the OTCBB under the symbol “POMGF.” On June 26, 2006, our common shares commenced trading on the American Stock Exchange under the symbol “PLM.”

ITEM 10. ADDITIONAL INFORMATION

B. Memorandum and Articles of Association

Incorporation

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

Powers and Functions of the Directors

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

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

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

(c) there are no specific limitations on the exercise by the directors of our borrowing powers;

(d) there are no provisions for the retirement or non-retirement of directors under an age limit; and

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

Rights and Restrictions Attached to the Shares

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

Alteration of Share Rights

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

Annual General Meetings

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

Foreign Ownership Limitations

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

Change of Control

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

Share Ownership Reporting Obligations

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

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

C. Material Contracts

Cleveland Cliffs Option, Minnesota, U.S.A.

For a complete description on the acquisition of the Erie Plan, see Item 4(D)(c)(ii).

D. Exchange Controls

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

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

E. Taxation

The following summary of the material Canadian federal income tax considerations generally applicable to our common shares reflects our opinion. The tax consequences to any particular holder of common shares will vary according to the status of that holder as an individual, trust, corporation, or member of a partnership, the jurisdiction in which that holder is subject to taxation, the place where that holder is resident and, generally, according to that holder’s particular circumstances. This summary is applicable only to holders who are residents of the United States, have never been a resident of Canada, deal at arm’s length with us, hold their common shares as capital property, and who will not use or hold the common shares in carrying on business in Canada. Special rules, which are not discussed in this summary, may apply to a United States holder that is an issuer that carries on business in Canada and elsewhere.

This summary is based upon the provisions of the Income Tax Act of Canada and the regulations thereunder (collectively, the "Tax Act, or ITA") and the Canada-United States Tax Convention as amended by the Protocols thereto (the "Tax Convention") as of the date of the Annual Report and the current administrative practices of Revenue Canada, Customs, Excise and Taxation. This summary does not take into account Canadian provincial income tax consequences.

This summary is not exhaustive of all possible income tax consequences. It is not intended as legal or tax advice to any particular holder of common stock and should not be so construed. Each holder should consult his own tax advisor with respect to the income tax consequences applicable to him in his own particular circumstances.

North American Free Trade Agreement (Canada). The Investment Act was amended with the North American Free Trade Agreement (NAFTA) to provide for special review thresholds for Americans (including "American-controlled "entities" as defined in the Investment Act). Under the Investment Act, as amended, an investment in our common shares by an American would be reviewable only if it was an investment to acquire control of us and the value of our assets was equal to or greater than a specified amount (the "Review Threshold"), which increases in stages. The Review Threshold is currently $150 million.

Disposition of Common Shares. If a non-resident of Canada were to dispose of our common shares to a Canadian corporation which deals or is deemed to deal on a non-arm's length basis with the non-resident and that, and immediately after the disposition is connected with us (i.e., holds shares representing more than 10% of the voting power and more than 10% of the market value of all of our shares issued and outstanding), the amount by which the fair market value of any consideration (other than any shares of the purchaser corporation) exceeds the paid-up capital of the common shares sold will be deemed to be taxable as a dividend paid by the purchasing corporation, either immediately or eventually by means of a deduction in computing the paid-up capital of the purchasing corporation, and subject to withholding taxes as described below.

Under the Tax Act, a gain from the sale of common shares by a non-resident will not be subject to Canadian tax, provided the shareholder (and/or persons who do not deal at arm's length with the shareholder) has not held a "substantial interest" in us (25% or more of the shares of any class of our stock) at any time in the five years preceding the disposition. Generally, the Tax Convention will exempt from Canadian taxation any capital gain realized by a resident of the United States, provided that the value of the common shares is not derived principally from real property situated in Canada.

Dividend. In the case of any dividends paid to non-residents, we withhold the Canadian tax and remit only the net amount to the shareholder. By virtue of Article X of the Tax Convention, the rate of tax on dividends paid to residents of the United States is generally limited to 15% of the gross dividend (or 5% in the case of certain corporate shareholders owning at least 10% of our voting shares upon ratification of the Protocol amending the treaty. In the absence of the Tax Convention provisions, the rate of Canadian withholding tax imposed on non-residents is 25% of the gross dividend. Stock dividends received by non-residents from us are taxable by Canada as ordinary dividends and therefore the withholding tax rates will be applicable.

Where a holder disposes of common shares to us (unless we acquired the common shares in the open market in the manner in which shares would normally be purchased by any member of the public), this will result in a deemed dividend to the U.S. holder equal to the amount by which the consideration we paid by exceeds the paid-up capital of such stock. The amount of such dividend will be subject to withholding tax as described above.

Capital Gains. A non-resident of Canada is not subject to tax under the ITA in respect of a capital gain realized upon the disposition of a share of a class that is listed on a prescribed stock exchange unless the share represents "taxable Canadian property" to the holder thereof. Our common shares will be taxable Canadian property to a non-resident holder if, at any time during the period of five years immediately preceding the disposition, the non-resident holder, persons with whom the non-resident holder did not deal at arm's length, or the non-resident holder and persons with whom he/she did not deal at arm's length owned 25% or more of our issued shares of any class or series. In the case of a non-resident holder to whom our shares represent taxable Canadian property and who is resident of the United States, no Canadian tax will be payable on a capital gain realized on such shares by reason of the Tax Convention unless the value of such shares is derived principally from real property situated in Canada or the non-resident holder previously held the shares while resident in Canada. We believe that the value of our common shares is not derived from real property situated inside Canada.

Certain United States Federal Income Tax Consequences. The following is a discussion of certain possible United States Federal income tax consequences, under the law, generally applicable to a U.S. Holder (as defined below) of our common shares. This discussion does not address all potentially relevant Federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of Federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, and shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation. In addition, this discussion does not cover any state, local or foreign tax consequences.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended ("the Code"), Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, the discussion does not consider the potential effects, both adverse and beneficial, of possible legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of our common shares and no opinion or representation with respect to the United States Federal income tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of our common shares should consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of our common shares.

U.S. Holders. As used herein, the term "U.S. Holder" means a beneficial owner of our common shares that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is includible in gross income subject to United States federal income tax regardless of its source, or (iv) a trust (a) the administration of which is subject to the primary supervision of a court in the United States and for which one or more U.S. persons have the authority to control all substantial decisions or (b) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. If a partnership is a beneficial owner of our common shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership that owns our common shares, you should consult your own tax advisor.

Distributions on Our Common Shares. Except as set forth below with regard to "excess distributions," U.S. Holders receiving dividend distributions (including constructive dividends) with respect to our common shares are required to include in gross income for United States Federal income tax purposes the gross amount of such distributions when received, to the extent that we have current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's United States Federal Income tax liability or, alternatively, may be deducted in computing the U.S. Holder's United States Federal taxable income by those who itemize deductions. (See more detailed discussion at "Foreign Tax Credit" below). To the extent that distributions exceed our current or accumulated earnings and profits, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Preferential tax rates for long-term capital gains are currently applicable to a U.S. Holder that is an individual, estate or trust. Dividends paid on our common shares will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations.

Classification As a Passive Foreign Investment Company. A non-U.S. corporation is classified as a passive foreign investment company (a "PFIC") for a taxable year if either: (i) at least 75% or more of its gross income is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during the taxable year) is attributable to passive assets (which includes cash and any assets that produce, or are held for the production of, passive income). For at least as long as we do not generate income from our operations, we believe that we will be classified as a PFIC for United States federal income tax purposes. As a result, a U.S. Holder of our common shares will be subject to special tax rules with respect to any "excess distribution" that it receives and any gain it realizes from a sale or other disposition (including a pledge) of our common shares, unless it makes either a "mark-to-market" or "qualified electing fund" election as discussed below. Distributions a U.S. Holder receives in a taxable year that are greater than 125% of the average annual distributions such U.S. Holder received during the shorter of the three preceding taxable years or the U.S. Holder's holding period for the common shares will be treated as an excess distribution. In addition, a step-up in the tax basis of stock in a PFIC may not be available upon the death of an individual U.S. Holder.

Under these special tax rules: (i) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the common shares, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to such year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years and gains (but not losses) realized on the sale of common shares cannot be treated as capital, even if the U.S Holder holds the common shares as capital assets.

Alternatively, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election for stock of a PFIC to elect out of the tax treatment discussed in the two preceding paragraphs. If a U.S. Holder makes a mark-to-market election for common shares, the U.S. Holder will include in income each year an amount equal to the excess, if any, of the fair market value of the common shares as of the close of its taxable year over its adjusted basis in such common shares. A U.S. Holder is allowed a deduction for the excess, if any, of the adjusted basis of common shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on common shares included in the U.S. Holder's income for prior taxable years. Amounts included in a U.S. Holder's income under a mark-to-market election, as well as gain on the actual sale or other disposition of common shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on common shares, as well as to any loss realized on the actual sale or disposition of common shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such common shares. A U.S. Holder's basis in common shares will be adjusted to reflect any such income or loss amounts.

The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange, including the American Stock Exchange, or other market, as defined in applicable U.S. Treasury regulations. Our common shares are listed on the American Stock Exchange and, consequently, the mark-to-market election should be available to a U.S. Holder, provided that our common shares are traded in sufficient quantities.

In general, if a non-U.S. corporation is a PFIC, a holder of shares in that corporation may avoid taxation under the rules described above by making a "qualified electing fund" ("QEF") election to include in income its share of the corporation's income on a current basis, or a "deemed sale" election once the corporation no longer qualifies as a PFIC. However, a U.S. Holder may make a qualified electing fund election with respect to common shares only if we furnish certain tax information to the U.S. Holder annually, and we do not currently intend to prepare or provide such information.

Foreign Tax Credit. A U.S. Holder that pays (or has withheld from distributions) Canadian income tax with respect to the ownership of our common shares may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States Federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on year-by-year basis and applies to all foreign income taxes (or taxes in lieu of income tax) paid by (or withheld from) the U.S. Holder during the year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his/her or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and holders and prospective holders of our common shares should consult their own tax advisors regarding their individual circumstances.

H. Documents on Display

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

PolyMet Mining Corp.
#2350 - 1177 West Hastings Street
Vancouver, British Columbia
V6E 2K3 Canada

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended,. In accordance with these requirements, we file reports and other information with the SEC. These materials, including this annual report on Form 20-F and its exhibits, may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC's regional office at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the materials may be obtained from the Public Reference Room of the Commission at 100 F. Street, N.E., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330.

Our reports, registration statements and other information can also be inspected on EDGAR available on the SEC's website at www.sec.gov.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We may be subject to foreign currency exchange rate risk, because we hold funds and financial instruments in Canadian dollars but report our financial information using the U.S. dollar. If we hold onto funds obtained from financings, currently our only means to obtain funds, and Canadian dollar depreciates in comparison to the U.S. the fair value of our funds will decrease and will be reported on our financial statements at this depressed conversion rate. If the Canadian dollar appreciates as compared to the U.S. dollar, however, fair value of any financial instruments or funds held will increase and be reported on our financial statements based on this favorable conversion rate. Our current exposure, however, is not sufficient to have a material effect on our results of operations and financial condition.

Moreover, we periodically access the capital markets with the issuance of new shares to fund operating expenses, and we do not maintain significant cash reserves over periods of time that could be materially affected by fluctuations in interest rates or foreign exchange rates.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

ITEM 13. DEFAULT, DIVIDEND ARREARAGES AND DELINQUENCIES -

None.

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

Shareholder Rights Plan

Effective December 4, 2003, we adopted a Shareholder Rights Plan ("Rights Plan"), ratified by our shareholders on May 28, 2004. Under the Rights Plan, all common shares that we issued during the term of the Rights Plan will receive one right for no consideration for each share of common stock held, to holders of record on December 4, 2003. The term of the Rights Plan is 10 years, unless the rights are earlier redeemed or exchanged. The rights issued under the Rights Plan become exercisable only if a party acquires 20% or more of our common shares without complying with the Rights Plan or without the approval of our board of directors.

Each right entitles the registered holder thereof to purchase from us, on the occurrence of certain events, one common share at the price of CDN$50 per share, subject to adjustment (the "Exercise Price"). However, if a Flip-in Event (as defined in the Rights Plan) occurs, each Right would then entitle the registered holder to receive, upon payment of the Exercise Price, that number of common shares that have a market value at the date of that occurrence equal to twice the Exercise Price. The rights are not exercisable until the Separation Time as defined in the Rights Plan.

The Shareholder Rights Plan is filed as Exhibit 4.6.

ITEM 15. CONTROLS AND PROCEDURES

A. Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report, an evaluation was performed under the supervision and with the participation of our management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 of the Exchange Act, as amended). Based on that evaluation, our management, including the chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

B. Changes in Internal Controls

Our management, which includes the chief executive officer and chief financial officer, identified no changes in our internal control over financial reporting that occurred during the fiscal year ended January 31, 2006, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The term "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the our principal executive and principal financial officers, or persons performing similar functions, and effected by the our board of directors, management and other personnel, 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 and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors of the registrant; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

As of January 31, 2006, the audit committee consisted of three directors. The Board of Directors has determined that the following two audit committee members are deemed financial experts, both of whom are independent as defined under the American Stock Exchange Listing Standards.

W. Ian L. Forrest
Mr. Forrest is a Chartered Accountant practicing in Geneva and specializes in finance, banking and tax consulting. He is a director of two Canadian public companies, Caledonian Mining Corporation and Mengold Resources Inc.

George Molyviatis
Mr. Molyviatis has approximately fifteen years experience as an investment banker and businessman. He started his career with BNP Paribas in Geneva in 1986 and held increasingly senior positions, ultimately becoming Senior Vice-President. In 1994 he joined Credit Suisse as Senior Vice-President and left in 1996 start-up Pegasus Securities, S.A., a Greek investment bank that he ran until 1999, when it was sold. Since then Mr. Molyviatis has been a private investor in several natural resource companies.

ITEM 16B. CODE OF ETHICS

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

The Code is filed as Exhibit 11.1.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

Financial Year Ending	*Audit Fees*	*Audit Related Fees*	*Tax Fees*[1]	*All Other Fees*
January 31, 2006	CDN $22,600	Nil	CDN $3,725	CDN $588
January 31, 2005	CDN $18,200	Nil	CDN $800	CDN $450

[1] Represents the fees billed in each of the last two fiscal years for U.S. and Canadian tax returns prepared by Staley, Okada & Partners.

[2] Fees paid to the Canadian Public Accountability Board.

Pre-Approval Policies and Procedures

All of the fees paid to our auditors, Staley, Okada & Partners, were pre-approved by our Audit Committee. This pre-approval involved a submission by our auditors to our Audit Committee of a scope of work to complete the audit and prepare tax returns, an estimate of the time involved, and a proposal for the fees to be charged for the audit. The Audit Committee reviewed this proposal with our management and after discussion with our auditors, pre-approved the scope of work and fees.

PART III

ITEM 17. FINANCIAL STATEMENTS

Our financial statements are stated in United States Dollars (US$) and are prepared in accordance with Canadian Generally Accepted Accounting Principles; the application of which, in our case, conforms in all material respects for the periods presented with U.S. GAAP, except as disclosed in footnotes to the financial statements.

Index to Financial Statements

ITEM 18. FINANCIAL STATEMENTS

Not Applicable.

ITEM 19. EXHIBITS

Exhibit No.	Description	Footnote Ref.
1.1	Certificate of Incorporation.	*
1.2	Certificate of Change of Name.	*
1.3	Articles of Incorporation of PolyMet Mining Corp.	*
4.1	Incentive Stock Option Plan.	*

4.2	Shareholder Rights Plan Agreement.	*
4.3	Contract for Deed between us and Cleveland Cliffs of Cleveland, Ohio, dated November 15, 2005.	*
8.1	List of Subsidiaries.	*
11.1	Code of Ethics.	(1)
11.2	Statement of Corporate Governance Practices, including Audit Mandate and Charter.	(2)
12.1	Certification of the Principal Executive Officer pursuant to 17 C.F.R. 240.13a-14(a).	*
12.2	Certification of the Principal Financial Officer pursuant to 17 C.F.R. 240.13a-14(a).	*
13.1	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 17 C.F.R. 240.13a-14(b) and 18 U.S.C. 1350.	*
15.1	Technical Report on the NorthMet Project by P. Downey and Associates, dated July 2004.	(3)

15.2	Subscription Agreement dated as of July 19, 2004, between us and certain investor(s).	*
15.3	Subscription Agreement dated as of February 11, 2005, between us and certain investor(s).	*
15.4	Subscription Agreement closing on August 29, 2005, between us and certain investor(s).	*
15.5	Subscription Agreement dated as of September 21, 2005, between us and certain investors.	*
15.6	Lease Agreement between us and U.S. Steel Corporation dated January 4, 1989.	*
15.7	Notice of Assignment of the Lease Agreement from U.S. Steel Corporation to RGGS Land and Minerals, Ltd. L.P.	*
15.8	Nominating Committee Charter	*
15.9	Consent of Staley, Okada & Partners, Chartered Accountants	*

Footnote Ref.	**Description**
*	Filed herewith.
(1)	Incorporated by reference to our Annual Report on Form 20-F/A for the fiscal year ended January 31, 2004, filed on July 7, 2005.
(2)	Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended January 31, 2005, filed on July 25, 2005.
(3)	Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended January 31, 2004, filed on July 30, 2004.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Dated: July 31, 2006

POLYMET MINING CORP.

/s/ William Murray

Name: William Murray
Title: Chief Executive Officer

POLYMET MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2006, 2005 and 2004

U.S. Funds

POLYMET MINING CORP.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements of PolyMet Mining Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles and with the standards of the Public Company Accounting Oversight Board (United States). The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the financial statements with management and external auditors. Staley, Okada and Partners, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the financial statements and their report is included herein.

/s/ William Murray
William Murray
President and Chief Executive Officer

Vancouver, Canada
4 April 2006

Staley, Okada & Partners
CHARTERED ACCOUNTANTS

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Report of Independent Registered Public Accounting Firm

To the Shareholders of PolyMet Mining Corp.:

We have audited the accompanying consolidated balance sheets of PolyMet Mining Corp. (the "Company") as at 31 January 2006 and 2005 and the related consolidated statements of shareholders' equity, loss and cash flows for each of the years in the three-year period ended 31 January 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Canadian generally accepted auditing standards and with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at 31 January 2006 and 2005, and the results of its operations and its cash flows for each of the years in the three-year period ended 31 January 2006, in accordance with Canadian generally accepted accounting principles.

/s/ Staley, Okada & Partners
STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

Vancouver, BC
4 April 2006

PolyMet Mining Corp. Statement 1
Consolidated Balance Sheets
As at January 31
U.S. Funds

ASSETS	2006	2005
Current		
Cash	$ 11,671,427	$ 510,871
Term deposit	—	807,200
Taxes and miscellaneous receivables	40,986	45,005
Prepaid expenses	75,562	241,596
	11,787,975	1,604,672
Investments ***(Note 4)***	253	253
Property, Plant and Equipment ***(Note 6, 7, 10)***	14,247,008	745,239
	$ 26,035,236	$ 2,350,164
LIABILITIES		
Current		
Accounts payable	$ 1,717,420	$ 331,012
Current portion of long term debt *(Note 7)*	1,000,000	—
	2,717,420	331,012
Long term		
Long term debt *(Note 7)*	1,420,515	—
Asset retirement obligation *(Note 8)*	2,510,687	—
	6,648,622	—
Contingent Liabilities and Commitments *(Note 16)*		
SHAREHOLDERS' EQUITY		
Share Capital - *Statement 2 (Note 9)*	49,022,606	18,388,194
Share Subscriptions Received - *Statement 2 (Note 9a(ii)*	—	762,804
Contributed Surplus - *Statement 2 (Note 9d)*	4,431,133	1,005,742
Deficit - *Statement 2*	(34,067,125)	(18,137,588)
	19,386,614	2,019,152
	$ 26,035,236	$ 2,350,164

ON BEHALF OF THE BOARD:

/s/ William Murray **, Director**

/s/ David Dreisinger **, Director**

- See Accompanying Notes -

PolyMet Mining Corp. Statement 2

Consolidated Statements of Shareholders' Equity

U.S. Funds

	Common Shares						
	Authorized Shares	Shares	Amount	Share Subscriptions Received	Contributed Surplus	Deficit	Total
Balance - 31 January 2004	1,000,000,000	44,992,054	$15,231,768	$ —	$ 55,048	$(14,361,251)	$ 925,565
Loss for the year	—	—	—	—	—	(3,776,337)	(3,776,337)
Shares issued for cash:							
Private placements (Note 9a (v))	—	2,800,000	1,733,984	—	—	—	1,733,984
Share subscriptions received (Note 9a (ii))	—	—	—	762,804	—	—	762,804
Share issuance costs	—	—	(18,752)	—	—	—	(18,752)
Exercise of warrants (Note 9a (vi))	—	5,277,573	828,554	—	—	—	828,554
Exercise of options (Note 9a (vii))	—	1,088,400	81,383	—	—	—	81,383
Shares issued for finders' fee (Note 10)	—	155,626	96,375	—	—	—	96,375
Non-cash share issuance costs (Note 10)	—	—	(96,375)	—	—	—	(96,375)
Shares issued for property (Note 10h)	—	1,000,000	229,320	—	—	—	229,320
Stock-based compensation (Notes 9c and 9d)	—	—	—	—	992,658	—	992,658
Fair value of stock options exercised (Note 9d)	—	—	41,964	—	(41,964)	—	—
Balance - 31 January 2005 - Shares issued	Unlimited	55,313,653	18,128,221	762,804	1,005,742	(18,137,588)	1,759,179
Shares allotted for exercise of warrants	—	224,925	26,117	—	—	—	26,117
Shares allotted for bonus (Note 10)	—	1,590,000	233,856	—	—	—	233,856
Balance - 31 January 2005 - Shares issued and allotted	Unlimited	57,128,578	$18,388,194	$ 762,804	$ 1,005,742	$(18,137,588)	$ 2,019,152
Loss for the year	—	—	—	—	—	(15,929,537)	(15,929,537)
Reverse shares allotted for exercise of warrants	—	(224,925)	(26,117)	—	—	—	(26,117)
Reverse shares allotted for bonus (Note 10)	—	(1,590,000)	(233,856)	—	—	—	(233,856)
Issuance of shares for exercise of warrants							
(Note 8a (i))	—	224,925	26,117	—	—	—	26,117
Issuance of shares for bonus (Notes 10 and 16)	—	1,590,000	233,856	—	—	—	233,856
Shares issued for cash:							
Private placements (Note 9a (ii))	—	28,494,653	20,387,824	(762,804)	—	—	19,625,020
Share issuance costs	—	—	(908,920)	—	—	—	(908,920)
Exercise of warrants (Note 9a (iii))	—	5,700,628	3,296,143	—	—	—	3,296,143
Exercise of options (Note 9a (iv))	—	1,795,852	196,988	—	—	—	196,988
Shares issued for finders' fee (Note 10)	—	852,915	616,770	—	—	—	616,770
Non-cash share issuance costs (Note 10)	—	—	(616,770)	—	—	—	(616,770)
Shares issued for property (Note 10)	—	6,200,547	7,564,444	—	—	—	7,564,444
Stock-based compensation (Notes 9c and 9d)	—	—	—	—	3,523,324	—	3,523,324
Fair value of stock options exercised (Note 10)	—	—	97,933	—	(97,933)	—	—
Balance - 31 January 2006	Unlimited	100,173,173	$49,022,606	$ —	$ 4,431,133	$(34,067,125)	$ 19,386,614

- See Accompanying Notes -

PolyMet Mining Corp. Statement 3
Consolidated Statements of Loss
For the Years Ended 31 January
U.S. Funds

	2006	2005	2004
General and Administrative			
Administration fees and wages	$ 207,650	$ 105,449	$ 32,120
Amortization	4,220	1,705	275
Consulting fees	388,900	370,815	21,278
Conferences	26,138	—	—
Insurance	29,858	31,199	—
Interest expense (income), *net*	(148,036)	(2,221)	380
Investor relations and financing	89,542	95,669	—
Management fees	129,483	141,270	52,388
Office and telephone	101,127	47,175	9,106
Professional fees	150,606	98,624	58,806
Rent	61,516	58,713	8,767
Shareholders' information	53,364	35,277	5,032
Stock-based compensation expense *(Note 9c)*	3,523,324	992,658	55,048
Transfer agent and filing fees	64,914	24,765	20,221
Travel and automotive	348,244	220,530	25,278
Loss Before the Undernoted	5,030,850	2,221,628	288,699
Other Expenses (Income)			
Pre-feasibility costs - *Schedule 1*	11,120,145	1,622,983	91,616
Gain on foreign exchange conversion	(221,458)	(68,274)	(22,230)
Gain on sale of resource properties	—	—	(219,925)
Loss on sale of property, plant and equipment	—	—	8,640
	10,898,687	1,554,709	(141,899)
Loss for the Year	$ 15,929,537	$ 3,776,337	$ 146,800
Deficit Beginning of the Year	18,137,588	14,361,251	14,214,451
Deficit End of Year	34,067,125	18,137,588	14,361,251
Loss per Share	$ (0.22)	$ (0.07)	$ (0.00)
Weighted Average Number of Shares	73,484,490	51,946,290	35,452,260

- See Accompanying Notes -

PolyMet Mining Corp. Statement 4
Consolidated Statements of Cash Flows
For the Years Ended 31 January
U.S. Funds

	2006	2005	2004
Operating Activities			
Loss for the year	$ (15,929,537)	$ (3,776,337)	$ (146,800)
Adjustments to reconcile loss to net cash			
Consulting - bonus shares	—	233,856	—
Amortization	4,220	1,705	275
Stock-based compensation expense	3,523,324	992,658	55,048
Gain on sale of resource properties	—	—	(219,925)
Loss on sale of property, plant and equipment	—	—	8,640
Changes in current assets and liabilities			
Miscellaneous receivables	4,019	(23,124)	(15,665)
Prepaid expenses	166,034	(236,130)	(5,466)
Accounts payable	1,386,408	231,640	20,378
Net cash used in operating activities	(10,845,532)	(2,575,732)	(303,515)
Investing Activities			
Term deposit	807,200	(807,200)	—
Purchase of property, plant and equipment (Note 6, 7, 10)	(1,000,000)	—	(500,000)
Purchase of equipment	(10,343)	(15,838)	(2,061)
Proceeds on disposal of equipment	—	—	33,331
Proceeds on sale of resource property	—	—	219,925
Net cash used in investing activities	(203,143)	(823,038)	(248,805)
Financing Activities			
Share capital - for cash	22,209,231	2,651,286	1,044,684
Share subscriptions received	—	762,804	—
Net cash provided by financing activities	22,209,231	3,414,090	1,044,684
Net Increase in Cash Position	11,160,556	15,320	492,364
Cash Position - Beginning of Year	510,871	495,551	3,187
Cash Position - End of Year	$ 11,671,427	$ 510,871	$ 495,551
Cash Position Consists of:			
Cash on deposit	$ 11,671,427	$ —	$ 495,551
Bank overdraft covered by term deposit	—	(251,933)	—
Restricted cash from share subscriptions received	—	762,804	—
	$ 11,671,427	$ 510,871	$ 495,551
Cash paid during the year for interest expense	$ —	$ —	$ —
Cash paid during the year for income taxes	$ —	$ —	$ —

Supplemental disclosure with respect to cash flows (Note 10)

-See Accompanying Notes -

PolyMet Mining Corp. Schedule 1

Consolidated Schedules of Pre-Feasibility Costs

For the Years Ended 31 January

U.S. Funds

	2006	2005	2004
Direct			
Camp and general	$ 100,987	$ 5,337	$ 4,750
Consulting fees	690,075	336,770	—
Drilling	3,075,034	441	—
Engineering	578,310	220,729	—
Environmental	2,420,531	406,524	—
Geological and geophysical	74,689	172,675	—
Land lease, taxes and licenses	187,205	78,605	76,154
Metallurgical	1,894,096	66,984	10,712
Mine planning	1,312,392	48,769	—
Permitting	137,013	181,751	—
Plant maintenance and repair	43,691	—	—
Sampling	606,122	—	—
Scoping study	—	104,398	—
Total Costs for the Year	$ 11,120,145	$ 1,622,983	$ 91,616

- See Accompanying Notes -

1. Nature of Business

PolyMet Mining Corp. ("the Company") was incorporated in British Columbia, Canada on 4 March 1981 under the name Fleck Resources Ltd. The Company changed its name from Fleck Resources to PolyMet Mining Corp. on 10 June 1998.

The Company is engaged in the exploration and development, when warranted, of natural resource properties. The Company's primary mineral property is the NorthMet Project, a polymetallic project in northeastern Minnesota, USA. The realization of the Company's investment in the NorthMet Project and other assets is dependant upon various factors, including the existence of economically recoverable mineral reserves, the ability to obtain the necessary financing to complete the exploration and development of the NorthMet Project, future profitable operations, or alternatively upon disposal of the investment on an advantageous basis.

2. Significant Accounting Policies

a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, PolyMet Mining Inc. and Fleck Minerals Inc. The purchase method of accounting is used to consolidate these subsidiaries.

PolyMet Mining Inc. was incorporated in Minnesota, U.S.A. to hold the NorthMet Lease (Note 5). Fleck Minerals Inc. is currently inactive.

b) Mineral Operations

The Company is in the pre-feasibility stage of developing its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Exploration expenses incurred prior to determination of the feasibility of a mining operation, periodic option payments and administrative expenses are expended as incurred. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operation are deferred until the property is placed into production, sold, allowed to lapse or abandoned. Acquisition costs include cash and fair market value of common shares. These capitalized costs will be amortized over the estimated life of the property following commencement of commercial production or written off if the property is sold, allowed to lapse or abandoned or when an impairment of values has occurred.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests are in good standing.

2. Significant Accounting Policies - *Continued*

c) **Amortization**

The Company provides for amortization of its property, plant and equipment as follows:

Leasehold improvements - Straight-line over 10 years Furniture and equipment - Straight-line over 10 years Computers - Straight-line over 5 years

Property, plant and equipment related to the NorthMet Project will begin to be amortized at the time the project commences operations and will be over the life of the mine.

d) **Investments**

The Company carries its long-term portfolio investments at lower of cost or net realizable value. Investments are written down to net realizable value when there has been a loss in value of the investment, which is other than a temporary decline.

e) **Loss Per Share**

Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

f) **Conversion of Foreign Currency**

The accounts of the Company are prepared in U.S. funds and the company’s Canadian operations are translated into U.S. dollars as follows:

- Monetary assets and liabilities at year-end rates,
- All other assets and liabilities at historical rates, and
- Revenue and expense items at the average rate of exchange prevailing during the year.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year**.**

g) **Environmental Expenditures**

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company’s policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures**.**

2. Significant Accounting Policies - *Continued*

h) **Management's Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

i) **Share Capital**

i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

j) **Stock-Based Compensation**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight- line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

k) **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid debt investments with remaining maturities at point of purchase of three months or less. The Company places its cash and cash investments with institutions of high credit worthiness. At times, such investments may be in excess of insurance limits.

2. Significant Accounting Policies - *Continued*

l) **Asset Retirement Obligations**

The recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110, *Asset Retirement Obligations* ("CICA 3110"), became effective on 1 February 2004. This section requires the recognition of a legal liability for obligations relating to the retirement of property, plant and equipment and obligations arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the year in which the liability is incurred. A corresponding increase to the carrying amount of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting year-end. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, changes in the extent of environmental remediation required, changes in the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the year the estimate is revised.

m) **Variable Interest Entities**

Effective 1 February 2005, the Company adopted the recommendations of CICA Handbook Accounting Guideline 15 (AcG-15), Consolidation of Variable Interest Entities, effective for annual and interim periods beginning on or after 1 November 2004. Variable interest entities (VIEs) refer to those entities that are subject to control on a basis other than ownership of voting interests. AcG-15 provides guidance for identifying VIEs and criteria for determining which entity, if any, should consolidate them. Adoption of this accounting policy has not affected the Company's financial statements.

n) **Impairment of Long-Lived Assets**

The Company has adopted CICA Section 3063 "Impairment of Long-Lived Assets". This statement establishes standards for the recognition, measurement and disclosure or the impairment of non-monetary long-lived assets, included property, plant and equipment, intangible assets with finite useful lives, deferred pre-operating costs and long-term prepaid assets. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

o) **Comparative Figures**

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

3. Financial Instruments

a) Fair value

The carrying value of cash, miscellaneous receivable, investments *(Note 4)* accounts payable and long-term debt approximates the fair value of these financial instruments due to their short-term maturity or capacity of prompt liquidation.

b) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

c) Currency risk

The Company is exposed to foreign currency fluctuations to the extent primary expenditures incurred by the Company are not denominated in Canadian dollars. As at 31 January 2006, the Company had investments in mineral properties that require the Company to make payments in US dollars (Notes 6 and 7). The Company's ability to make these payments will be affected by currency fluctuations.

4. Investments

Details are as follows**:**

	Market Value	31 January 2006	31 January 2005
American Platinum Inc.	$ —	$ 1	$ 1
Aloak Corp.	25	252	252
	$ 25	$ 253	$ 253

These investments represent minority interests of less than 10% in the respective companies.

5. Resource Property Agreements

NorthMet, Minnesota, U.S.A. - Lease

By an agreement dated 4 January 1989 and a subsequent amendment and assignment, the Company leases certain lands in St. Louis County, Minnesota from RGGS Land & Minerals Ltd., L.P. During the year ended 31 January 2005, United States Steel Corporation assigned the lease to RGGS Land & Minerals Ltd., L.P. The current term of the renewable lease is 20 years and calls for total lease payments of $1,475,000. All lease payments have been paid or accrued to 31 January 2006. The agreement requires future annual lease payments of $150,000 from 4 January 2006 to 2009.

The Company can, at its option, terminate the lease at any time by giving written notice to the lessor not less than 90 days prior to the effective termination date or can indefinitely extend the 20-year term by continuing to make $150,000 annual lease payments on each successive anniversary date.

The lease payments are considered advance royalty payments and shall be deducted from future production royalties payable to the lessor, which range from 3% to 5% based on the net smelter return received by the Company. The Company's recovery of the advance royalty payments is subject to the lessor receiving an amount not less than the amount of the annual lease payment due for that year.

6. Property, Plant and Equipment

Details are as follows**:**

31 January 2006	**Cost**	**Accumulated Amortization**	**Net Book Value**
NorthMet Project	$ 14,224,967	$ —	$ 14,224,967
Leasehold improvements	624	27	597
Furniture and equipment	9,663	2,315	7,348
Computers	17,855	3,759	14,096
	$ 14,253,109	$ 6,101	$ 14,247,008

31 January 2005	**Cost**	**Accumulated Amortization**	**Net Book Value**
NorthMet Project	$ 729,320	$ —	$ 729,320
Leasehold improvements	—	—	—
Furniture and equipment	1,888	172	1,716
Computers	15,908	1,705	14,203
	$ 747,116	$ 1,877	$ 745,239

6. Property, Plant and Equipment - *Continued*

Cleveland Cliffs Option, Minnesota, U.S.A.

By a Memorandum of Understanding dated 5 December 2003 and an option agreement dated 14 February 2004, the Company obtained an option ("Cliffs Option") to acquire certain property, plant and equipment ("Cliffs Assets") from Cleveland Cliffs of Cleveland, Ohio ("Cliffs") located near the Company's NorthMet Project. Under the terms of the agreement, Cliffs will maintain available designated elements of the facility while the Company develops its feasibility study on the NorthMet project.

As consideration for the exclusive Cliffs Option, the Company paid $500,000 prior to 31 January 2004 as required and issued to Cliffs 1,000,000 common shares on 30 March 2004, valued at $229,320 to maintain the exclusive rights until 30 June 2006.

On 14 September 2005 the Company reached an agreement in principle with Cliffs on the terms for the early exercise of the Company's option to acquire 100% ownership of large portions of the former LTV Steel Mining Company ore processing plant in northeastern Minnesota (the "Asset Purchase Agreement").

On 15 November 2005 the Company completed the acquisition under the Asset Purchase Agreement ("Purchase Agreement"). The property, plant and equipment assets now owned by the Company include land, crushing, milling and flotation capacity, complete spare parts, plant site buildings, real estate, tailings impoundments and mine work shops, as well as access to extensive mining infrastructure. The final allocation of the purchase price has not been agreed to between the parties. As the assets are not in use no amortization of these assets has been recorded to 31 January 2006.

The consideration for the Asset Purchase was $3.4 million in cash ($1,000,000 paid) and the issuance of 6,200,547 common shares (issued on 15 November 2005 at fair market value of $7,564,444) in the capital stock of the Company. The remaining cash component of the payment of $2.4 million will be paid in quarterly instalments of US$250,000 for a total of $2.5 million, which includes interest of $100,000 (Note 7). Interest accrued in the amount of $20,515 has been capitalized as part of the cost of the NorthMet Project assets.

The Company has assumed certain ongoing site-related environmental and reclamation obligations. These environmental and reclamation obligations are presently contracted under the terms of the Purchase Agreement with Cliffs. Once the Company obtains its permit to mine and Cliffs is released from its obligations by the State agencies, the environmental and reclamation obligations will be direct with the governing bodies. The present value of the asset retirement obligation in the amount of $2,510,687 (Note 8) has been recorded as an increase in the carrying amount of the NorthMet Project assets and will be amortized over the life of the asset.

Under the terms of the agreement Cliffs will have the right to participate on a pro-rata basis in future cash equity financings.

7. Long Term Debt

Pursuant to the Asset Purchase Agreement (Note 6) the Company's wholly owned subsidiary PolyMet Mining Inc. signed a note payable to Cliffs in the amount of $2,400,000. The note is interest bearing at the annual simple rate of four percent (4%) and shall be paid in quarterly instalments equal to $250,000 for total repayment of $2,500,000. As at 31 January 2006 the outstanding long term debt was as follows:

Note payable	$ 2,400,000
Accrued interest	20,515
Total debt	2,420,515
Less current portion	(1,000,000)
Long term debt	$ 1,420,515

8. Asset Retirement Obligation

As part of the consideration for the Cliffs Purchase Agreement (Note 6), the Company assumed, under contract to Cliffs, the liability for final reclamation and closure of the mine.

Federal, state and local laws and regulations concerning environmental protection affect the Company's operations. Under current regulations, the Company is contracted to indemnify Cliff's requirement to meet performance standards to minimize environmental impact from operations and to perform site restoration and other closure activities. The Company's provisions for future site closure and reclamation costs are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The Company's estimate of the present value of the obligation to reclaim the NorthMet Project is based upon existing reclamation standards at January 31, 2006 and Canadian GAAP. Once the Company obtains its permit to mine the environmental and reclamation obligations will be direct with the governing bodies.

The Company's estimates are based upon a 31 January 2006 liability estimate of $12,444,478, an annual inflation rate of 3.80%, a discount rate of 9.00% and a mine life of 28.5 years, commencing in mid-2008 and a reclamation period of 3 years. Accretion of the liability until the commencement of commercial production will be capitalized to the NorthMet Project assets.

9. Share Capital

a) Share Issuances for Cash

During the year ended 31 January 2006 the Company issued the following shares for cash:

i) 224,925 shares pursuant to the exercise of warrants allotted at 31 January 2005;

ii) Four private placements for a total of 28,494,653 shares at prices of CDN$0.55 - CDN$1.40 for net proceeds of $20,387,824 ($762,804 was received prior to 31 January 2005). Each of the private placements included share purchase warrants (Note 9e). Cash share issue costs in the amount of $908,920 were included in respect of these private placements;

iii) 5,700,628 shares pursuant to the exercise of 5,700,628 share purchase warrants for total proceeds of $3,296,143 (Note 9e);

iv) 1,795,852 shares pursuant to the exercise of stock options for total proceeds of $196,988 (Note 9b).

During the year ended 31 January 2005, the Company increased its authorized share capital from 1,000,000,000 common shares to an unlimited number of common shares and issued the following shares:

v) Two private placements for a total of 2,800,000 shares at CDN$0.80 per share for net proceeds of $1,733,984. Each of the private placements included share purchase warrants (Note 9e). Cash share issuance costs in the amount of $18,752 were incurred in respect of these private placements;

vi) 5,277,573 shares pursuant to the exercise of 5,277,573, share purchase warrants for total proceeds of $828,554;

vii) 1,088,400 shares pursuant to the exercise of stock options for total proceeds of $81,383.

9. Share Capital - ***Continued***

b) **Stock Options**

	31 January 2006 Options	Weighted Average Exercise Price (CDN$)	31 January 2005 Options	Weighted Average Exercise Price (CDN$)
Outstanding - Beginning of year	4,999,552	0.32	3,542,952	0.11
Granted	3,580,000	1.13	2,545,000	0.52
Exercised	(1,795,852)	0.13	(1,088,400)	0.10
Outstanding - End of year	6,783,700	0.80	4,999,552	0.32

As at 31 January 2006, the following director, officer, consultant and employee stock options were outstanding:

Expiry Date	Exercise Price (CDN)	Number
12 February 2006	$ 0.21	500,000
18 July 2008	$ 0.10	328,700
3 October 2008	$ 0.13	450,000
9 March 2009	$ 0.40	500,000
28 April 2009	$ 0.75	200,000
5 July 2009	$ 0.66	1,175,000
18 October 2009	$ 0.79	50,000
30 March 2010	$ 0.65	765,000
1 May 2010	$ 0.85	350,000
15 June 2010	$ 0.94	40,000
19 September 2010	$ 1.36	1,870,000
24 October 2010	$ 1.20	280,000
5 December 2010	$ 1.15	275,000
		6,783,700

As at 31 January 2006 all options had vested and were exercisable.

9. Share Capital - ***Continued***

c) **Stock-Based Compensation**

i) During the year ended 31 January 2006, the Company issued 3,580,000 options to directors, officers, consultants and employees with exercise prices of CDN$0.65 - CDN$1.36 per option. The fair value of stock-based compensation in the amount of $3,523,324 has been recorded in the accounts of the Company as an expense with the offsetting entry to contributed surplus. This value is estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Risk-free interest rate	3.66%
Expected dividend yield	Nil
Expected stock price volatility	131%
Expected option life in years	5

ii) During the year ended 31 January 2005, the Company issued 2,545,000 options to directors, officers, consultants and employees with exercise prices ranging from CDN$0.21 - CDN$0.79 per option. The fair value of stock-based compensation in the amount of $992,658 has been recorded in the accounts of the Company as an expense with the offsetting entry to contributed surplus. This amount includes the expense for the 950,000 options at CDN$0.13, granted on 3 October 2003, which were approved by the Company's shareholders on May 24, 2004. This value is estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Risk-free interest rate	3.25%
Expected dividend yield	Nil
Expected stock price volatility	143%
Expected option life in years	4.78

d) **Contributed Surplus**

Contributed surplus represents accumulated stock-based compensation expense, reduced by the fair value of the stock options exercised.

Details are as follows:

	January 31 2006	January 31 2005
Balance - Beginning of year	$ 1,005,742	$ 55,048
Current year fair value of stock-based compensation	3,523,324	992,658
Fair value of stock options exercised during the year and transferred to share capital	(97,933)	(41,964)
Balance - End of year	$ 4,431,133	$ 1,005,742

9. Share Capital - *Continued*

e) **Share Purchase Warrants**

The Company's share purchase warrants as at 31 January 2006 and 2005 and the changes during the years then ended are as follows:

	2006		2005	
	Warrants	**Weighted Average Exercise Price (CDN)**	Warrants	Weighted Average Exercise Price (CDN)
Warrants outstanding and exercisable - beginning of year	5,841,278	$ 0.42	9,718,852	$ 0.19
Issued	15,175,104	1.17	1,400,000	1.20
Exercised	(5,925,553)	(0.66)	(5,277,574)	(0.20)
Expired	(428,124)	(1.20)		
Warrants outstanding and exercisable - end of year	14,662,705	$ 1.07	5,841,278	$ 0.42

Share purchase warrants outstanding at 31 January 2006 and 2005 are as follows:

		Number of Shares	
Expiry Date	**Exercise Price** (CDN)	**2006**	**2005**
23 September 2005	$ 0.17	—	1,012,355
4 December 2005	$ 1.20	—	775,000
1 March 2006	$ 1.20	625,000	625,000
16 November 2006	$ 0.20	3,428,923	3,428,923
28 February 2008	$ 1.25	3,336,110	—
22 March 2008	$ 1.25	4,572,566	—
9 May 2007	$ 2.00	1,772,328	—
6 September 2007	$ 1.25	927,778	—
		14,662,705	5,841,278

During the year ended January 31, 2006 the Company completed the following financings:

(i) A non-brokered private placement for 9,000,000 units at a price of CDN$0.55 per unit. Each unit consisted of one common share and one half of one share purchase warrant. One full Warrant entitles the holders, on exercise, to purchase one additional common share of the Company at a price of CDN$0.70 per Warrant Share at any time until the close of business on the day which is 24 months from the date of Closing, provided that if the closing price of the Issuer's shares as traded on the Exchange at or exceed CDN$1.00 per share for 30 consecutive trading days, the Warrants will terminate 30 days thereafter. As at 31 January 2006 all Warrants had been exercised.

9. Share Capital - ***Continued***

e) **Share Purchase Warrants** - ***Continued***

(ii) A non-brokered private placement for 6,672,219 units at a price of CDN$0.90 per unit. Each unit consisted of one common share and one half of one share purchase warrant. One full Warrant entitles the holders, on exercise, to purchase one additional common share of the Company at a price of CDN$1.25 per Warrant Share at any time until the close of business on the day which is 30 months from the date of Closing, provided that if the closing price of the Issuer's shares as traded on the Exchange is over CDN$2.50 per share for 20 consecutive trading days, the Warrants will terminate 30 days thereafter.

(iii) A brokered private placement for 9,277,777 units at a price of CDN$0.90 per unit. Each unit consisted of one common share and one half of one share purchase warrant. One full Warrant entitles the holders, on exercise, to purchase one additional common share of the Company at a price of CDN$1.25 per Warrant Share at any time until the close of business on the day which is 30 months from the date of Closing, provided that if the closing price of the Issuer's shares as traded on the Exchange is over CDN$2.50 per share for 20 consecutive trading days (Accelerated Expiry), the Warrants will terminate 30 days thereafter. In addition 927,777, share purchase warrants were issued as finders fee at a price of CDN$1.25 for a period of two years from the date of Closing and include the Accelerated Expiry provision.

iv) A non-brokered private placement for 3,544,657 units at a price of CDN$1.40 per unit. Each unit consisted of one common share and one half of one share purchase warrant. One full Warrant entitles the holders, on exercise, to purchase one additional common share of the Company at a price of CDN$2.00 per Warrant Share at any time until the close of business on the day which is 18 months from the date of Closing, provided that if the closing price of the Issuer's shares as traded on the Exchange is over CDN$2.50 per share for 20 consecutive trading days, the Warrants will terminate 30 days thereafter.

During the year ended 31 January 2005 the Company completed the following financings:

vi) A non-brokered private placement for 1,500,000 units at a price of CDN$0.80 per unit. Each unit consisted of one common share and one half of one share purchase warrant. One full Warrant entitles the holders, on exercise, to purchase one additional common share of the Company at a price of CDN$1.20 per Warrant Share at any time until the close of business on the day which is 18 months from the date of Closing. On 4 December 2005, 428,124 warrants expired, without being exercised.

vii) A non-brokered private placement for 625,000 units at a price of CDN$0.80 per unit. Each unit consisted of one common share and one half of one share purchase warrant. One full Warrant entitles the holders, on exercise, to purchase one additional common share of the Company at a price of CDN$1.20 per Warrant Share at any time until the close of business on the day which is 18 months from the date of Closing.

9. Share Capital - *Continued*

f) **Shareholder Rights Plan**

Effective 4 December 2003, the Company adopted a Shareholder Rights Plan ("Rights Plan"), which was approved by the Company's shareholders' on 27 May 2004. All common shares issued by the Company during the term of the Rights Plan will have one right represented for each common share held by the shareholder of the Company. The term of the Rights Plan is 10 years, unless the rights are earlier redeemed or exchanged. The Rights issued under the Rights Plan become exercisable only if a party acquires 20% or more of the Company's common shares without complying with the Rights Plan or without the approval of the Board of Directors of the Company.

Each Right entitles the registered holder thereof to purchase from the Company on the occurrence of certain events, one common share of the Company at the price of CDN$50 per share, subject to adjustment (the "Exercise Price"). However, upon certain events occurring (as defined in the Rights Plan), each Right would then entitle the registered holder to receive, upon payment of the Exercise Price, that number of common shares that have a market value at the date of that occurrence equal to twice the Exercise Price. The Rights are not exercisable until the Separation Time, as defined in the Rights Plan.

10. Supplemental Disclosure With Respect To Cash Flows

During the years ended 31 January 2006, 2005 and 2004, the Company entered into the following non-cash investing and financing activities :

	2006	2005	2004
Issued 6,200,547 (2005 - 1,000,000; 2004- Nil) shares to Cliffs pursuant to the Company's exercise of the Cliffs Option to purchase the Cliffs Assets	$ 7,564,444	$ 229,320	$
Issued a promissory note payable to Cliffs pursuant to the Company's exercise of the Cliffs Option to purchase the Cliffs Assets	$ 2,400,000	$ —	$
Recorded an Asset Retirement Obligation and a corresponding increase in Cliffs Assets pursuant to the Company's exercise of the Cliffs Option to purchase the Cliffs Assets	$ 2,510,687	$ —	$
Transfer from contributed surplus to capital stock on exercise of stock options	$ 97,933	$ 41,964	$
Transfer from share subscriptions to share capital on issuance of the related shares	$ 762,804	$ —	$
Capitalized accrued interest on the promissory note payable to Cliffs	$ 20,515	$ —	$
Issued 852,915 (2005 - 155,626; 2004 - 60,000) shares for finders' fees on private placements	$ 616,770	$ 96,375	$ 6,541
Issued Nil (2005 - Nil; 2004 - 50,000) shares in settlement of debt	$ —	$ —	$ 3,634

11. Related Party Transactions

In addition to transactions disclosed elsewhere in these financial statements, the Company has conducted transactions with officers, directors and persons or companies related to directors and paid or accrued amounts as follows:

	2006	2005	2004
Management fees paid to a company controlled by the president	$ 129,480	$ 141,270	$ 52,388
Consulting fees paid to officers, directors and companies controlled by directors of the Company	327,110	336,448	—
Legal fees paid to an officer of the Company	84,089	59,700	—
Office facilities charges paid to a director of the Company	39,604	23,070	—
	$ 580,283	$ 560,488	$ 52,388

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

12. Income Taxes

The Company’s provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates to the net loss as a result of the following:

	2006	2005
Provision for recovery of taxes at statutory rates	$ (5,553,036)	$ (1,372,240)
Tax benefit not recognized on current year losses	1,174,113	747,890
Differences in foreign tax rates	(358,166)	(58,267)
Non-deductible items and other	4,737,089	682,617
	$ —	$ —

Future income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future tax assets as at 31 January 2006 are as follows:

	2006	2005
Non-capital loss carry forwards	$ 4,113,715	$ 2,891,339
Unutilized exploration expenses	6,438,780	3,910,289
Capital assets	(6,552)	(3,806)
Total gross future income tax assets	10,545,943	6,797,822
Less: valuation allowance	(10,545,943)	(6,797,822)
Net future income tax allowance	$ —	$ —

12. Income Taxes - *Continued*

The Company has income tax loss carry forwards of approximately $4.3 million in Canada, which may be used to reduce future income taxes otherwise payable and which expire in the years 2007 to 2016.

The Company has income tax loss carry forwards of approximately $6.2 million in the United States, which may be used to reduce future income taxes otherwise payable and which expire in the years 2007 to 2026.

The tax benefit of the above noted tax assets have been offset by recognition of a valuation allowance in these financial statements.

13. Differences Between Canadian and United States Generally Accepted Accounting Principles

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The U.S. Securities and Exchange Commission requires that financial statements of foreign companies contain a reconciliation presenting the statements on the basis of accounting principles generally accepted in the U.S. Any differences in accounting principles as they pertain to the accompanying consolidated financial statements are not material except as follows:

a) Under Canadian generally accepted accounting principles, long-term portfolio investments may be reported at a cost that is in excess of market value where it is reasonable to assume that the decline in market value may be of a temporary nature. Under U.S. generally accepted accounting principles, the investments are carried at market value on an individual basis and the adjustment is credited or charged to comprehensive income.

b) Under Canadian generally accepted accounting principles, mineral properties may be carried at cost and written-off or written-down if the properties are abandoned, sold or if management decides not to pursue the properties. Under U.S. generally accepted accounting principles, the Company would periodically review and obtain independent reports in determining adjustments to the mineral properties and records properties at net realizable value. The Company has not yet obtained an independent report and accordingly for U.S. purposes, the properties have been written off. In the past the Company followed the method described above. During 2003, the Company changed the accounting policy *(Note 2)*, therefore there are no differences between Canadian and United States generally accepted accounting principles.

13. Differences Between Canadian and United States Generally Accepted Accounting Principles - *Continued*

The effects of the differences in accounting principles on investments, net loss and comprehensive loss are as follows:

Investments:	2006	2005	2004
Investments - Canadian GAAP basis	$ 253	$ 253	$ 253
Adjustment to market	(228)	(228)	(228)
Investments - U.S. GAAP basis	$ 25	$ 25	$ 25
Accumulated Comprehensive Loss:			
Contra-equity account for unrealized gains (losses) on investments			
- Canadian GAAP basis	$ —	$ —	$ —
Unrealized holding gain (loss) on investments			
- Prior years	(228)	(228)	(228)
- Current year	—	—	—
Contra-equity account for unrealized gains (losses) on investments - U.S. GAAP basis	$ (228)	$ (228)	$ (228)
Net Loss and Comprehensive Loss:			
Net loss - Canadian and U.S. GAAP basis	$ 15,929,537	$ 3,776,337	$ 146,800
Adjustment of portfolio investments to market	—	—	—
Net loss and comprehensive loss - U.S. GAAP basis	$ 15,929,537	$ 3,776,337	$ 146,800
Weighted average number of shares computed under U.S. GAAP	73,484,490	53,784,877	38,452,260
Loss per share following U.S. GAAP	$ (0.22)	$ (0.07)	$ (0.00)

c) Recent U.S. Accounting Pronouncements, which relate to the Company's current operations are summarized as follows:

In May 2003, the FASB issued SFAS 150, *"Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity"*. SFAS No. 150 establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. The adoption of SFAS 150 did not have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 123R, *"Share Based Payment"*. SFAS 123R is a revision of SFAS No. 123 *"Accounting for Stock-Based Compensation"*, and supersedes APB Opinion No. 25, *"Accounting for Stock Issued to Employees"* and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

13. Differences Between Canadian and United States Generally Accepted Accounting Principles - *Continued*

In December 2004, FASB issued SFAS No. 153, *"Exchanges of Non-monetary Assets - An Amendment of APB Opinion No. 29"*. The guidance in APB Opinion No. 29, *"Accounting for Non-monetary Transactions"*, is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The provisions of SFAS No. 153 are effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In May 2005, the FASB issued SFAS 154, *"Accounting Changes and Error Corrections,"* which replaces APB Opinion No. 20, *"Accounting Changes,"* and supersedes FASB Statement No. 3,*"Reporting Accounting Changes in Interim Financial Statements - an amendment of APB Opinion No. 28." SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, SFAS 154 requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, SFAS 154 requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. SFAS 154 shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the provisions of SFAS 154 will have a significant impact on its results of operations.*

In February 2006, the FASB issued SFAS No. 155, *"Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140."* This statement permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. It establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. In addition, SFAS 155 clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133. It also clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives. SFAS 155 amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

13. Differences Between Canadian and United States Generally Accepted Accounting Principles - *Continued*

In March 2006, the FASB issued SFAS 156, *"Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140"*. This statement amends FASB Statement No. 140, *"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"*, with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement: (1) requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations: (a) a transfer of the servicer's financial assets that meets the requirements for sale accounting, (b) a transfer of the servicer's financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities in accordance with FASB Statement No. 115, *"Accounting for Certain Investments in Debt and Equity Securities", (c) a*n acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates; (2) requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; (3) permits an entity to choose either of the following subsequent measurement methods for each class of separately recognized servicing assets and servicing liabilities: (a) *Amortization method*—Amortize servicing assets or servicing liabilities in proportion to and over the period of estimated net servicing income or net servicing loss and assess servicing assets or servicing liabilities for impairment or increased obligation based on fair value at each reporting date, or (b) *Fair value measurement method*—Measure servicing assets or servicing liabilities at fair value at each reporting date and report changes in fair value in earnings in the period in which the changes occur; (4) at its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available-for-sale securities under Statement 115, provided that the available-for-sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value; and (5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. An entity should adopt this statement as of the beginning of its first fiscal year that begins after September 15, 2006. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

14. Segmented Information

The Company is in the pre-feasibility stage of developing its mineral properties in the U.S. and provides for its financing and administrative functions at the head office located in Canada. Segmented information on a geographic basis is as follows:

	Canada	U.S.	Consolidated
2006			
Segment operating loss	$ 4,522,984	$ 11,406,553	$ 15,929,537
Identifiable assets	$ 11,654,116	$ 14,381,120	$ 26,035,236
2005			
Segment operating loss	$ 1,920,706	$ 1,855,631	$ 3,776,337
Identifiable assets	$ 1,364,099	$ 986,065	$ 2,350,164

15. Subsequent Events

In addition to items disclosed elsewhere in these financial statements, the Company conducted the following transactions after 31 January 2006:

a) The Company issued 6,141,573 common shares pursuant to the exercise of share purchase warrants at a prices between CDN$0.20 and CDN$1.25 per share;

b) The Company issued 1,045,000 common shares pursuant to the exercise of stock options at prices ranging from CDN$0.10 to CDN$1.36;

c) The Company granted 3,200,000 stock options to directors, officers, consultants and employees at a price of CDN$2.76; and

d) The Company provided notice on 10 April 2006 to the outstanding warrants holders of approximately 9.7 million warrants at prices between CDN$1.25 and CDN$2.00 that the accelerated expiry provision of their warrants was effectively triggered and all unexercised warrants as at the close of business on 10 May 2006 will have been deemed cancelled.

16. Contingent Liabilities and Commitments

a) The Company has instituted a share bonus plan as part of its employment, management and consulting contracts for key management and project personnel. This bonus plan adds incentive for key personnel to reach certain prescribed milestones required to reach commercial production at the NorthMet Project. As at 31 July 2005, the Company had received shareholder approval of the Bonus Shares for Milestones 1 - 4 and regulatory approval for Milestones 1 and 2. Milestones 3 and 4 are subject to regulatory approval, which will be sought when the Company is closer to completing these Milestones. To date 1,590,000 shares have been issued for the achievement of Milestone 1. The bonus shares allocated for Milestones 1 thru 4 are valued using the Company's closing trading price on 5 November 2003 of CDN$0.19 per share, the date of the approval of the bonus plan by the board of directors.

The summary of the share bonus plan is as follows:

	Bonus Shares	
Milestone 1	1,590,000	(i) issued –*Statement 2*
Milestone 2	1,300,000	(ii)
Milestone 3	2,400,000	(iii)
Milestone 4	3,240,000	(iv)

(i) Milestone 1 –Completion of an agreement with Cliffs-Erie LLC for the option to purchase of Cliffs-Erie facility to be used as a part of mining and processing operations for the NorthMet Project. This milestone was achieved on 16 February 2004 and therefore, during the year ended 31 January 2006, the Company accrued a CDN$302,100 (US$233,856) bonus as consulting fees and allotted 1,590,000 shares. These shares were issued in March 2005.

(ii) Milestone 2 – Negotiation and completion of an off-take agreement with a senior metals producer for the purchase of raw materials to be produced from the NorthMet Project.

(iii) Milestone 3 –Completion of a "bankable feasibility study" which indicates that commercial production from the NorthMet Project is viable.

(iv) Milestone 4 – Commencement of commercial production at the NorthMet Project at a time when the company has not less than 50% ownership interest.

16. Contingent Liabilities and Commitments *Continued*

b) As a part of certain employment and management contracts, the Company has agreed to severance allowances for key employees and management in the event of a take-over bid.

These allowances are based upon the Company's implied market capitalization at the time of the take-over bid, calculated by multiplying the number of shares outstanding on a fully diluted basis by the take-over bid price per share. The severance payments would be as follows:

Market Capitalization	Total Severance Payments Required
Less than CDN$50 million	CDN$Nil
Between CDN$50 and CDN$75 million	CDN$200,000
Between CDN$75 and CDN$100 million	CDN$400,000

Thereafter severance payments increase by CDN$600,000 for every additional CDN$25 million of implied market capitalization, with no maximum.

c) Pursuant to the Company's Asset Purchase Agreement with Cliffs (Note 6), for as long as Cliffs owns 1% or more of the Company's issued shares, Cliffs will have the right to participate on a pro-rata basis in future cash equity financings. This agreement will also include a first right of refusal in favour of the Company should Cliffs wish to dispose of its interest.

CANADA
PROVINCE OF BRITISH COLUMBIA

NUMBER

228310

Province of British Columbia
Ministry of Consumer and Corporate Affairs
REGISTRAR OF COMPANIES

COMPANY ACT

Certificate of Incorporation

I HEREBY CERTIFY THAT

FLECK RESOURCES LTD.

HAS THIS DAY BEEN INCORPORATED UNDER THE COMPANY ACT

GIVEN UNDER MY HAND AND SEAL OF OFFICE
AT VICTORIA, BRITISH COLUMBIA,
THIS 4TH DAY OF MARCH, 1981

L. G. HUCK
DEPUTY REGISTRAR OF COMPANIES

BRITISH COLUMBIA

NUMBER: **228310**

CERTIFICATE OF CHANGE OF NAME

COMPANY ACT

I Hereby Certify *that*

FLECK RESOURCES LTD.

has this day changed its name to

POLYMET MINING CORP.

Issued *under my hand at Victoria, British Columbia on June 10, 1998*

JOHN S. POWELL
Registrar of Companies
PROVINCE OF BRITISH COLUMBIA
CANADA

BC BUSINESS CORPORATIONS ACT

Polymet Mining Corp.

(the "Company")

Incorporation Number:
BC0228310

The Company has as its articles the following articles:

ARTICLES

PART 1, INTERPRETATION

1.1 Definitions

In these Articles, unless the context otherwise requires:

(1) "board of directors", "directors" and "board" mean the directors or sole director of the Company for the time being;

(2) "*Business Corporations Act*" means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(3) "legal personal representative" means the personal or other legal representative of the shareholder;

(4) "registered address" of a shareholder means the shareholder's address as recorded in the central securities register;

(5) "seal" means the seal of the Company, if any;

(6) "solicitor for the Company", in connection with any matter, means any partner or associate of the law firm retained by the Company with respect to such matter.

1.2 *Business Corporations Act* and *Interpretation Act* Definitions Applicable

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

PART 2, SHARES AND SHARE CERTIFICATES

2.1 Authorized Share Structure

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

2.2 Form of Share Certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

2.3 Shareholder Entitled to Certificate or Acknowledgment

Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate and delivery of a share certificate for a share to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.

2.4 Delivery by Mail

Any share certificate or non-transferable written acknowledgment of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and

neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement

If the directors are satisfied that a share certificate or a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit:

(1) order the share certificate or acknowledgment, as the case may be, to be cancelled; and

(2) issue a replacement share certificate or acknowledgment, as the case may be.

2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment

If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, as the case may be, if the directors receive:

(1) proof satisfactory to them that the share certificate or acknowledgment is lost, stolen or destroyed; and

(2) any indemnity the directors consider adequate.

2.7 Splitting Share Certificates

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

2.8 Certificate Fee

There must be paid to the Company, in relation to the issue of any share certificate under Parts 2.5, 2.6 or 2.7, the amount, if any and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the directors.

2.9 Recognition of Trusts

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as by law or statute or these Articles provided or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

PART 3, ISSUE OF SHARES

3.1 Directors Authorized

Subject to the rights of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

3.2 Commissions and Discounts

The Company may at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

3.3 Brokerage

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

3.4 Conditions of Issue

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

(1) consideration is provided to the Company for the issue of the share by one or more of the following:

   (a) past services performed for the Company;

   (b) property;

   (c) money; and

(2) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Part 3.1.

3.5 Share Purchase Warrants and Rights

The Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

PART 4, SHARE REGISTERS

4.1 Central Securities Register

As required by and subject to the *Business Corporations Act*, the Company must maintain in British Columbia a central securities register. The directors may, subject to the *Business Corporations Act*,

appoint an agent to maintain the central securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

4.2 Closing Register

The Company must not at any time close its central securities register.

PART 5, SHARE TRANSFERS

5.1 Registering Transfers

A transfer of a share of the Company must not be registered unless:

(1) such transfer has been conducted in accordance with Part 27;

(2) an instrument of transfer, duly executed by the transferor or a duly authorized attorney of the transferor, in respect of the share has been received by the Company or its transfer agent;

(3) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company or its transfer agent; and

(4) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment has been surrendered to the Company or its transfer agent; and

(5) there has been delivered to the Company or its transfer agent such other evidence, if any, as the Company or the transfer agent may require to prove the title of the transferor to transfer his shares and the right of the transferee to have the transfer registered.

5.2 Form of Instrument of Transfer

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the directors from time to time.

5.3 Transferor Remains Shareholder

Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

5.4 Signing of Instrument of Transfer

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

(1) in the name of the person named as transferee in that instrument of transfer; or

(2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

5.5 Enquiry as to Title Not Required

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

5.6 Transfer Fee

There must be paid to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

5.7 Branch Securities Register

Subject to the provisions of the *Business Corporations Act*, the Company may keep or cause to be kept within or outside British Columbia by a trust company registered under the *Financial Institutions Act* (British Columbia) one or more branch securities registers, and such trust company may be appointed as the transfer agent of the Company for the purpose of issuing, countersigning, registering, transferring and certifying the securities of the Company.

PART 6, TRANSMISSION OF SHARES

6.1 Legal Personal Representative Recognized on Death

In case of the death of a shareholder, the legal personal representative, or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

6.2 Rights of Legal Personal Representative

The legal personal representative has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company.

PART 7, PURCHASE OF SHARES

7.1 Company Authorized to Purchase Shares

Subject to Part 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms specified in such resolution.

7.2 Purchase When Insolvent

The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

(1) the Company is insolvent; or

(2) making the payment or providing the consideration would render the Company insolvent.

7.3 Sale and Voting of Purchased Shares

If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

(1) is not entitled to vote the share at a meeting of its shareholders;

(2) must not pay a dividend in respect of the share; and

(3) must not make any other distribution in respect of the share.

PART 8, BORROWING POWERS

8.1 Borrowing Powers

The Company, if authorized by the directors, may:

(1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;

(2) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;

(3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

PART 9, ALTERATIONS

9.1 Alteration of Authorized Share Structure

Subject to Part 9.2 and the *Business Corporations Act*, the Company may by special resolution:

(1) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(2) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;

(3) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;

(4) if the Company is authorized to issue shares of a class of shares with par value:

(a) decrease the par value of those shares; or

(b) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

(5) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;

(6) alter the identifying name of any of its shares; or

(7) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*.

9.2 Special Rights and Restrictions

Subject to the *Business Corporations Act*, the Company may by special resolution:

(1) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or

(2) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued.

9.3 Change of Name

The Company may by special resolution authorize an alteration of its Notice of Articles in order to change its name.

9.4 Other Alterations

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by special resolution alter these Articles.

PART 10, MEETINGS OF SHAREHOLDERS

10.1 Annual General Meetings

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

10.2 Resolution Instead of Annual General Meeting

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Part 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

10.3 Calling of Meetings of Shareholders

The directors may, whenever they think fit, call a meeting of shareholders.

10.4 Notice for Meetings of Shareholders

The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

10.5 Record Date for Notice

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.6 Record Date for Voting

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.7 Failure to Give Notice and Waiver of Notice

The accidental omission to send notice of any meeting to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive or reduce the period of notice of such meeting.

10.8 Notice of Special Business at Meetings of Shareholders

If a meeting of shareholders is to consider special business within the meaning of Part 11.1, the notice of meeting must:

(1) state the general nature of the special business; and

(2) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:

   (a) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and

   (b) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

PART 11, PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

11.1 Special Business

At a meeting of shareholders, the following business is special business:

(1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;

(2) at an annual general meeting, all business is special business except for the following:

   (a) business relating to the conduct of or voting at the meeting;

   (b) consideration of any financial statements of the Company presented to the meeting;

   (c) consideration of any reports of the directors or auditor;

   (d) the setting or changing of the number of directors;

   (e) the election or appointment of directors;

(f) the appointment of an auditor;

(g) the setting of the remuneration of an auditor;

(h) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution;

(i) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

11.2 Majority Required for Special Resolution

The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

11.3 Quorum

Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting.

11.4 One Shareholder May Constitute Quorum

If there is only one shareholder entitled to vote at a meeting of shareholders:

(1) the quorum is one person who is, or who represents by proxy, that shareholder, and

(2) that shareholder, present in person or by proxy, may constitute the meeting.

11.5 Other Persons May Attend

The directors, the president (if any), the secretary (if any), the assistant secretary (if any), any solicitor for the Company, the auditor of the Company and any other persons invited by the directors are entitled to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

11.6 Requirement of Quorum

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

11.7 Lack of Quorum

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

(1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and

(2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

11.8 Lack of Quorum at Succeeding Meeting

If, at the meeting to which the meeting referred to in Part 11.7(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

11.9 Chair

The following individual is entitled to preside as chair at a meeting of shareholders:

(1) the chair of the board, if any; or

(2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any; or

(3) if the chair of the board and the president are absent or unwilling to act as chair of the meeting, the solicitor for the Company.

11.10 Selection of Alternate Chair

If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

11.11 Adjournments

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

11.12 Notice of Adjourned Meeting

It is not necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

11.13 Decisions by Show of Hands or Poll

Subject to the *Business Corporations Act*, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by at least one shareholder entitled to vote who is present in person or by proxy. In determining the result of a vote by a show of hands, shareholders who are not present personally, but who are entitled to participate in the meeting as permitted under the *Business*

Corporations Act, may indicate their vote orally or otherwise in such manner as clearly evidences their vote and is accepted by the chair of the meeting.

11.14 Declaration of Result

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Part 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

11.15 Motion Need Not be Seconded

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

11.16 Casting Vote

In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

11.17 Manner of Taking Poll

Subject to Part 11.18, if a poll is duly demanded at a meeting of shareholders:

(1) the poll must be taken:

(a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and

(b) in the manner, at the time and at the place that the chair of the meeting directs;

(2) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and

(3) the demand for the poll may be withdrawn by the person who demanded it.

11.18 Demand for Poll on Adjournment

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

11.19 Chair Must Resolve Dispute

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

11.20 Casting of Votes

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

11.21 Demand for Poll

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

11.22 Demand for Poll Not to Prevent Continuance of Meeting

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

11.23 Retention of Ballots and Proxies

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

11.24 Meetings by Telephone or Other Communications Medium

A shareholder or proxy holder who is entitled to participate in a meeting of shareholders may do so in person, or by telephone or other communications medium, if all shareholders and proxy holders participating in the meeting are able to communicate with each other; provided however, that nothing in this Part shall obligate the Company to take any action or provide any facility to permit or facilitate the use of any communications medium at a meeting of shareholders. If one or more shareholders or proxy holders participate in a meeting of shareholders in a manner contemplated by this Part:

(1) each such shareholder or proxy holder shall be deemed to be present at the meeting; and

(2) the meeting shall be deemed to be held at the location specified in the notice of meeting.

PART 12, VOTES OF SHAREHOLDERS

12.1 Number of Votes by Shareholder or by Shares

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Part 12.3:

(1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and

(2) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

12.2 Votes of Persons in Representative Capacity

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

12.3 Votes by Joint Holders

If there are joint shareholders registered in respect of any share:

(1) any one of the joint shareholders may vote at any meeting, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or

(2) if more than one of the joint shareholders is present at any meeting, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

12.4 Legal Personal Representatives as Joint Shareholders

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Part 12.3, deemed to be joint shareholders.

12.5 Representative of a Corporate Shareholder

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

(1) for that purpose, the instrument appointing a representative must:

(a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting; or

(b) be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting;

(2) if a representative is appointed under this Part 12.5:

(a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and

(b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

12.6 Proxy Provisions Do Not Apply to All Companies

Parts 12.7 to 12.15 do not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

12.7 Appointment of Proxy Holders

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders of the Company may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

12.8 Alternate Proxy Holders

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

12.9 When Proxy Holder Need Not Be Shareholder

A person who must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if

(1) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Part 12.5;

(2) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting; or

(3) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxyholder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting.

12.10 Deposit of Proxy

A proxy for a meeting of shareholders must:

(1) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting; or

(2) unless the notice provides otherwise, be provided, at the meeting, to the chair of the meeting or to a person designated by the chair of the meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

12.11 Validity of Proxy Vote

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

(1) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(2) by the chair of the meeting, before the vote is taken.

12.12 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

[name of company]
(the "Company")

The undersigned, being a shareholder of the Company, hereby appoints *[name]* or, failing that person, *[name]*, as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on *[month, day, year]* and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy if given in respect of all shares registered in the name of the shareholder): _____

Signed *[month, day, year]*

_____
[Signature of shareholder]

_____
[Name of shareholder—printed]

12.13 Revocation of Proxy

Subject to Part 12.14, every proxy may be revoked by an instrument in writing that is:

(1) received at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting at which the proxy is to be used; or

(2) provided, at the meeting, to the chair of the meeting.

12.14 Revocation of Proxy Must Be Signed

An instrument referred to in Part 12.13 must be signed as follows:

(1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;

(2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Part 12.5.

12.15 Production of Evidence of Authority to Vote

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

PART 13, DIRECTORS

13.1 First Directors; Number of Directors

The number of directors, excluding additional directors appointed under Part 14.8, is set at:

(1) if the Company is a public company, the greater of three and the most recently set of:

(a) the number of directors set by ordinary resolution (whether or not previous notice of the resolution was given); and

(b) the number of directors set under Part 14.4;

(2) if the Company is not a public company:

(a) the number of directors most recently established by ordinary resolution (whether or not previous notice of the resolution was given); and

(b) the number of directors set under Part 14.4.

13.2 Change in Number of Directors

If the number of directors is set under Parts 13.1(1)(a) or 13.1(2)(a):

(1) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;

(2) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

13.3 Directors' Acts Valid Despite Vacancy

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

13.4 Qualifications of Directors

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

13.3 Remuneration of Directors

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

13.4 Reimbursement of Expenses of Directors

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

13.5 Special Remuneration for Directors

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

13.6 Gratuity, Pension or Allowance on Retirement of Director

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

PART 14, ELECTION AND REMOVAL OF DIRECTORS

14.1 Election at Annual General Meeting

At every annual general meeting and in every unanimous resolution contemplated by Part 10.2:

(1) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and

(2) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (1), but are eligible for re-election or re-appointment.

14.2 Consent to be a Director

No election, appointment or designation of an individual as a director is valid unless:

(1) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;

(2) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or

(3) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

14.3 Failure to Elect or Appoint Directors

If:

(1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Part 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or

(2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Part 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

(3) the date on which his or her successor is elected or appointed; and

(4) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

14.4 Places of Retiring Directors Not Filled

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

14.5 Directors May Fill Casual Vacancies

Any casual vacancy occurring in the board of directors may be filled by the directors.

14.6 Remaining Directors Power to Act

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of summoning a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the *Business Corporations Act*, for any other purpose.

14.7 Shareholders May Fill Vacancies

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, then failing the filling of any vacancies as set forth in Part 14.6, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

14.8 Additional Directors

Notwithstanding Parts 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Part 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Part 14.8 must not at any time exceed:

(1) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or

(2) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Part 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Part 14.1(1), but is eligible for re-election or re-appointment.

14.9 Ceasing to be a Director

A director ceases to be a director when:

(1) the term of office of the director expires;

(2) the director dies;

(3) the director resigns as a director by notice in writing provided to the Company or the solicitor for the Company; or

(4) the director is removed from office pursuant to Parts 14.10 or 14.11.

14.10 Removal of Director by Shareholders

The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

14.11 Removal of Director by Directors

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

PART 15, ALTERNATE DIRECTORS

15.1 Appointment of Alternate Director

Any director (an "appointor") may by notice in writing received by the Company appoint any person (an "appointee") who is qualified to act as a director to be his or her alternate to act in his or her place at meetings of the directors or committees of the directors at which the appointor is not present unless (in the case of an appointee who is not a director) the directors have reasonably disapproved the appointment of such person as an alternate director and have given notice to that effect to his or her appointor within a reasonable time after the notice of appointment is received by the Company.

15.2 Notice of Meetings

Every alternate director so appointed is entitled to notice of meetings of the directors and of committees of the directors of which his or her appointor is a member and to attend and vote as a director at any such meetings at which his or her appointor is not present.

15.3 Alternate for More Than One Director Attending Meetings

A person may be appointed as an alternate director by more than one director, and an alternate director:

(1) will be counted in determining the quorum for a meeting of directors once for each of his or her appointors and, in the case of an appointee who is also a director, once more in that capacity;

(2) has a separate vote at a meeting of directors for each of his or her appointors and, in the case of an appointee who is also a director, an additional vote in that capacity;

(3) will be counted in determining the quorum for a meeting of a committee of directors once for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, once more in that capacity;

(4) has a separate vote at a meeting of a committee of directors for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, an additional vote in that capacity.

15.4 Consent Resolutions

Every alternate director, if authorized by the notice appointing him or her, may sign in place of his or her appointor any resolutions to be consented to in writing.

15.5 Alternate Director Not an Agent

Every alternate director is deemed not to be the agent of his or her appointor.

15.6 Revocation of Appointment of Alternate Director

An appointor may at any time, by notice in writing received by the Company, revoke the appointment of an alternate director appointed by him or her.

15.7 Ceasing to be an Alternate Director

The appointment of an alternate director ceases when:

(1) his or her appointor ceases to be a director and is not promptly re-elected or re-appointed;

(2) the alternate director dies;

(3) the alternate director resigns as an alternate director by notice in writing provided to the Company or the solicitor for the Company;

(4) the alternate director ceases to be qualified to act as a director; or

(5) his or her appointor revokes the appointment of the alternate director.

15.8 Remuneration and Expenses of Alternate Director

The Company may reimburse an alternate director for the reasonable expenses that would be properly reimbursed if he or she were a director, and the alternate director is entitled to receive from the Company such proportion, if any, of the remuneration otherwise payable to the appointor as the appointor may from time to time direct.

PART 16, POWERS AND DUTIES OF DIRECTORS

16.1 Powers of Management

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

16.2 Appointment of Attorney of Company

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

PART 17, DISCLOSURE OF INTEREST OF DIRECTORS & SENIOR OFFICERS

17.1 Obligation to Account for Profits

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

17.2 Restrictions on Voting by Reason of Interest

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

17.3 Interested Director Counted in Quorum

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

17.4 Disclosure of Conflict of Interest or Property

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that

individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.

17.5 Director Holding Other Office in the Company

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

17.6 No Disqualification

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

17.7 Professional Services by Director or Officer

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

17.8 Director or Officer in Other Corporations

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

PART 18, PROCEEDINGS OF DIRECTORS

18.1 Meetings of Directors

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

18.2 Voting at Meetings

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

18.3 Chair of Meetings

The following individual is entitled to preside as chair at a meeting of directors:

(1) the chair of the board, if any;

(2) in the absence of the chair of the board, the president, if any, if the president is a director; or

(3) any other director chosen by the directors if:

(a) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;

(b) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or

(c) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

18.4 Meetings by Telephone or Other Communications Medium

A director may participate in a meeting of the directors or of any committee of the directors in person or by telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director may participate in a meeting of the directors or of any committee of the directors by a communications medium other than telephone if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other and if all directors who wish to participate in the meeting agree to such participation. A director who participates in a meeting in a manner contemplated by this Part 18.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

18.5 Calling of Meetings

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

18.6 Notice of Meetings

Other than for meetings held at regular intervals as determined by the directors pursuant to Part 18.1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors and the alternate directors by any method set out in Part 24.1 or orally or by telephone.

18.7 When Notice Not Required

It is not necessary to give notice of a meeting of the directors to a director or an alternate director if:

(1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or

(2) the director or alternate director, as the case may be, has waived notice of the meeting.

18.8 Meeting Valid Despite Failure to Give Notice

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director or alternate director, does not invalidate any proceedings at that meeting.

18.9 Waiver of Notice of Meetings

Any director or alternate director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and, unless the director otherwise requires by notice in writing to the Company, to his or her alternate director, and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director or alternate director.

18.10 Quorum

The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be set at a majority of the directors then in office or, if the number of directors is set at one, is deemed to be set at one director, and that director may constitute a meeting.

18.11 Validity of Acts Where Appointment Defective

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

18.12 Consent Resolutions in Writing

A resolution of the directors or of any committee of the directors consented to in writing by all of the directors entitled to vote on it, whether by signed document, fax, email or any other method of transmitting legibly recorded messages, is as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors duly called and held. Such resolution may be in two or more counterparts which together are deemed to constitute one resolution in writing. A resolution passed in that manner is effective on the date stated in the resolution or on the latest date stated on any counterpart. A resolution of the directors or of any committee of the directors passed in accordance with this Part 18.12 is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

PART 19, EXECUTIVE AND OTHER COMMITTEES

19.1 Appointment and Powers of Executive Committee

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

(1) the power to fill vacancies in the board of directors;

(2) the power to remove a director;

(3) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

19.2 Appointment and Powers of Other Committees

The directors may, by resolution:

(1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;

(2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except:

(a) the power to fill vacancies in the board of directors;

(b) the power to remove a director;

(c) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(d) the power to appoint or remove officers appointed by the directors; and

(3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

19.3 Obligations of Committees

Any committee appointed under Parts 19.1 or 19.2, in the exercise of the powers delegated to it, must:

(1) conform to any rules that may from time to time be imposed on it by the directors; and

(2) report every act or thing done in exercise of those powers at such times as the directors may require.

19.4 Powers of Board

The directors may, at any time, with respect to a committee appointed under Parts 19.1 or 19.2:

(1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;

(2) terminate the appointment of, or change the membership of, the committee; and

(3) fill vacancies in the committee.

19.5 Committee Meetings

Subject to Part 19.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Parts 19.1 or 19.2:

(1) the committee may meet and adjourn as it thinks proper;

(2) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the

meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;

(3) a majority of the members of the committee constitutes a quorum of the committee; and

(4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

PART 20, OFFICERS

20.1 Directors May Appoint Officers

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

20.2 Functions, Duties and Powers of Officers

The directors may, for each officer:

(1) determine the functions and duties of the officer;

(2) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and

(3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

20.3 Qualifications

No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

20.4 Remuneration and Terms of Appointment

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors thinks fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

PART 21, INDEMNIFICATION

21.1 Definitions

In this Part 21:

(1) "eligible penalty" means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;

(2) "eligible proceeding" means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director or alternate director of the Company (an "eligible party") or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director or alternate director of the Company:

(a) is or may be joined as a party; or

(b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;

(3) "expenses" has the meaning set out in the *Business Corporations Act*.

21.2 Mandatory Indemnification of Directors, Former Directors, Alternate Directors and Senior Officers

Subject to the *Business Corporations Act*, the Company must indemnify a director, former director, alternate director or senior officer of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director, former director, alternate director and senior officer is deemed to have contracted with the Company on the terms of the indemnity contained in this Part 21.2.

21.3 Indemnification of Other Persons

Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person.

21.4 Non-Compliance with *Business Corporations Act*

The failure of a director, alternate director or officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Part.

21.5 Company May Purchase Insurance

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

(1) is or was a director, alternate director, officer, employee or agent of the Company;

(2) is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;

(3) at the request of the Company, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity;

(4) at the request of the Company, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.

PART 22, DIVIDENDS

22.1 Payment of Dividends Subject to Special Rights

The provisions of this Part 22 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

22.2 Declaration of Dividends

Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

22.3 No Notice Required

The directors need not give notice to any shareholder of any declaration under Part 22.2.

22.4 Record Date

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. on the date on which the directors pass the resolution declaring the dividend.

22.5 Manner of Paying Dividend

A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

22.6 Settlement of Difficulties

If any difficulty arises in regard to a distribution under Part 22.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

(1) set the value for distribution of specific assets;

(2) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and

(3) vest any such specific assets in trustees for the persons entitled to the dividend.

22.7 When Dividend Payable

Any dividend may be made payable on such date as is fixed by the directors.

22.8 Dividends to be Paid in Accordance with Number of Shares

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

22.9 Receipt by Joint Shareholders

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

22.10 Dividend Bears No Interest

No dividend bears interest against the Company.

22.11 Fractional Dividends

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

22.12 Payment of Dividends

Any dividend or other distribution payable in cash in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the address of the shareholder, or in the case of joint shareholders, to the address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

22.13 Capitalization of Surplus

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the surplus or any part of the surplus.

PART 23, DOCUMENTS, RECORDS AND REPORTS

23.1 Recording of Financial Affairs

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

23.2 Inspection of Accounting Records

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

PART 24, NOTICES

24.1 Method of Giving Notice

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

(1) mail addressed to the person at the applicable address for that person as follows:

(a) for a record mailed to a shareholder, the shareholder's registered address;

(b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the mailing address of the intended recipient;

(2) delivery at the applicable address for that person as follows, addressed to the person:

(a) for a record delivered to a shareholder, the shareholder's registered address;

(b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;

(c) in any other case, the delivery address of the intended recipient;

(3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

(4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;

(5) physical delivery to the intended recipient;

(6) delivery in such other manner as may be approved by the directors.

24.2 Deemed Receipt of Mailing

A record that is mailed to a person by ordinary mail to the applicable address for that person referred to in Part 24.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing.

24.3 Certificate of Sending

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that behalf for the Company stating that a notice, statement, report or other record was addressed as required by Part 24.1, prepaid and mailed or otherwise sent as permitted by Part 24.1 is conclusive evidence of that fact.

24.4 Notice to Joint Shareholders

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing the notice to the joint shareholder first named in the central securities register in respect of the share.

24.5 Notice to Trustees

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

(1) mailing the record, addressed to them:

(a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and

(b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or

(2) if an address referred to in paragraph (1)(b) of this Part 24.5 has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

PART 25, SEAL

25.1 Who May Attest Seal

Except as provided in Parts 25.2 and 25.3, the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

(1) any two directors;

(2) any officer, together with any director;

(3) if the Company only has one director, that director; or

(4) any one or more directors or officers or persons as may be determined by the directors.

25.2 Sealing Copies

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Part 25.1, the impression of the seal may be attested by the signature of any director or officer.

25.3 Mechanical Reproduction of Seal

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these

Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and the chair of the board or any senior officer together with the secretary, treasurer, secretary-treasurer, an assistant secretary, an assistant treasurer or an assistant secretary-treasurer may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

PART 26, MECHANICAL REPRODUCTION OF SIGNATURES

26.1 Mechanical Reproduction of Signatures

The signature of any officer, director, registrar, branch registrar, transfer agent or branch agent of the Company, unless otherwise required by the *Business Corporations Act* or by these Articles, may, if authorized by the directors, be printed, lithographed, engraved or otherwise mechanically reproduced upon all instruments executed or issued by the Company or any officer thereof. Any instrument on which the signature of any such person is so reproduced shall be deemed to have been manually signed by such person whose signature is so reproduced and shall be as valid to all intents and purposes as if such instrument had been signed manually, and notwithstanding that the person whose signature is so reproduced may have ceased to hold the office that he is stated on such instrument to hold at the date of the delivery or issue of such instrument.

26.2 Instrument Defined

The term "instrument" as used in Part 26.1, shall include deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property, real or personal, agreements, releases, receipts and discharges for the payment of money or other obligations, shares and share warrants of the Company, bonds, debentures and other debt obligations of the Company, and all paper writings.

PART 27, PROHIBITIONS

27.1 Definitions

In this Part 27:

(1) "designated security" means:

(a) a voting security of the Company;

(b) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or

(c) a security of the Company convertible, directly or indirectly, into a security described in paragraph (a) or (b);

(2) "security" has the meaning assigned in the *Securities Act* (British Columbia);

(3) "voting security" means a security of the Company that:

(a) is not a debt security, and

(b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

27.2 Application

Part 27.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

27.3 Consent Required for Transfer of Shares or Designated Securities

No share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

***

Polymet Mining Corp.
(Tier 1 Issuer, Rolling 10%)

INCENTIVE STOCK OPTION PLAN
(as approved by the shareholders of the Company at an Annual and Extraordinary General Meeting held on May 28, 2004)

1. Purpose

1.01 The purpose of the Incentive Stock Option Plan (the **"Plan"**) is to promote the profitability and growth of **Polymet Mining Corp.** (the **"Company"**) or a subsidiary thereof by facilitating the efforts of the Company and its subsidiaries to obtain and retain key individuals. The Plan provides an incentive for and encourages ownership of the Company's shares by its key individuals so that they may increase their stake in the Company and benefit from increases in the value of the Company's shares.

1.02 The term "subsidiaries" for the purpose of the Plan will include **Polymet Mining Inc.**, which definition may be varied by the Committee to conform with the changing interests of the Company.

2. Administration

2.01 The Plan will be administered by a committee (the **"Committee"**) of the Company's Board of Directors (the **"Board"**).

2.02 The Committee will be authorized, subject to the provisions of the Plan, to adopt such rules and regulations as it deems consistent with the Plan's provisions and, in its sole discretion, to designate options (**"Options"**) to purchase shares of the Company pursuant to the Plan. The Committee may authorize one or more individuals of the Company to execute, deliver and receive documents on behalf of the Committee.

3. Eligibility

3.01 Each person (an **"Optionee"**) who is a "Consultant", a "Director", an "Employee" or a "Management Company Employee" in relation to the Company (as those terms are defined in Policy 4.4, "Incentive Stock Options", of the TSX Venture Exchange (the **"Exchange"**)) is eligible to be granted one or more Options.

3.02 Nothing in the Plan or in any Option shall confer any right on any individual to continue in the employ of or association with the Company or its subsidiaries or will interfere in any way with the right of the Company or subsidiaries to terminate at any time the employment of a person who is an Optionee.

3.03 The Committee may from time to time at its discretion, subject to the provisions of the Plan, determine those eligible individuals to whom Options will be granted, the number of

Shares subject to such Options, the dates on which such Options are to be granted and the term of such Options.

3.04 The Committee may, at its discretion, with respect to any Option, impose additional terms and conditions which are more restrictive on the Optionee than those provided for in the Plan.

4. General Provisions

4.01 The shares to be optioned under the Plan will be authorized but unissued Common Shares without par value (**"Shares"**) of the Company.

4.02 The aggregate number of Shares for which Options may be granted will not exceed 10% of the issued and outstanding common share capital at the time that an Option is granted, subject to adjustment under Section 11 below.

4.03 Shares subject to but not issued or delivered under an Option which expires or terminates shall again be available for option under the Plan.

4.04 The number of Shares under option to any one individual in any 12-month period shall not exceed 5% of the issued and outstanding common share capital of the Company, as calculated on the date that the Option is granted; however, any one optionee may hold one or more options to acquire more than 5% of the issued share capital of the Company, PROVIDED disinterested shareholder approval is obtained.

4.05 The number of Shares under Option to any one Consultant or any one Consultant Company in any 12 month period shall not exceed 2% of the issued and outstanding common share capital of the Company, as calculated on the date that the Option is granted.

4.06 The number of Shares under Option to Employees conducting Investor Relations Activities (as defined in the applicable policies of the Exchange) in any 12 month period shall not exceed an aggregate of 2% of the issued and outstanding common share capital of the Company, as calculated on the date that the Option is granted.

4.07 The number of Shares under Option to Consultants conducting Investor Relations Activities must vest in stages over a 12 month period, with no more than 25% of the Shares vesting in any three month period. Trading of the aforesaid Shares will be monitored by the Company's Board of Directors.

4.08 Each Option will be evidenced by:

(a) a written agreement between, and executed by, the Company and the individual containing terms and conditions established by the Committee with respect to such Option and which will be consistent with the provisions of the Plan; or

(b) a certificate executed by the Company and delivered to the Optionee setting out the material terms of the Option, with a copy of this Plan attached thereto.

4.09 An Option may not be assigned or transferred. During the lifetime of an Optionee, the Option may be exercised only by the Optionee.

5. Term of Option

5.01 The maximum term of any Option, for so long as the Company is a Tier 1 issuer, will be 10 years

5.03 The Company shall be under no obligation to give an Optionee notice of termination of an Option.

5.04 A change of employment shall not be considered a termination so long as the Optionee continues to be employed by the Company or its subsidiaries, if any.

6. Option Price

6.01 The price per Share at which Shares may be purchased upon the exercise of an Option (the **"Option Price"**) must not be less than the **"Discounted Market Price"** (as defined in the policies of the Exchange, provided that the Option Price shall not be less that $0.10 per Share).

6.02 The Option Price must be paid in full at the time of exercise of the Option and no Shares will be issued and delivered until full payment is made.

6.03 An Optionee will not be deemed the holder of any Shares subject to his Option until the Shares are delivered to him.

7. Death

7.01 Notwithstanding any other provision of this Plan, if any Optionee shall die holding an Option which has not been fully exercised, his personal representative, heirs or legatees may, at any time within one year after the date of such death (notwithstanding the normal expiry date of the Option under the provisions of Section 5 hereof) exercise the Option with respect to the unexercised balance of the Shares subject to the Option.

8. Changes in Shares

8.01 In the event the authorized common share capital of the Company as constituted on the date that this Plan comes into effect is consolidated into a lesser number of Shares or subdivided into a greater number of Shares, the number of Shares for which Options are outstanding will be decreased or increased proportionately as the case may be and the Option Price will be adjusted accordingly and the Optionees will have the benefit of any stock dividend declared during the period within which the said Optionee held his Option. Should the Company amalgamate or merge with any other company or companies (the right to do so being hereby expressly reserved) whether by way of arrangement, sale of assets and undertakings or otherwise, then and in each such case the number of shares of the resulting corporation to which an Option relates will be

determined as if the Option had been fully exercised prior to the effective date of the amalgamation or merger and the Option Price will be correspondingly increased or decreased, as applicable.

9. Cancellation of Options

9.01 The Committee may, with the consent of the Optionee, cancel an existing Option, in accordance with the policies of the Exchange.

10. Amendment or Discontinuance

10.01 The Board may alter, suspend or discontinue the Plan, but may not, without the approval of the shareholders of the Company, make any alteration which would:

(a) increase the aggregate number of Shares subject to Option under the Plan except as provided in Section 8; or

(b) decrease the Option Price except as provided in Section 8. Notwithstanding the foregoing, the terms of an existing Option may not be altered, suspended or discontinued without the consent in writing of the Optionee.

11. Disinterested Shareholder Approval

11.01 The approval of the disinterested shareholders of the Company must be obtained for the reduction in the exercise price per share of options previously granted to Insiders.

12. Interpretation

12.01 The Plan will be construed according to the laws of the Province of British Columbia.

13. Liability

13.01 No member of the Committee or any director, officer or employee of the Company will be personally liable for any act taken or omitted in good faith in connection with the Plan.

14. Hold Period

14.01 A four-month hold period on all stock options is imposed by the Exchange from the date of grant.

14.02 No hold period will be imposed by the Exchange if the exercise price of the options is not less than the Market Price (as defined in the policies of the Exchange).

SHAREHOLDER RIGHTS PLAN AGREEMENT

POLYMET MINING CORP.

(the "Corporation")

AND

PACIFIC CORPORATE TRUST COMPANY

(the "Rights Agent")

December 4, 2003

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SHAREHOLDER RIGHTS PLAN AGREEMENT

THIS SHAREHOLDER RIGHTS PLAN AGREEMENT made as of December 4, 2003.

BETWEEN:

POLYMET MINING CORP., a corporation incorporated pursuant to the laws of British Columbia and having its registered office at 1040-999 West Hastings Street, Vancouver, B.C. V6C 2W2

(the **"Corporation"**)

OF THE FIRST PART

AND:

PACIFIC CORPORATE TRUST COMPANY, a trust company under the laws of British Columbia and having an office at 10th Floor, 625 Howe Street, Vancouver, B.C., V6C 3B8

(the **"Rights Agent"**)

OF THE SECOND PART

WHEREAS:

A. The Board of Directors of the Corporation have determined that it is in the best interests of the Corporation to adopt a shareholder rights plan to ensure, to the extent possible, that all shareholders of the Corporation are treated fairly in connection with any take-over bid for the Corporation.

B. In order to implement the adoption of a shareholder rights plan as established by this Agreement the Board of Directors of the Corporation has:

(1) authorized the issuance, effective at 12:01 a.m. (Vancouver time) on the Effective Date, of one Right in respect of each Common Share outstanding as of 12:01 a.m. (Vancouver time) on the Effective Date (the **"Record Time"**); and

(2) authorized the issue of one Right in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time.

C. Each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set forth in this Agreement.

D. The Corporation wishes to appoint the Rights Agent to act on behalf of the Corporation and the holders of Rights, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates, the exercise of Rights and other matters referred to in this Agreement.

E. The Board of Directors of the Corporation proposes that this Agreement be in place for a period of ten years.

NOW THEREFORE, in consideration of the premises and respective agreements set forth herein, the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions:

In this Agreement, the following words and terms will, unless the context otherwise requires, have the following meanings:

(a) **"Acquiring Person"** means any Person who is or becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares, provided that the term "Acquiring Person" will not include:

(i) the Corporation or any Subsidiary of the Corporation;

(ii) any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or any combination of:

(A) a Voting Share Reduction;

(B) Permitted Bid Acquisitions;

(C) an Exempt Acquisition; or

(D) a Pro Rata Acquisition,

provided that if a Person becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares by reason of one or any combination of a Voting Share Reduction, Permitted Bid Acquisitions, an Exempt Acquisition or a Pro Rata Acquisition and thereafter such Person becomes the Beneficial Owner of any additional Voting Shares (other than pursuant to a Voting Share Reduction, Permitted Bid Acquisitions, an Exempt Acquisition or a Pro Rata Acquisition), then as of the date that such Person becomes the Beneficial Owner of such additional Voting Shares, such Person will become an "Acquiring Person";

(iii) for a period of ten days after the Disqualification Date (as defined below), any person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of such Person becoming disqualified from relying on Section 1.1(f)(viii) solely because such Person or the Beneficial Owner of such Voting Shares has participated in, proposes or intends to make or is participating in a Take-Over Bid or any plan or proposal relating thereto or resulting therefrom, either alone or by acting jointly or in concert with any other Person. For the purposes of this definition, "Disqualification Date" means the first date of public announcement of facts indicating that any Person has participated in, has made, proposes or intends to make or is participating in a Take-Over Bid or any plans or proposals relating thereto or resulting therefrom, including, without limitation, a report filed pursuant to Section 111 of the Securities Act (British Columbia), Section 101 of the Securities Act (Ontario), or Section 176 of the Securities Act (Alberta);

(iv) an underwriter or member of a banking or selling group that becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares in connection with a bona fide distribution to the public of securities pursuant to an underwriting agreement with the Corporation; or

(v) a Grandfathered Person, provided that this exception will not be, and will cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person, after the Record Time, becomes the Beneficial Owner of any additional Voting Shares that increases its Beneficial Ownership of Voting Shares by more than 5% of the number of Voting Shares outstanding from time to time, other than through a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Pro Rata Acquisition or through the exercise of existing rights to acquire additional Voting Shares from the Corporation where such rights were owned by the Grandfathered Person at the Record Time.

(b) "**Affiliate**" means, when used to indicate a relationship with a specified Person, a Person that, directly, or indirectly through one or more intermediaries or otherwise, controls, or is controlled by, or is under common control with, such specified Person.

(c) "**Agreement**" means this shareholder rights plan agreement dated as of December 4, 2003 between the Corporation and the Rights Agent, as amended, modified or supplemented from time to time.

(d) "**annual cash dividend**" means cash dividends paid at regular intervals in any financial year of the Corporation to the extent that such cash dividends do not exceed, in the aggregate, the greatest of:

(i) 200% of the aggregate amount of cash dividends declared payable by the Corporation on its Common Shares in its immediately preceding financial year;

(ii) 300% of the arithmetic average of the aggregate amount of cash dividends declared payable by the Corporation on its Common Shares in its three immediately preceding financial years; and

(iii) 100% of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding financial year.

(e) "**Associate**" means, when used to indicate a relationship with a specified Person:

(i) a corporation of which that Person owns, at law or in equity, shares or securities currently convertible into shares carrying more than 10% of the Voting Rights exercisable with respect to the election of directors under all circumstances or by reason of the occurrence of an event that has occurred and is continuing, or a currently exercisable option or right to purchase such shares or such convertible securities and with whom that Person is acting jointly or in concert;

(ii) a partner of that Person acting on behalf of the partnership of which they are partners;

(iii) a trust or estate in which that Person has a beneficial interest and with whom that Person is acting jointly or in concert or in which that Person has a beneficial interest of 50% or more or in respect of which that Person serves as a trustee or in a similar capacity provided, however, that a Person shall not be an associate of a trust by reason only of the fact that such Person serves as a trustee or any similar capacity in relation to such trust if such Person is duly licensed to carry on the business of a trust company under the laws of Canada or any province thereof or if the ordinary business of such Person includes the management of investment funds for unaffiliated investors and such Person acts as trustee or in a similar capacity in relation to such trust in the ordinary course of such business; and

(iv) a spouse of that Person, any person of the same or opposite sex with whom that person is living in a conjugal relationship outside marriage, a child of that Person or a relative of that Person if that relative has the same residence as that Person.

(f) "**Beneficial Owner**": a Person shall be deemed the "Beneficial Owner", and to have "Beneficial Ownership" of, and to "Beneficially Own":

(i) any securities as to which such Person or any of such Person's Affiliates is the direct or indirect owner at law or in equity and for the purposes of this Clause 1.1(f)(i), but without limiting the generality of the foregoing, a Person shall be deemed to be an owner at law or in equity of all securities:

(A) owned by a partnership of which the Person is a partner;

(B) owned by a trust in which the Person has a beneficial interest and which is acting jointly or in concert with that Person or in which the Person has a beneficial interest of 50% or more;

(C) owned jointly or in common with others; and

(D) of which the Person may be deemed to be the beneficial owner (whether or not of record) pursuant to the provisions of the Company Act (British Columbia), or the Securities Act (British Columbia), the Securities Act (Ontario), the Securities Act (Alberta), or pursuant to Rule 13d-3 or 13d-5 under the Exchange Act of 1934 (or pursuant to any comparable or successor laws, regulations or rules enacted in relation to the provisions of the Company Act (British Columbia), the Securities Act (British Columbia), the Securities Act (Ontario), the Securities Act (Alberta) or pursuant to Rule 13d-3 or 13d-5 as in effect on the date of this Agreement);

(ii) any securities as to which such Person or any of such Person's Affiliates or Associates has, directly or indirectly:

(A) the right to acquire (whether such right is exercisable immediately or after the lapse or passage of time and whether or not on condition or the happening of any contingency or otherwise) pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing (other than (x) customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a bona fide public offering of securities; (y) pledges of securities in the ordinary course of business that meet all the conditions specified in Rule 13d-3(d)(3) under the Exchange Act of 1934 (except for the condition in Rule 13d-3(d)(3)(ii)); and (z) pledge agreements with a registered securities dealer relating to the extension of credit for purchases of securities on margin in the ordinary course of the dealer's business), or upon the exercise of any conversion right, exchange right, share purchase right (other than the Rights), warrant or option, or otherwise; or

(B) the right to vote such securities (whether such right is exercisable immediately or after the lapse or passage of time and whether or not on condition or the happening of any contingency or otherwise) pursuant to any agreement, arrangement, pledge (other than (x) pledges of securities in the ordinary course of business that meet all the conditions specified in Rule 13d-3(d)(3) under the Exchange Act of 1934 (except for the condition in Rule 13d-3(d)(3)(ii)); and (y) pledge agreements with a registered securities dealer relating to the extension of credit for purchases of securities on margin in the ordinary course of the dealer's business) or understanding (whether or not in writing) or otherwise;

(iii) any securities which are Beneficially Owned within the meaning of Clauses 1.1(f)(i) or (ii) by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding, whether or not in writing (other than (x) customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a bona fide public offering of securities, (y) pledges of securities in the ordinary course of business that meet all the conditions specified in Rule 13d-3(d)(3) under the Exchange Act of 1934 (except for the condition in Rule 13d-3(d)(3)(ii)) and (z) pledge agreements with a registered securities dealer relating to the extension of credit for purchases of securities on margin in the ordinary course of the dealer's business) with respect to or for the purpose of acting jointly or in concert in acquiring, holding, voting or disposing of any Voting Shares of any class; and

(iv) any securities which are directly or indirectly owned at law or in equity by an Associate of such Person;

provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to have "Beneficial Ownership" of, or to "Beneficially Own", any security:

(v) where such security has been deposited or tendered pursuant to any Take-Over Bid made by such Person, made by any of such Person's Affiliates or Associates or made by any other Person referred to in Clause 1.1(f)(iii), until such deposited or tendered security has been taken up or paid for, whichever shall first occur;

(vi) where such Person, any of such Person's Affiliates or Associates or any other Person referred to in Clause 1.1(f)(iii), has or shares the power to vote or direct the voting of such security pursuant to a revocable proxy given in response to a public proxy solicitation or where such Person has an agreement, arrangement or understanding with respect to a shareholder proposal or proposals or a matter or matters to come before a meeting of shareholders, including the election of directors;

(vii) where such Person, any of such Person's Affiliates or Associates or any other Person referred to in Clause 1.1(f)(iii), has or shares the power to vote or direct the voting of such security in connection with or in order to participate in a public proxy solicitation or where such Person has an agreement, arrangement or understanding with respect to a shareholder proposal or proposals or a matter or matters to come before a meeting of shareholders, including the election of directors;

(viii) where such Person, any of such Person's Affiliates or Associates or any other Person referred to in Clause 1.1(f)(iii), holds or exercises voting or dispositive power over such security provided that:

A. the ordinary business of any such Person (the **"Investment Manager"**) includes the management of investment funds for others (which others, for greater certainty, may include or be limited to one or more employee benefit plans or pension plans) and such voting or dispositive power over such security is held by the Investment Manager in the ordinary course of such business in the performance of such Investment Manager's duties for the account of another Person (a **"Client"**);

B. such Person (the **"Trust Company"**) is licensed to carry on the business of a trust company under the laws of Canada or any province thereof and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons (each an **"Estate Account"**) or in relation to other accounts (each an **"Other Account"**) and holds such voting or dispositive power over such security in the ordinary course of such duties for the estate of any such deceased or incompetent Person or for such other accounts;

C. such Person is established by statute for purposes that include, and a substantial portion of the ordinary business or activity of such Person (the **"Statutory Body"**) is, the management of investment funds for employee benefit plans, pension plans, insurance plans or various public bodies; or

D. such Person (the **"Administrator"**) is the administrator or trustee of one or more pension funds or plans registered under the laws of Canada or any Province thereof or the laws of the United States of America or any State thereof;

provided, in any of the above cases, that the Investment Manager, the Trust Company, the Statutory Body or the Administrator, as the case may be, is not then making or proposing to make a Take-Over Bid, other than an Offer to Acquire Voting Shares or other securities by means of a distribution by the Corporation or by means of ordinary market transactions (including prearranged trades) executed through the facilities of a stock exchange or organized over-the-counter market, alone or by acting jointly or in concert with any other Person; or

(ix) where such Person is a Client of the same Investment Manager as another Person on whose account the Investment Manager holds or exercises voting or dispositive power over such security, or by reason of such Person being an Estate Account or an Other Account of the same Trust Company as another Person on whose account the Trust Company holds or exercises voting or dispositive power over such security.

(g) "**Board of Directors**" means the board of directors from time to time of the Corporation or any duly constituted and empowered committee thereof.

(h) **"Business Day"** means any day other than a Saturday, Sunday or a day on which banking institutions in Vancouver are authorized or obligated by law to close.

(i) **"Canadian Dollar Equivalent"** means, for any amount which is expressed in United States dollars on any date, the Canadian dollar equivalent of such amount determined by reference to the U.S.-Canadian Exchange Rate on such date.

(j) **"Canadian-U.S. Exchange Rate"** means, on any date, the inverse of the U.S.-Canadian Exchange Rate.

(k) **"close of business"** means, on any given date, the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the principal transfer office in Vancouver, British Columbia of the transfer agent for the Common Shares of the Corporation (or, after the Separation Time, the principal transfer office in Vancouver of the Rights Agent) closes to the public.

(l) **"Common Shares"** means the common shares without par value in the capital of the Corporation as presently constituted, as such shares may be subdivided, consolidated, reclassified or otherwise changed from time to time.

(m) **"Company Act"** means the Company Act (British Columbia) and the regulations thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.

(n) **"Competing Permitted Bid"** means a Take-Over Bid made while a Permitted Bid is in existence and that satisfies all of the provisions of a Permitted Bid except that the condition set forth in Section 1.1(am)(ii) may provide that the Voting Shares that are the subject of the Take-Over Bid may be taken up or paid for on a date which is not earlier than the later of 21 days after the date of the Take-Over Bid or the earliest date on which Voting Shares may be taken up or paid for under any other Permitted Bid that is in existence for the Voting Shares.

(o) **"controlled":** a corporation shall be deemed to be "controlled" by another Person or two or more Persons if:

(i) securities entitled to vote in the election of directors carrying more than 50% of the votes for the election of directors are held, directly or indirectly, by or for the benefit of the other Person or Persons; and

(ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the Board of Directors of such corporation.

(p) **"Co-Rights Agents"** means a Co-Rights Agent appointed pursuant to Subsection 4.1(a).

(q) **"Corporation"** means Polymet Mining Corp.

(r) **"Disposition Date"** has the meaning ascribed thereto in Subsection 5.1(h).

(s) **"Dividend Reinvestment Acquisition"** shall mean an acquisition of Voting Shares pursuant to a Dividend Reinvestment Plan.

(t) **"Dividend Reinvestment Plan"** means a regular dividend reinvestment or other plan of the Corporation made available by the Corporation to holders of its securities where such plan permits the holder to direct that some or all of:

(i) dividends paid in respect of Common Shares;

(ii) proceeds of redemption of shares of the Corporation;

(iii) interest paid on evidence of indebtedness of the Corporation; or

(iv) optional cash payments;

be applied to the purchase from the Corporation of Common Shares.

(u) **"Effective Date"** means December 4, 2003.

(v) **"Election to Exercise"** means an election to exercise Rights substantially in the form attached to the Rights Certificate.

(w) **"Exchange Act of 1934"** means the Securities Exchange Act of 1934 (United States of America), as amended, and the rules and regulations thereunder, as now in effect or as the same may from time to time be amended, re-enacted or repealed.

(x) **"Exempt Acquisition"** means a share acquisition in respect of which the Board of Directors has waived the application of Section 3.1 pursuant to the provisions of Sections 5.1(a) or (h).

(y) **"Exercise Price"** means, as of any date, the price at which a holder of a Right may purchase the securities issuable upon exercise of one whole Right which, until adjusted in accordance with the terms hereof, will be $50.

(z) **"Expansion Factor"** shall have the meaning ascribed thereto in Section 2.3(a)(1).

(aa) **"Expiration Time"** means the close of business on that date which is the earlier of the date of termination of this Agreement pursuant to Section 5.16 or, if this Agreement is confirmed pursuant to Section 5.16, the close of business on the tenth anniversary of the Effective Date.

(ab) **"Feasibility Study"** has the meaning set out in Section 1.2 of National Instrument 43-101.

(ac) **"Flip-in Event"** means a transaction or event in or pursuant to which a Person becomes an Acquiring Person.

(ad) **"Grandfathered Person"** means a Person who is the Beneficial Owner of 20% or more of the outstanding Voting Shares of the Corporation determined as at the Record Time.

(ae) **"holder"** shall have the meaning ascribed thereto in Section 2.8.

(af) **"Independent Shareholders"** means holders of outstanding Voting Shares, other than:

(i) any Acquiring Person;

(ii) any Offeror;

(iii) any Affiliate or Associate of any Acquiring Person or Offeror;

(iv) any Person acting jointly or in concert with any Acquiring Person or Offeror, or with any Affiliate or Associate of any Acquiring Person or Offeror; and

(v) any employee benefit plan, deferred profit-sharing plan, stock participation plan and any other similar plan or trust for the benefit of employees of the Corporation unless the beneficiaries of the plan or trust direct the manner in which the Voting Shares are to be voted or direct whether the Voting Shares are to be tendered to a Take-Over Bid.

(ag) "**Market Price**" per share of any securities on any date means the average daily Closing Price per Share of such securities on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date provided, however, that if an event of a type analogous to any of the events described in Section 2.3 hereof shall have caused the closing prices used to determine the Market Price on any Trading Day not to be fully comparable with the closing price on such date (or, if such date is not a Trading Day, on the immediately preceding Trading Day), each such closing price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in order to make it fully comparable with the closing price on such date or, if such date is not a Trading Day, on the immediately preceding Trading Day. The closing price per share (**"Closing Price per Share"**) of any securities on any date shall be:

(i) the closing board lot sale price or, in case no sale takes place on such date, the average of the closing bid and asked prices per security, as reported by the principal Canadian stock exchange (as determined by the Board of Directors) on which such securities are listed and posted for trading;

(ii) if for any reason none of such prices is available on such day or the securities are not listed or posted for trading on a Canadian stock exchange, the last sale price or, in case no such sale takes place on such date, the average of the closing bid and asked prices for each of such securities as reported by the principal United Stated securities exchange (as determined by the Board of Directors) on which such securities are listed or remitted to trading;

(iii) if for any reason none of such prices is available on such date or the securities are not listed or remitted to trading on a Canadian stock exchange or a United States securities exchange, the last sale price or, in case no sale takes place on such date, the average of the high bid and low ask prices for each of such securities in the over the counter market, as quoted by any reporting system then in use (as determined by the Board of Directors); or

(iv) if for any reason none of such prices is available on such date or the securities are not listed or remitted to trading on a Canadian stock exchange or a United States securities exchange or quoted by any such reporting system, the average of the closing bid and ask prices as furnished by a professional marketmaker making a market in the securities selected by the Board of Directors;

provided, however, that if for any reason none of such prices is available on such day, the Closing Price per Share of such securities on such a date means the fair value per share of such securities on such date as determined by the Board of Directors, after consultation with a nationally recognized investment dealer or investment banker with respect to the fair value per share of such securities. The market price shall be expressed in Canadian dollars and, if initially determined in respect of any date following part of the 20 consecutive trading day period in question in United States dollars, such amount shall be translated into Canadian dollars at such date at the Canadian dollar equivalent thereof.

Notwithstanding the foregoing, where the Board of Directors is satisfied that the Market Price of securities as determined herein was affected by an anticipated or actual Take-Over Bid or by improper manipulation, the Board of Directors may, acting in good faith, determine the Market Price of securities, such determination to be based on a finding as to the price at which a holder of securities of that class could reasonably have expected to dispose of his securities immediately prior to the relevant date excluding any change in price reasonably attributable to the anticipated or actual Take-Over Bid or to the improper manipulation.

(ah) **"Nominee"** has the meaning ascribed thereto in Subsection 2.2(c).

(ai) **“Northmet Property”** means those patented mineral claims covering 4,162 acres in the Mesabi Range District, St. Louis County, Minnesota leased by the Corporation, together with the associated improvements and other assets subject to the agreement between the Corporation and Cleveland Cliffs Inc.

(aj) **"Offer to Acquire"** includes:

(i) an offer to purchase or a solicitation of an offer to sell Voting Shares; and

(ii) an acceptance of an offer to sell Voting Shares, whether or not such offer to sell has been solicited;

or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell.

(ak) **"Offeror"** means a Person who has announced an intention to make, or who has made, a Take-Over Bid.

(al) **"Offeror's Securities"** means the aggregate of all Voting Shares Beneficially Owned by the Offeror on the date of an Offer to Acquire.

(am) **"Permitted Bid"** means a Take-Over Bid made by an Offeror by way of a takeover bid circular which also complies with the following additional provisions:

(i) the Take-Over Bid is made for all outstanding Voting Shares and to all holders of Voting Shares as registered on the books of the Corporation, other than the Offeror. The Take-Over Bid shall expressly state that Common Shares issued on the exercise of share purchase warrants, options and other securities convertible into Common Shares shall, subject to compliance with the procedures applicable generally to the tendering of Voting Shares of the Take-Over Bid, be eligible to be tendered under the Take-Over Bid;

(ii) the Take-Over Bid contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Voting Shares will be taken up or paid for pursuant to the Take-Over Bid prior to the close of business on the Permitted Bid Expiry Date and only if at such date more than 50% of the Voting Shares held by Independent Shareholders shall have been deposited or tendered pursuant to the Take-Over Bid and not withdrawn;

(iii) the Take-Over Bid contains an irrevocable and unqualified provision that Voting Shares may be deposited pursuant to such Take-Over Bid at any time during the period of time described in Section 1.1(am)(ii) and that any Voting Shares deposited pursuant to the Take-Over Bid may be withdrawn until taken up and paid for; and

(iv) the Take-Over Bid contains an irrevocable and unqualified provision that in the event that the deposit condition set forth in Section 1.1(am)(ii) is satisfied the Offeror will make a public announcement of that fact and the Take-Over Bid will remain open for deposits and tenders of Voting Shares for not less than ten Business Days from the date of such public announcement.

(an) **"Permitted Bid Acquisition"** means an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid.

(ao) **“Permitted Bid Expiry Date”** means the earliest of the following dates:

(i) 75 days following the date of the Take-Over Bid, upon the earlier to occur of: (A) the completion of a Feasibility Study on the Northmet Property and (B) five years from the Effective Date;

(ii) 35 days following the date of the Take-Over Bid, upon the earlier to occur of (A) seven years from the Effective Date and (B) the date on which the Corporation abandons or sells all of its interest in the Northmet Property.

(ap) **"Person"** includes an individual, body corporate, partnership, syndicate or other form of unincorporated association, a government and its agencies or instrumentalities, any entity or group (as such term is used in Rule 13d-5 under the Exchange Act of 1934 as in effect on the date hereof) whether or not having legal personality and any of the foregoing acting in any derivative, representative or fiduciary capacity.

(aq) **"Pro-Rata Acquisition"** means an acquisition by a Person of Voting Shares pursuant to:

(i) a Dividend Reinvestment Acquisition;

(ii) a stock dividend, stock split or other event in respect of securities of the Corporation pursuant to which such Person becomes a beneficial owner of Voting Shares on the same pro-rata basis as all other holders of securities;

(iii) the exercise by the Person of only those rights to purchase Voting Shares distributed to that Person in the course of a distribution to all holders of securities of the Corporation pursuant to a bona fide rights offering or pursuant to a prospectus; or

(iv) a distribution to the public of Voting Shares, or securities convertible into or exchangeable for Voting Shares (and the conversion or exchange of such convertible or exchangeable securities), made pursuant to a prospectus or by way of a private placement, provided that the Person does not thereby acquire a greater percentage of such Voting Shares, or securities convertible into or exchangeable for Voting Shares, so offered than the Person's percentage of Voting Shares beneficially owned immediately prior to such acquisition.

(ar) **"Record Time"** means 12:01 a.m. (Vancouver time) on December 4, 2003.

(as) **"Redemption Price"** has the meaning ascribed thereto in Section 5.1(b).

(at) **"Right"** means a right to purchase Common Shares on and subject to the terms and conditions of this Agreement.

(au) **"Rights Agent"** means Pacific Corporate Trust Company and any successor rights agent hereunder.

(av) **"Rights Certificate"** means a certificate representing Rights in substantially the form of Schedule A attached hereto.

(aw) **"Rights Register"** shall have the meaning ascribed thereto in Section 2.6(a).

(ax) (i) **"Securities Act (Alberta)"** means the Securities Act, SA, 1981, c.S-61, as amended, and the regulations thereunder;

(ii) **"Securities Act (British Columbia)"** means the Securities Act, RSBC 1996, c.418, as amended, and the Securities Rules thereunder,

(iii) **"Securities Act (Ontario)"** means the Securities Act, R.S.O. 1990, c.s.5, as amended, and the regulations thereunder; and

(ay) **"Separation Time"** means the close of business on the tenth Business Day after the earlier of:

(i) the Share Acquisition Date; and

(ii) the date of the commencement of or first public announcement of the intent of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence a Take-Over Bid (other than a Permitted Bid or a Competing Permitted Bid), or such earlier or later time as may be determined by the Board of Directors, provided that, if any Take-Over Bid referred to in this clause (ii) expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-Over Bid shall be deemed, for the purposes of this definition, never to have been made.

(az) **"Share Acquisition Date"** means the first date of a public announcement or disclosure (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 101 of the Securities Act (Ontario), Section 111 of the Securities Act (British Columbia), and Section 141 of the Securities Act (Alberta)) by the Corporation or an Acquiring Person that a Person has become an Acquiring Person.

(ba) **"Subsidiary":** a corporation shall be deemed to be a subsidiary of another corporation if:

(i) it is controlled by:

(A) that other; or

(B) that other and one or more corporations, each of which is controlled by that other; or

(C) two or more corporations, each of which is controlled by that other; or

(ii) it is a Subsidiary of a corporation that is that other's Subsidiary.

(bb) **"Take-Over Bid"** means an Offer to Acquire Voting Shares, or securities convertible into Voting Shares if, assuming that the Voting Shares or convertible securities subject to the Offer to Acquire are acquired and are Beneficially Owned at the date of such Offer to Acquire by the Person making such Offer to Acquire, such Voting Shares (including Voting Shares that may be acquired upon conversion of securities, convertible into Voting Shares) together with the Offeror's Securities, constitute in the aggregate 20% or more of the outstanding Voting Shares at the date of the Offer to Acquire.

(bc) **"Trading Day"** means, when used with respect to any securities, a day on which the principal Canadian stock exchange on which such securities are listed or posted for trading is open for the transaction of business or, if the securities are not listed or posted for trading on any Canadian stock exchange, a Business Day.

(bd) **"U.S.-Canadian Exchange Rate"** means, on any date:

(i) if on such date the Bank of Canada sets an average noon spot rate of exchange for the conversion of one United States dollar into Canadian dollars, such rate; and

(ii) in any other case, the rate for such date for the conversion of one United States dollar into Canadian dollars calculated in the manner determined by the Board of Directors from time to time.

(be) **"U.S. Dollar Equivalent"** means, for any amount which is expressed in Canadian dollars on any date, the United States dollar equivalent of such amount determined by reference to the Canadian-U.S. Exchange Rate on such date.

(bf) **"Voting Shares"** means the Common Shares and any other shares of the Corporation entitled to vote generally and at all times for the election of directors of the Corporation.

(bg) **"Voting Share Reduction"** means an acquisition or redemption by the Corporation of outstanding Voting Shares which, by reducing the number of Voting Shares outstanding, increases the percentage of Voting Shares Beneficially Owned by a Person to 20% or more of the Voting Shares then outstanding.

1.2 Currency:

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

1.3 Headings and References:

The headings of the articles, sections and subsections of this Agreement and the table of contents are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement. All references to articles, sections, subsections and paragraphs are to articles, sections, subsections and paragraphs of this Agreement. The words "hereto", "herein", "hereof', "hereunder", "this Agreement", "the Rights Agreement" and similar expressions refer to this Agreement including the schedule attached hereto as a whole, as the same may be amended, modified or supplemented at any time or from time to time.

1.4 Calculation of Number and Percentage of Beneficial Ownership of Outstanding Voting Shares:

For purposes of this Agreement, the percentage of Voting Shares of any class Beneficially Owned by any Person, will be and be deemed to be the product (expressed as a percentage) determined by the formula:

100 x A/B

where:

A = the number of votes for the election of all directors generally attaching to the Voting Shares of the particular class Beneficially Owned by such Person; and

B = the number of votes for the election of all directors generally attaching to all outstanding Voting Shares of the particular class.

Where any Person is deemed to Beneficially Own unissued Voting Shares such Voting Shares will be deemed to be outstanding for the purpose of calculating the percentage of Voting Shares of the particular class Beneficially Owned by such Person.

1.5 Acting Jointly or in Concert:

For purposes of this Agreement, whether Persons are acting jointly or in concert is a question of fact in each circumstance, however, a Person shall be deemed to be acting jointly or in concert with another Person if such Person would be deemed to be acting jointly or in concert with such other Person for purposes of Section 91(1) of the Securities Act (Ontario), Section 96(1) of the Securities Act (British Columbia), and Section 131.1(1) of the Securities Act (Alberta) (other than by virtue of the inclusion of the word "associate" in Section 91(1) of the Securities Act (Ontario), Section 96(1) of the Securities Act (British Columbia), and Section 131.1(1) of the Securities Act (Alberta) as it exists on the date hereof). Notwithstanding the foregoing and for greater certainty, the phrase "acting jointly or in concert", wherever used in this Agreement, shall not include conduct:

(a) unrelated to the Corporation; or

(b) pertaining to:

(i) voting or directing the vote of securities of the Corporation pursuant to a revocable proxy given in response to a public proxy solicitation;

(ii) voting or directing the vote of securities of the Corporation in connection with or in order to participate in a public proxy solicitation made or to be made;

(iii) having an agreement, arrangement or understanding with respect to a particular shareholder proposal or a particular matter to come before a meeting of shareholders, including the election of directors.

1.6 Generally Accepted Accounting Principles:

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the recommendations at the relevant time of the Canadian Institute of Chartered Accountants, or any successor institute, applicable on a consolidated basis (unless otherwise specifically provided herein to be applicable on an unconsolidated basis) as of the date on which a calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of an asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

ARTICLE 2
THE RIGHTS

2.1 Legend on Common Share Certificates:

Certificates representing Common Shares which are issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time, will evidence one Right for each Common Share represented thereby and shall have impressed, printed or written thereon or otherwise affixed thereto the following legend:

> "Until the Separation Time (as such term is defined in the Shareholder Rights Agreement referred to below), this certificate also evidences and entitles the holder hereof to certain rights as set forth in the shareholder rights agreement (the "Shareholder Rights Agreement") dated as of December 4, 2003 between Polymet Mining Corp. (the "Corporation") and Pacific Corporate Trust Company, as Rights Agent, the terms of which are hereby incorporated herein by reference and a copy of which is on file and may be inspected during normal business hours at the principal executive office of the Corporation. Under certain circumstances as set forth in the Shareholder Rights Agreement, such Rights may be amended, redeemed or exchanged, may expire, may lapse, may become void (if, in certain circumstances, they are "Beneficially Owned" by a person who is or becomes an "Acquiring Person", as such terms are defined in the Shareholder Rights Agreement, or a transferee thereof) or may be evidenced by separate certificates and may no longer be evidenced by this certificate. The Corporation will mail or arrange for the mailing of a copy of the Shareholder Rights Agreement to the holder of this certificate without charge as soon as practicable after the receipt of a written request therefor."

Certificates representing Common Shares that are issued and outstanding at the Record Time will also evidence one Right for each one Common Share evidenced thereby, notwithstanding the absence of the foregoing legend, until the close of business on the earlier of the Separation Time and the Expiration Time.

2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights:

(a) Exercise Terms: Subject to adjustment as herein set forth, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price. Notwithstanding any other provision of this Agreement, any Rights held by the Corporation or any of its Subsidiaries will be void.

(b) No Exercise Prior to Separation Time: Until the Separation Time:

(i) the Rights will not be exercisable and no Right may be exercised; and

(ii) each Right shall be evidenced by the certificate for the associated Common Share registered in the name of the holder thereof (which certificate shall also be deemed to represent a Rights Certificate) and shall be transferable only together with, and shall be transferred by a transfer of, such associated Common Share.

(c) Exercise After Separation Time: From and after the Separation Time and prior to the Expiration Time:

(i) the Rights are exercisable; and

(ii) the registration and transfer of Rights will be separate from and independent of Common Shares.

Promptly following the Separation Time, the Corporation will prepare and the Rights Agent will mail to each holder of record of Common Shares as of the Separation Time (other than an Acquiring Person and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of such Rights (a **"Nominee"**)), at such holder's address as shown by the records of the Corporation (the Corporation hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):

(iii) a Rights Certificate appropriately completed, representing the number of Rights held by such holder at the Separation Time and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule or regulation or with any rule or regulation of any self-regulatory organization, stock exchange or "system" on which the Rights may from time to time be listed or traded, or to conform to usage; and

(iv) a disclosure statement describing the Rights;

provided that a Nominee shall be sent the materials provided for in (iii) and (iv) in respect of all Common Shares of the Corporation held of record by it which are not Beneficially Owned by an Acquiring Person.

(d) Manner of Exercise: Rights may be exercised, in whole or in part, on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent:

(I) the Rights Certificate evidencing such Right;

(ii) an election to exercise such Rights (an **"Election to Exercise"**) substantially in the form attached to the Rights Certificate appropriately completed and executed by the holder or his executors or administrators or other personal representatives or his or their legal attorney duly appointed by instrument in writing in form and executed in a manner satisfactory to the Rights Agent; and

(iii) payment by certified cheque, banker's draft or money order payable to the order of the Corporation, in a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved and the transfer or delivery of Rights Certificates or the issuance or delivery of certificates of Common Shares in a name other than that of the holder of the Rights being exercised.

(e) Issue of Common Shares: Upon receipt of a Rights Certificate, together with a completed Election to Exercise executed in accordance with Subsection 2.2(d)(ii) which does not indicate that such Right is null and void as provided by Subsection 3.1(b), and payment as set forth in Section 2.2(d)(iii), the Rights Agent (unless otherwise instructed by the Corporation in the event that the Corporation is of the opinion that the Rights cannot be exercised in accordance with this Agreement) will thereupon promptly:

(i) requisition from the transfer agent certificates representing the number of Common Shares to be purchased (the Corporation hereby irrevocably authorizing its transfer agent to comply with all such requisitions);

(ii) when appropriate, requisition from the Corporation the amount of cash to be paid in lieu of issuing fractional Common Shares;

(iii) after receipt of the certificates referred to in Section 2.2(e)(i), deliver the same to or upon the order of the registered holder of such Rights Certificates, registered in such name or names as may be designated by such holder; and

(iv) when appropriate, after receipt, deliver the cash referred to in clause 2.2(e)(ii) to or to the order of the registered holder of such Rights Certificate.

(f) Partial Exercise: In case the holder of any Rights shall exercise less than all of the Rights evidenced by the Rights Certificate of such holder, a new Rights Certificate evidencing the Rights remaining unexercised (subject to the provisions of Subsection 5.5(a)) will be issued by the Rights Agent to such holder or to such holder's authorized assigns.

(g) Covenants: The Corporation covenants and agrees to:

(i) take all such action as may be necessary on its part and within its powers to ensure that all Common Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates evidencing such Common Shares (subject to payment of the Exercise Price), be validly authorized, executed, issued and delivered and be fully paid and non-assessable;

(ii) take all such action as may be necessary and within its power to comply with any applicable requirements of the Company Act, the Securities Act (Ontario), the Securities Act (British Columbia), and the Securities Act (Alberta), and the securities laws or comparable legislation of each of the other provinces and territories of Canada, and any other applicable law, rule or regulation thereof, in connection with the issue and delivery of the Rights Certificates and the issuance of the Common Shares upon exercise of Rights;

(iii) use reasonable efforts to cause all Common Shares issued upon exercise of Rights to be listed upon the stock exchanges upon which the Common Shares were traded immediately prior to the Share Acquisition Date;

(iv) cause to be reserved and kept available out of the authorized and unissued Common Shares, the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights;

(v) pay when due and payable, if applicable, any and all federal, provincial and municipal transfer taxes and charges (not including any income or capital taxes of the holder or exercising holder or any liability of the Corporation to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates, or certificates for the Common Shares to be issued upon exercise of any Rights, provided that the Corporation shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being transferred or exercised; and

(vi) after the Separation Time, except as permitted by Section 5.1, not take (or permit any subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(h) Authorized Capital: If the number of Common Shares which are not issued or reserved for issue is insufficient to permit the exercise in full of the Rights in accordance with this Section 2.2, then each Right, when such Right is aggregated with a sufficient number of Rights to acquire a whole number of Common Shares, will entitle the holder thereof, after the Separation Time, to purchase that number of Common Shares at the Exercise Price per Common Share equal to the quotient determined by dividing the difference between the number of authorized Common Shares and the number of Common Shares then issued or allotted or reserved for issuance by the Corporation, by the number of Rights then outstanding.

2.3 Adjustments to Exercise Price; Number of Rights:

The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3.

(a) Share Reorganization: If the Corporation shall at any time after the date of this Agreement:

(i) declare or pay a dividend on Common Shares payable in Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares or other securities of the Corporation) other than pursuant to any optional stock dividend program;

(ii) subdivide or change the then outstanding Common Shares into a greater number of Common Shares;

(iii) consolidate or change the then outstanding Common Shares into a smaller number of Common Shares; or

(iv) issue any Common Shares for other securities exchangeable for or convertible into or giving a right to acquire Common Shares or other securities of the Corporation or in respect of, in lieu of or in exchange for existing Common Shares, except as otherwise provided in this Section 2.3,

the Exercise Price and the number of Rights outstanding, or, if the payment or effective date therefor shall occur after the Separation Time, the securities purchasable upon exercise of Rights shall be adjusted as of the payment or effective date in the manner set forth below.

If the Exercise Price and number of Rights outstanding are to be adjusted:

(1) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (or other capital stock) (the **"Expansion Factor"**) that a holder of one Common Share immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result thereof; and

(2) each Right held prior to such adjustment will become that number of Rights as results from the application of the Expansion Factor,

and the adjusted number of Rights will be deemed to be distributed among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the shares issued in respect of such dividend, subdivision, change, consolidation or issuance, so that each such Common Share (or other capital stock) will have exactly one Right associated with it in effect following the payment or effective date of the event referred to in Clause 2.3(a)(i), (ii), (iii) or (iv), as the case may be.

For greater certainty, if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable upon exercise of one Right immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result of such dividend, subdivision, change, consolidation or issuance.

If, after the Record Time and prior to the Expiration Time, the Corporation shall issue any shares of capital stock other than Common Shares in a transaction of a type described in Clause 2.3(a)(i) or (iv), shares of such capital stock shall be treated herein as nearly equivalent to Common Shares as may be practicable and appropriate under the circumstances and the Corporation and the Rights Agent agree to amend this Agreement in order to effect such treatment.

In the event the Corporation shall at any time after the Record Time and prior to the Separation Time issue any Common Shares otherwise than in a transaction referred to in this Subsection 2.3(a), each such Common Share so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such associated Common Share.

(b) Rights Offering: If the Corporation shall at any time after the Record Time and prior to the Separation Time fix a record date for the issuance of rights, options or warrants to all holders of Common Shares entitling them (for a period expiring within 21 calendar days after such record date) to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for or carrying a right to purchase Common Shares) at a price per Common Share (or, if a security convertible into or exchangeable for or carrying a right to purchase or subscribe for Common Shares, having a conversion, exchange or exercise price, including the price required to be paid to purchase such convertible or exchangeable security or right per share) less than the Market Price per Common Share on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:

(i) the numerator of which shall be the number of Common Shares outstanding on such record date, plus the number of Common Shares that the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the convertible or exchangeable securities or rights so to be offered, including the price required to be paid to purchase such convertible or exchangeable securities or rights) would purchase at such Market Price per Common Share; and

(ii) the denominator of which shall be the number of Common Shares outstanding on such record date, plus the number of additional Common Shares to be offered for subscription or purchase (or into which the convertible or exchangeable securities or rights so to be offered are initially convertible, exchangeable or exercisable).

In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, or if issued, are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed, or to the Exercise Price which would be in effect based upon the number of Common Shares (or securities convertible into, or exchangeable or exercisable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

For purposes of this Agreement, the granting of the right to purchase Common Shares (whether from treasury or otherwise) pursuant to the Dividend Reinvestment Plan or any employee benefit stock option or similar plans shall be deemed not to constitute an issue of rights, options or warrants by the Corporation; provided, however, that, in all such cases, the right to purchase Common Shares is at a price per share of not less than 95% of the current market price per share (determined as provided in such plans) of the Common Shares.

(c) Special Distribution: If the Corporation shall at any time after the Record Time and prior to the Separation Time fix a record date for the making of a distribution to all holders of Common Shares (including any such distribution made in connection with a merger or amalgamation) of evidences of indebtedness, cash (other than an annual cash dividend or a dividend paid in Common Shares, but including any dividend payable in securities other than Common Shares), assets or rights, options or warrants (excluding those referred to in Subsection 2.3(b)), the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:

(i) the numerator of which shall be the Market Price per Common Share on such record date, less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights), on a per share basis, of the portion of the cash, assets, evidences of indebtedness, rights, options or warrants so to be distributed; and

(ii) the denominator of which shall be such Market Price per Common Share.

Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such a distribution is not so made, the Exercise Price shall be adjusted to be the Exercise Price which would have been in effect if such record date had not been fixed.

(d) Minimum Adjustments: Notwithstanding anything herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least one per cent in the Exercise Price; provided, however, that any adjustments which by reason of this Subsection 2.3(d) are not required to be made shall be carried forward and taken into account in many subsequent adjustment. All calculations under Section 2.3 shall be made to the nearest cent or to the nearest tenthousandth of a share. Notwithstanding the first sentence of this Subsection 2.3(d), any adjustment required by Section 2.3 shall be made no later than the earlier of:

(i) three years from the date of the transaction which gives rise to such adjustment; or

(ii) the Expiration Date.

(e) Discretionary Adjustment: If the Corporation shall at any time after the Record Time and prior to the Separation Time issue any shares of capital stock (other than Common Shares), or rights, options or warrants to subscribe for or purchase any such capital stock, or securities convertible into or exchangeable for any such capital stock, in a transaction referred to in Clause 2.3(a)(i) or (iv), if the Board of Directors acting in good faith determines that the adjustments contemplated by Subsections 2.3(a), (b) and (c) in connection with such transaction will not appropriately protect the interests of the holders of Rights, the Board of Directors may determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Subsections 2.3(a), (b)and (c), such adjustments, rather than the adjustments contemplated by Subsections 2.3 (a), (b)and (c), shall be made. The Corporation and the Rights Agent shall have authority without the approval of the holders of the Common Shares or the holders of Rights to amend this Agreement as appropriate to provide for such adjustments.

(f) Benefit of Adjustments: Each Right originally issued by the Corporation subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of a Right immediately prior to such issue, all subject to further adjustment as provided herein.

(g) No Change of Certificates: Irrespective of any adjustment or change in the Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Exercise Price per Common Share and the number of Common Shares which were expressed in the initial Rights Certificates issued hereunder.

(h) Timing of Issuance: In any case in which this Section 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment;

(i) Adjustments Regarding Tax: Notwithstanding anything contained in this Section 2.3 to the contrary, the Corporation shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in their good faith judgment the Board of Directors shall determine to be advisable, in order that any:

(i) consolidation or subdivision of Common Shares;

(ii) issuance (wholly or in part for cash) of Common Shares or securities that by their terms are convertible into or exchangeable for Common Shares;

(iii) stock dividends; or

(iv) issuance of rights, options or warrants referred to in this Section 2.3,

hereafter made by the Corporation to holders of its Common Shares, shall not be taxable to such shareholders.

2.4 Date on Which Exercise is Effective:

Each Person in whose name any certificate for Common Shares or other securities, if applicable, is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Common Shares or other securities, if applicable, represented thereon, and such certificate shall be dated the date upon which the Rights Certificate evidencing such Rights was duly surrendered in accordance with Subsection 2.2(d) (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the transfer books of the Common Shares of the Corporation are closed, such Person shall be deemed to have become the holder of record of such Common Shares on, and such certificate shall be dated, the next succeeding Business Day on which the transfer books of the Common Shares are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates:

(a) Execution: The Rights Certificates shall be executed on behalf of the Corporation, under its corporate seal reproduced thereon, by any one of its Chairman, President, Chief Executive Officer or a Vice-President or Secretary. The signature of any of these officers on the Rights Certificates may be manual or facsimile.

(b) Valid Signatures: Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the countersignature and delivery of such Rights Certificates.

(c) Delivery: Promptly after the Corporation learns of the Separation Time, the Corporation shall notify the Rights Agent of such Separation Time and shall deliver Rights Certificates executed by the Corporation to the Rights Agent for countersignature, and the Rights Agent shall countersign (manually or by facsimile signature in a manner satisfactory to the Corporation) and send such Rights Certificates to the holders of the Rights pursuant to Subsection 2.2(c) hereof. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent in the manner described above.

(d) Date: Each Rights Certificate shall be dated the date of countersignature thereof.

2.6 Registration, Transfer and Exchange:

(a) Maintaining of Register: The Corporation shall cause to be kept a register (the "Rights Register") in which, subject to such reasonable regulations as it may prescribe, the Corporation shall provide for the registration and transfer of Rights. The Rights Agent is hereby appointed registrar for the Rights ("Rights Registrar") for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as herein provided and the Rights Agent hereby accepts such appointment. If the Rights Agent shall cease to be the Rights Registrar, the Rights Agent shall have the right to examine such register at all reasonable times. After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Subsection 2.6(c) below, the Corporation shall execute, and the Rights Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificate so surrendered.

(b) Effect of Transfer or Exchange: All Rights issued upon any registration of a transfer or exchange of Rights Certificates shall be valid obligations of the Corporation, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.

(c) Transfer or Exchange of Rights: Every Rights Certificate surrendered for registration of transfer or exchange shall have the form of assignment thereon completed and executed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, executed by the holder thereof or the attorney of such holder duly authorized in writing. As a condition to the issue of any new Rights Certificate under this Section 2.6, the Corporation may require the payment of an amount sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and other expenses, including the reasonable fees and expenses of its Rights Agent, connected therewith.

(d) No Transfer or Exchange After Termination: The Corporation shall not be required to register the transfer or exchange of any Rights after the Rights have been terminated under Section 5.1(e) hereof.

2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates:

(a) Mutilation: If there shall be delivered to the Corporation and the Rights Agent prior to the Expiration Time, evidence to their satisfaction of the mutilation or defacing of any Rights Certificate, the Corporation shall execute and the Rights Agent shall countersign and deliver a new Rights Certificate upon surrender and cancellation of the mutilated or defaced Rights Certificate.

(b) Destruction, Loss: If there shall be delivered to the Corporation and the Rights Agent prior to the Expiration Time:

(i) evidence to their satisfaction of the destruction, loss or theft of any Rights Certificate; and

(ii) such security or indemnity as may be required by them to save each of them and their respective agents harmless, then, in the absence of notice to the Corporation or the Rights Agent that such Rights Certificate has been acquired by a bona fide purchaser, the Corporation shall execute and the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.

(c) Taxes: As a condition to the issue of any new Rights Certificate under this Section 2.7, the Corporation may require the payment of an amount sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including the reasonable fees and expenses of the Rights Agent, connected therewith.

(d) Original Obligation: Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any mutilated, destroyed, lost or stolen Rights Certificate shall evidence an original additional contractual obligation of the Corporation, whether or not the mutilated, destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights issued hereunder.

2.8 Persons Deemed Owners:

The Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the person in whose name such Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term "holder" of any Right shall mean the registered holder of such Right (or, prior to the Separation Time of the associated Common Share).

2.9 Delivery and Cancellation of Certificates:

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Corporation may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificates shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9, except as expressly permitted by this Agreement. The Rights Agent shall destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation.

2.10 Agreement of Rights Holders:

Every holder of Rights by accepting the same consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights that:

(a) such holder is bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms hereof, in respect of all Rights held;

(b) prior to the Separation Time, each Right shall be transferable only together with, and shall be transferred by a transfer of, the associated Common Share certificate representing such Right;

(c) after the Separation Time, the Rights Certificates shall be transferable only on the Rights Register as provided herein;

(d) prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the certificate evidencing the associated Common Shares certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the certificate evidencing the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the certificate evidencing the associated Common Shares made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent shall be affected by any notice to the contrary;

(e) such holder has waived all rights to receive any fractional Right or any fractional Common Share or other securities upon exercise of a Right (except as provided herein); and

(f) that, subject to the provisions of Section 5.4, without the approval of any holder of Rights or Voting Shares and upon the sole authority of the Board of Directors, acting in good faith, this Agreement may be supplemented or amended from time to time to cure any ambiguity or to correct or supplement any provision contained herein which may be inconsistent with the intent of this Agreement or is otherwise defective, as provided herein.

2.11 Rights Certificate Holder Not Deemed a Shareholder:

No holder, as such, of any Rights or Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose whatsoever the holder of any Common Share or any other share or security of the Corporation which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed or deemed or confer upon the holder of any Right or Rights Certificate, as such, any right, title, benefit or privilege of a holder of Common Shares or any other shares or securities of the Corporation or any right to vote at any meeting of shareholders of the Corporation whether for the election of directors or otherwise or upon any matter submitted to the holders of Common Shares or any other shares of the Corporation at any meeting thereof, or to give or withhold consent to any action of the Corporation, or to receive notice of any meeting or other action affecting any holder of Common Shares or any other shares of the Corporation except as expressly provided herein, or to receive dividends, distributions or subscription rights, or otherwise, until the Rights or Rights evidenced by the Rights Certificates shall have been duly exercised in accordance with the terms and the provisions hereof.

ARTICLE 3
ADJUSTMENTS TO THE RIGHTS

3.1 Flip-in Event:

(a) Flip-In: Subject to the provisions of Sections 3.1(b), 3.2 and Section 5.1, if prior to the Expiration Time a Flip-in Event shall occur, each Right shall constitute, effective at the close of business on the tenth Trading Day after the Share Acquisition Date, the right to purchase from the Corporation, upon exercise thereof in accordance with the terms hereof, that number of Common Shares as have an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in the event that, after such date of consummation or occurrence, an event of a type analogous to any of the events described in Section 2.3 hereof shall have occurred).

(b) Certain Rights Void: Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time and the Share Acquisition Date by:

(i) an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person); or

(ii) a transferee of Rights, directly or indirectly, of an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person), where such transferee becomes a transferee concurrently with or subsequent to the Acquiring Person becoming such in a transfer that the Board of Directors has determined is part of a plan, arrangement or scheme of an Acquiring Person (or any affiliate or associate of an Acquiring Person or any person acting jointly or in concert with an Acquiring Person or any affiliate or associate of an Acquiring Person), that has the purpose or effect of avoiding Section 3.1(b)(i),

shall become null and void without any further action and any holder of such Rights, including transferees, shall thereafter have no right to exercise such Rights under any provision of this Agreement and further shall thereafter not have any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise.

(c) Compliance with Laws: From and after the Separation Time, the Corporation shall do all acts and things as shall be necessary and within its power to ensure compliance with the provisions of this Section 3.1, including without limitation, all such acts and things that may be required to satisfy the requirements of the Securities Act (British Columbia) and the securities laws or comparable legislation of each of the Provinces of Canada in respect of the issue of Common Shares on the exercise of Rights in accordance with this Agreement.

(d) Legend: Any Rights Certificate that represents Rights Beneficially Owned by a Person described in either Section 3.1(b)(i) or (ii) or transferred to any Nominee of any such Person, and any Rights Certificate issued upon the transfer, exchange or replacement of any other Rights Certificate referred to in this sentence shall contain and be deemed to contain the following legend:

"The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Agreement) or a Person who was acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person. This Rights Certificate and the Rights represented hereby shall become void in the circumstances specified in Subsection 3.1(b) of the Shareholder Rights Agreement."

provided, however, that the Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall be required to impose such legend only if instructed to do so by the Corporation or if a holder fails to certify upon transfer or exchange in the space provided on the Rights Certificate that such holder is not a Person described in such legend.

3.2 Exchange Option:

(a) Optional Exchange: In the event that the Board of Directors acting in good faith shall determine that conditions exist which would eliminate or otherwise materially diminish in any respect the benefits intended to be afforded to the holders of Rights pursuant to this Agreement, the Board of Directors may at its option and without seeking the approval of holders of Common Shares or Rights at any time after a Flip-in Event has occurred, authorize the Corporation to issue and deliver in respect of each Right which is not void pursuant to Section 3.1(b) either:

(i) in return for the Exercise Price and Right, cash, debt, equity or other securities or other property or assets (or a combination thereof) having a value equal to twice the Exercise Price; or

(ii) in return for the Right and without further charge, subject to any amounts that may be required to be paid under applicable law, cash, debt, equity or other securities or other property or assets (or a combination thereof), having a value equal to the Exercise Price;

in full and final settlement of all rights attaching to the Rights; provided that the value of any such debt, equity or other securities or other property or assets shall be determined by the Board of Directors who may rely for that purpose on the advice of a nationally recognized Canadian firm of investment dealers or investment bankers selected by the Board of Directors. To the extent that the Board of Directors determines in good faith that any action need be taken pursuant to this Section 3.2, the Board of Directors may suspend the exercisability of the Rights for a period up to 60 days following the date of the occurrence of the relevant Flip-in Event in order to determine the appropriate form and value of cash, debt, equity or other securities or other property or assets (or a combination thereof) to be issued or delivered on such exchange for Rights. In the event of any such suspension, the Corporation shall notify the Rights Agent and issue as promptly as practicable a public announcement stating that the exercisability of the Rights has been temporarily suspended.

(b) Termination of Right to Exercise: If the Board of Directors authorizes and directs the exchange of cash, debt, equity or other securities or other property or assets (or a combination thereof) for Rights pursuant to Subsection 3.2(a) hereof, then without any further action or notice the right to exercise the Rights will terminate and the only right thereafter of a holder of Rights shall be to receive such cash, debt, equity or other securities or other property or assets (or a combination thereof) in accordance with the determination of the Board of Directors made pursuant to Section 3.2(a). Within 10 Business Days of the Board of Directors authorizing and directing any such exchange, the Corporation shall give notice of such exchange to the holders of such Rights in accordance with Section 5.9. Each such notice of exchange shall state the method by which the exchange of cash, debt, equity or other securities or other property or assets (or a combination thereof) for Rights will be effected.

(c) Additional Securities: If there shall not be sufficient securities authorized but unissued to permit the exchange in full of Rights pursuant to this Section 3.2, the Corporation will take all such action as may be necessary to authorize additional securities for issuance upon the exchange of Rights provided however, that the Corporation shall not be required to issue fractions of securities or to distribute certificates evidencing fractional securities. In lieu of issuing such fractional securities, subject to Section 5.5(b), there shall be paid to the registered holders of Rights to whom such fractional securities would otherwise be issuable, an amount in cash equal to the same fraction of the market price of a whole such security.

ARTICLE 4
THE RIGHTS AGENT

4.1 General:

(a) Appointment of Rights Agent: The Corporation hereby appoints the Rights Agent to act as agent for the Corporation and the holders of Rights in accordance with the terms and conditions hereof and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint one or more Co-Rights Agents as it may deem necessary or desirable. In such event, the respective duties of the Rights Agent and any Co-Rights Agent shall be as the Corporation may determine. The Corporation agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Corporation also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability or expense, incurred without negligence, bad faith or wilful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and performance of this Agreement, including the costs and expenses of defending against any claim of liability, which right to indemnification shall survive the termination of this Agreement.

(b) Protection of Rights Agent: The Rights Agent shall be protected from, and shall incur no liability for or in respect of, any action taken, suffered or omitted by it in connection with its performance of this Agreement in reliance upon any certificate for Common Shares, or any Rights Certificate, certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

4.2 Merger or Amalgamation or Change of Name of Rights Agent:

(a) Merger: Any corporation into which the Rights Agent or any successor Rights Agent may be merged or amalgamated with or into, or any corporation succeeding to the shareholder services business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned, and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent, and in all such cases such Rights Certificates shall have the full force and effect provided in the Rights Certificates and in this Agreement.

(b) Chance of Name: In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned, and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

4.3 Duties of Rights Agent:

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Corporation and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) Legal Counsel: The Rights Agent may consult with legal counsel (who may be legal counsel for the Corporation), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted to be taken by it in good faith and in accordance with such opinion.

(b) Satisfactory Proof: Whenever in the performance of its duties under this Agreement the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action or omitting to take any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a person believed by the Rights Agent to be the Chairman, the President, the Chief Executive Officer or any Vice-President and by the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Corporation and delivered to the Rights Agent and such certificate shall be full authorization to the Rights Agent for any action taken, omitted or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) Bad Faith: The Rights Agent shall be liable hereunder only for its own negligence, bad faith or wilful misconduct.

(d) Recitals: The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates representing Common Shares or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made only by the Corporation.

(e) No Responsibility: The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any certificate representing Common Shares or Rights Certificate (except its countersignature thereof), nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate, any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 2.11 or Subsection 3.2(b) hereof) or any adjustment required under the provisions of Section 2.3 hereof or for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 hereof describing any such adjustment) nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Shares shall, when issued, be duly and validly authorized, executed, issued and delivered and be fully paid and non-assessable.

(f) Performance By Corporation: The Corporation agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) Persons To Give Instructions: The Rights Agent is hereby authorized to rely upon and directed to accept instructions with respect to the performance of its duties hereunder from any person believed by the Rights Agent to be the Chairman, the President, the Chief Executive Officer, any Vice-President, the Secretary, any Assistant Secretary, the Chief Financial Officer, the Treasurer or any Assistant Treasurer of the Corporation and to apply to such persons for advice or instructions in connection with its duties, and it shall not be liable for any action taken, omitted or suffered by it in good faith in accordance with the instructions of any such person.

(h) Ability To Deal: The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity.

(i) No Liability: The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, omission, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

4.4 Change of Rights Agent:

The Rights Agent may resign and be discharged from its duties under this Agreement upon 90 days' notice (or such lesser notice as is acceptable to the Corporation) in writing delivered or mailed to the Corporation and to each transfer agent of Common Shares by first class or registered mail. The Corporation may remove the Rights Agent upon 60 days' notice in writing, mailed or delivered to the Rights Agent and to each transfer agent of Common Shares by first class or registered mail. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation shall appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of 60 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of any Rights (which holder shall, with such notice, submit the Rights Certificate of such holder for inspection by the Corporation), then the holder of any Rights may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Corporation or by such a court, shall be a trust company incorporated under the laws of Canada or a province thereof authorized to carry on the business of a trust company as principal or through an agent in the Provinces of Ontario and British Columbia. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; provided that the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation shall file notice thereof in writing with the predecessor Rights Agent and the transfer agent of the Common Shares, and mail a notice thereof in writing to the holders of the Rights. Failure to give any notice provided for in this Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

ARTICLE 5
MISCELLANEOUS

5.1 Redemption and Waiver:

(a) The Board of Directors acting in good faith may, until the occurrence of a Flip-in Event, upon prior written notice delivered to the Rights Agent, determine to waive the application of Section 3.1 to such particular Flip-in Event (which for greater certainty shall not include the circumstances described in Subsection 5.1(h)); provided that if the Board of Directors waives the application of Section 3.1 to a particular Flip-in Event pursuant to this Subsection 5.1(a), the Board of Directors shall be deemed to have waived the application of Section 3.1 to any other Flip-in Event which may arise in respect of any Take-Over Bid then in effect or made prior to the public announcement of the completion or termination of the transaction in respect of which the Board of Directors waived the application of Section 3.1.

(b) The Board of Directors acting in good faith may, at its option, at any time prior to the provisions of Section 3.1 becoming applicable as a result of the occurrence of a Flip-in Event, elect to redeem all but not less than all of the outstanding Rights at a redemption price of $0.0001 per Right appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 if an event of the type analogous to any of the events described in Section 2.3 shall have occurred (such redemption price being herein referred to as the **"Redemption Price"**). The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(c) In the event that prior to the occurrence of a Flip-in Event a Person acquires, pursuant to a Permitted Bid or a Competing Permitted Bid, not less than 90% of the outstanding Common Shares other than Common Shares Beneficially Owned at the date of the Permitted Bid or the Competing Permitted Bid by such Person, then the Board of Directors of the Corporation shall immediately upon the consummation of such acquisition without further formality be deemed to have elected to redeem the Rights at the Redemption Price.

(d) Where a Take-Over Bid that is not a Permitted Bid Acquisition is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price.

(e) If the Board of Directors is deemed under Subsection 5.1(c) to have elected, or elects under either of Subsection 5.1(b) or (d), to redeem the Rights, the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.

(f) Within 10 days after the Board of Directors is deemed under Subsection 5.1(c) to have elected, or elects under Subsection 5.1(b) or (d), to redeem the Rights, the Corporation shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

(g) Upon the Rights being redeemed pursuant to Subsection 5.1(d), all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares as of the Separation Time had not been mailed to each such holder and for all purposes of this Agreement the Separation Time shall be deemed not to have occurred.

(h) The Board of Directors may waive the application of Section 3.1 in respect of the occurrence of any Flip-in Event if the Board of Directors has determined within ten Trading Days following a Share Acquisition Date that a Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person under this Agreement and, in the event that such a waiver is granted by the Board of Directors, such Share Acquisition Date shall be deemed not to have occurred. Any such waiver pursuant to this Subsection 5.1(b) must be on the condition that such Person, within 14 days after the foregoing determination by the Board of Directors or such earlier or later date as the Board of Directors may determine (the **"Disposition Date"**), has reduced its Beneficial Ownership of Voting Shares such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the close of business on the Disposition Date, the Disposition Date shall be deemed to be the date of occurrence of a further Share Acquisition Date and Section 3.1 shall apply thereto.

5.2 Expiration:

No Person shall have any rights pursuant to this Agreement or any Right after the Expiration Time, except as provided in Section 4.1 hereof.

5.3 Issue of New Rights Certificates:

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Corporation may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the number or kind of securities purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

5.4 Supplements and Amendments:

(a) The Corporation may make amendments to this Agreement to correct any clerical or typographical error or which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulations thereunder. The Corporation may, prior to the date of the shareholders' meeting referred to in Section 5.16, supplement or amend this Agreement without the approval of any holders of Rights or Voting Shares in order to make any changes which the Board of Directors acting in good faith may deem necessary or desirable. Notwithstanding anything in this Section 5.4 to the contrary, no such supplement or amendment shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent to such supplement or amendment.

(b) Subject to the Section 5.4(a), the Corporation may, with the prior consent of the holders of Voting Shares obtained as set forth below, at any time prior to the Separation Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if the action requiring such approval is authorized by the affirmative vote of a majority of the votes cast by Independent Shareholders present or represented at and entitled to be voted at a meeting of the holders of Voting Shares duly called and held in compliance with applicable laws and the constating documents of the Corporation.

(c) The Corporation may, with the prior consent of the holders of Rights, at any time on or after the Share Acquisition Date, vary or delete any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally), provided that no such amendment, variation or deletion shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent thereto. Such consent shall be deemed to have been given if such amendment, variation or deletion is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders and representing 50% plus one of the votes cast in respect thereof.

(d) Any approval of the holders of Rights shall be deemed to have been given if the action requiring such approval is authorized by the affirmative votes of the holders of Rights present or represented at and entitled to be voted at a meeting of the holders of Rights and representing a majority of the votes cast in respect thereof. For the purposes hereof, each outstanding Right (other than Rights which are void pursuant to the provisions hereof) shall be entitled to one vote, and the procedures for the calling, holding and conduct of the meeting shall be those, as nearly as may be, which are provided in the Corporation's constating documents and the Company Act with respect to meetings of shareholders of the corporation.

(e) Any amendments made by the Corporation to this Agreement pursuant to Subsection 5.4(a) which are required to maintain the validity of this Agreement as a result of any change in any applicable legislation or regulation thereunder shall:

(i) if made before the Separation Time, he submitted to the shareholders of the Corporation at the next meeting of shareholders and the shareholders may, by the majority referred to in Subsection 5.4(b), confirm or reject such amendment;

(ii) if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called for on a date not later than immediately following the next meeting of shareholders of the Corporation and the holders of Rights may, by resolution passed by the majority referred to in Subsection 5.4(c), confirm or reject such amendment.

Any such amendment shall be effective from the date of the resolution of the Board of Directors adopting such amendment, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment is confirmed, it continues in effect in the form so confirmed. If such amendment is rejected by the shareholders or the holders of Rights or is not submitted to the shareholders or holders of Rights as required, then such amendment shall cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or from and after the date of the meeting of holders of Rights that should have been but was not held, and no subsequent resolution of the Board of Directors to amend this Agreement to substantially the same effect shall be effective until confirmed by the shareholders or holders of Rights as the case may be.

5.5 Fractional Rights and Fractional Common Shares:

(a) No Fractional Rights: The Corporation shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. After the Separation Time, in lieu of issuing fractional Rights the Corporation shall pay to the holders of record of the Right Certificates, at the time such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the Market Price of one whole Right that the fraction of a Right that would otherwise be issuable is of one whole Right.

(b) No Fractional Common Shares: The Corporation shall not be required to issue fractions of Common Shares upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Corporation shall pay to the holders of record of Right Certificates at the time such Rights are exercised as herein provided, an amount in cash equal to the same fraction of the Market Price of one Common Share that the fraction of a Common Share that would otherwise be issuable upon the exercise of such Right is of a whole Common Share.

5.6 Rights of Action:

Subject to the terms of this Agreement, rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights, and any holder of any Rights, without the consent of the Rights Agent or of the holder of any other Rights may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce, or otherwise act in respect of, such holder's right to exercise the Rights of such holder in the manner provided in the Rights Certificate of such holder and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and shall be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

5.7 Regulatory Approvals:

Any obligation of the Corporation or action or event contemplated by this Agreement shall be subject to the receipt of any requisite approval or consent from any governmental or regulatory authority, and without limiting the generality of the foregoing, necessary approvals of the TSX Venture Exchange and other exchanges will be obtained, such as to the issuance of Common Shares upon the exercise of Rights under Section 2.2 (d) and the issuance of convertible debt, equity or other securities or other property or assets under section 3.2. Notwithstanding anything to the contrary in this Agreement, no supplement or amendment to this Agreement or to the terms of the Rights may be made without the prior consent of the TSX Venture Exchange.

5.8 Declaration as to Non-Canadian holders:

If in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance by the Corporation with the securities laws or comparable legislation of a jurisdiction outside Canada, the Board of Directors acting in good faith shall take such actions as it may deem appropriate to ensure such compliance. In no event shall the Corporation or the Rights Agent be required to issue or deliver Rights, or securities issuable on exercise of Rights to persons who are citizens, residents or nationals of any jurisdiction other than Canada, in which such issue or delivery would be unlawful without registration of the relevant persons or securities for such purposes.

5.9 Notices:

(a) Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on the Corporation shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Rights Agent), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

POLYMET MINING CORP.
1116 - 925 West Georgia Street
Vancouver, B.C. V6C 3L2

Attention: William Murray
Telecopier No.: (604) 669-4776

With a copy to:

VECTOR Corporate Finance Lawyers
Barristers and Solicitors
1040-999 West Hastings Street
Vancouver, B.C. V6C 2W2

Attention: Graham H. Scott
Telecopier No.: (604) 683-2643

(b) Notices or demands authorized or required by this Agreement to be given or made by the Corporation or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Corporation), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

Pacific Corporate Trust Company
10th Floor, 625 Howe Street,
Vancouver, B.C. V6C 3B8

Attention: Manager, Client Services
Telecopier No.: (604) 689-8144

(c) Notices or demands authorized or required by this Agreement to be given or made by the Corporation or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first class mail, postage prepaid, addressed to such holder as it appears upon the register of the Rights Agent or, prior to the Separation Time, on the register of the Corporation for its Common Shares. Any notice which is mailed or sent in the manner herein provided shall be deemed given, whether or not the holder receives the notice.

(d) Any notice given or made in accordance with this Section 5.9 shall be deemed to have been given and to have been received on the day of delivery, if so delivered, on the third Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing thereof, if so mailed, and on the day of telegraphing, telecopying or sending of the same by other means of recorded electronic communication (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on the first Business Day thereafter). Each of the Corporation and the Rights Agent may from time to time change its address for notice to the other given in the manner aforesaid.

5. 10 Costs of Enforcement:

The Corporation agrees that if the Corporation or any other Person the securities of which are purchasable upon exercise of Rights, fails to fulfil any of its obligations pursuant to this Agreement, then the Corporation or such Person shall reimburse the holder of any Rights for the costs and expenses (including legal fees) incurred by such holder in actions to enforce his rights pursuant to any Rights or this Agreement.

5.11 Successors:

All of the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind their respective successors and assigns and shall enure to the benefit of their respective successors and permitted assigns hereunder.

5.12 Benefits of this Agreement:

Nothing in this Agreement shall be construed to give to any Person other than the Corporation, the Rights Agent and the holders of Rights any legal or equitable right, remedy or claim under this Agreement and this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of Rights.

5.13 Governing Law:

This Agreement and each Right issued hereunder shall be deemed to be a contract made under the laws of British Columbia and for all purposes shall be governed by and construed in accordance with such laws.

5.14 Severability:

If any term or provision hereof or the application thereof in any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions hereof or the application of such term or provision in circumstances other than those as to which it is held invalid or unenforceable.

5.15 Effective Date:

This Agreement is effective and in full force and effect in accordance with its terms from and after the Effective Date, subject to confirmation pursuant to section 5.16.

5.16 Confirmation:

The Corporation shall request the confirmation of this Agreement at a general meeting of holders of Voting Shares to be held no later than six months from the date of this Agreement. If the Agreement is not confirmed at such meeting by a majority of the votes cast by holders of Voting Shares who vote in respect of the confirmation of this Agreement, this Agreement and all outstanding Rights shall terminate and be void and of no further force and effect on and from the close of business on the date of termination of such meeting; provided, that termination shall not occur if a Flip-in Event has occurred (other than a Flip-in Event which has been waived pursuant to Section 5.1(a) or (h) hereof) prior to the date upon which this Agreement would otherwise terminate pursuant to this Section 5.16.

5.17 Determinations and Actions by the Board of Directors:

The Board of Directors shall have the exclusive power and authority to administer and amend this Agreement and to exercise all rights and powers specifically granted to the Board of Directors or the Corporation, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (a) interpret the provisions of this Agreement and (b) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to terminate or redeem or not to terminate or redeem the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of the balance of this sentence, all omissions with respect to the foregoing) which are done or made by the Board of Directors shall be final, conclusive and binding on the Corporation, the Rights Agent, the holders of Rights and all other parties and shall not subject the Board of Directors to any liability to the holders of Rights.

5.18 Counterparts:

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed.

POLYMET MINING CORP.

c/s

By: _____*(signature)*
_____*(name - please print)*
Authorized Signatory

PACIFIC CORPORATE TRUST COMPANY

By: _____*(signature)*
_____*(name - please print)*
Authorized Signatory

_____*(signature)*
_____*(name - please print)*
Authorized Signatory

This is page 7 to that certain Shareholder Rights Plan Agreement between **POLYMET MINING CORP.** and **PACIFIC CORPORATE TRUST COMPANY** dated as of the 4th day of December, 2003.

SCHEDULE A TO THE SHAREHOLDER RIGHTS AGREEMENT
DATED AS OF DECEMBER 4, 2003 BETWEEN
POLYMET MINING CORP. AND
PACIFIC CORPORATE TRUST COMPANY

[Form of Rights Certificate]

Certificate No. _____ Rights

THE RIGHTS ARE SUBJECT TO REDEMPTION OR MANDATORY EXCHANGE, AT THE OPTION OF **POLYMET MINING CORP.**, ON THE TERMS SET FORTH IN THE SHAREHOLDER RIGHTS AGREEMENT. RIGHTS BENEFICIALLY OWNED BY ACQUIRING PERSONS (AS SUCH TERMS ARE DEFINED IN THE SHAREHOLDER RIGHTS AGREEMENT) OR CERTAIN TRANSFEREES THEREOF ARE VOID.

Rights Certificate

This certifies that _____, or registered assigns, is the holder of record of the number of Rights set forth above, each one of which entitles the holder of record thereof, subject to the terms, provisions and conditions of the Shareholder Rights Agreement (the "**Shareholder Rights Agreement**"), dated as of December 4, 2003, between POLYMET MINING CORP. (the "**Corporation**"), a corporation incorporated under the Company Act (British Columbia), and PACIFIC CORPORATE TRUST COMPANY, a trust company incorporated under the laws of British Columbia, as Rights Agent under the Shareholder Rights Agreement, to purchase from the Corporation at any time after the Separation Time and prior to the Expiration Time (as such terms are defined in the Shareholder Rights Agreement), one common share of the Corporation (a "**Common Share**") (subject to adjustment as provided in the Shareholder Rights Agreement) at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with a completed and executed Form of Election to Exercise at the principal office of the Rights Agent in Vancouver, Canada. The Exercise Price shall initially be $50 (Cdn.) per Common Share and shall be subject to adjustment in certain events as provided in the Shareholder Rights Agreement.

In certain circumstances described in the Shareholder Rights Agreement, the Rights evidenced hereby may entitle the holder of record thereof to purchase shares of an entity other than the Corporation or to purchase or receive in exchange for such Rights assets, securities or shares of the Corporation other than Common Shares or more or less than one Common Share, or some combination of the foregoing, all as provided in the Shareholder Rights Agreement.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Shareholder Rights Agreement which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Corporation and the holders of the Rights Certificates. A copy of the Shareholder Rights Agreement is on file at the principal executive office of the Corporation and is available upon written request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing the aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates so surrendered. If this Rights Certificate shall be exercised in part, the holder of record shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provision of the Shareholder Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Corporation at a redemption price of $0.0001 per Right, subject to adjustment in certain events, under certain circumstances at the option of the Corporation.

Subject to the provisions of the Shareholder Rights Agreement, the Rights evidenced by this Certificate may be terminated or amended by the Corporation at its option without the consent of holders of Rights.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby nor will Rights Certificates be issued for less than one whole Right. After the Separation Time, in lieu of issuing factional Rights a cash payment will be made as provided in the Shareholder Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or of any other securities which may at any time be issuable on the exercise hereof, nor shall anything contained in the Shareholder Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders of the Corporation at any meeting, to give or withhold consent to any corporate action, to receive notice of meetings or other actions affecting shareholders of the Corporation (except as provided in the Shareholder Rights Agreement), to receive dividends or subscription rights or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Shareholder Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Corporation.

POLYMET MINING CORP.

c/s

By: _____*(signature)*
_____*(name - please print)*
Authorized Signatory

Countersigned by and on behalf of the Rights Agent,
PACIFIC CORPORATE TRUST COMPANY

By: _____*(signature)*
_____*(name - please print)*
Authorized Signatory

[Form of Reverse Side of Rights Certificate]

POLYMET MINING CORP. - FORM OF ASSIGNMENT

(To be executed by the holder of record if such
holder desires to transfer the Rights.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto

_____

_____

(Please print name and address of transferee)

this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ as attorney, to transfer the within Rights Certificate on the books of the Corporation with full power of substitution.

Dated: _____ *[month, day, year]*

Signature Guaranteed:

_____

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

The signature of the person executing this power must be guaranteed by a participant of a recognized Medallion Guarantee Program, for example, a bank, credit union, brokerage house or by a member of a recognized stock exchange.

CERTIFICATION

(To be completed if true)

The undersigned hereby represents, warrants and certifies, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Agreement).

Signature Guaranteed:

_____

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

NOTICE

In the event the certification set forth above is not completed in connection with a purported assignment, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as defined in the Shareholder Rights Agreement) and accordingly will deem the Rights evidenced by this Rights Certificate to be void and not transferable or exercisable.

FORM OF ELECTION TO EXERCISE

(To be executed if the holder desires to exercise the Rights Certificate)

TO: Pacific Corporate Trust Company
10th Floor, 625 Howe Street,
Vancouver, B.C. V6C 3B8

The undersigned hereby irrevocably elects to exercise _____ whole Rights represented by the attached Rights Certificate to purchase the Common Shares issuable upon the exercise of such Rights and requests that certificates for such Common Shares be issued in the name of:

Address:

Social Insurance or Other Taxpayer Identification Number:

If such number of Rights shall not be all the whole Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such whole Rights shall be registered in the name of and delivered to:

Full Address, including postal code:

Social Insurance or Other Taxpayer Identification Number:

Dated: _____ *[month, day, year]*

Signature Guaranteed:

_____
Signature
(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

The signature of the person executing this power must be guaranteed by a participant of a recognized Medallion Guarantee Program, for example, a bank, credit union, brokerage house or by a member of a recognized stock exchange.

CERTIFICATION
(To be completed if true)

The undersigned hereby represents, warrants and certifies for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Right Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Agreement).

_____

Signature

NOTICE

In the event the certification set forth above is not completed in connection with a purported assignment, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as defined in the Shareholder Rights Agreement) and accordingly will deem the Rights evidenced by this Rights Certificate to be void and not transferable or exercisable.

CONTRACT FOR DEED -- Limited Liability Company to Corporation

No delinquent taxes and transfer entered; Certificate of Real Estate Value (X) filed ( ) not required; Certificate of Real Estate Value No

12-13- .20 05

Donald Dicklich, County Auditor

County Auditor

By K. Thelen

Deputy

(reserved for recording data)

Dated November 15TH 2005.

THIS CONTRACT FOR DEED is made as of the above date by CLIFFS ERIE L.L.C., a Delaware limited liability company, Seller, and POLY MET MINING, INC., a Minnesota corporation, Purchaser. Seller and Purchaser agree to the following terms:

1. PROPERTY DESCRIPTION. Seller hereby sells, and Purchaser hereby buys, real property in St. Louis County, Minnesota, legally described on Exhibit A attached hereto and incorporated herein by this reference, together with all hereditaments and appurtenances belonging thereto (the "Premises"), and the Facilities and the Permits (the "Facilities and Permits") pursuant to the Option Agreement dated February 16, 2004, as amended (the "Option Agreement").

2. TITLE. Seller warrants that title to the Premises is, on the date of this contract, subject only to the following exceptions:

(a) Covenants, conditions, restrictions, declarations and easements of record, if any;

(b) Reservations of minerals or mineral rights as reserved of record, if any;

(c) Building, zoning and subdivision laws and regulations;

(d) The lien of real estate taxes and installments of special assessments which are payable by Purchaser pursuant to paragraph 8 of this contract;

(e) The licenses being granted by the Purchaser, and the easement reserved by Seller, further identified or described in paragraph 6 below, all of which are included as Permitted Encumbrances on Exhibit B attached hereto; and

(f) The Permitted Encumbrances set forth on Exhibit B attached hereto and incorporated herein by this reference.

3. DELIVERY OF DEED. Upon Purchaser's prompt and full performance of this contract, Seller shall execute, acknowledge and deliver to Purchaser a Limited Warranty Deed, in recordable form, conveying title to the Premises to Purchaser, and a Bill of Sale conveying title to and assigning the Facilities and Permits to Purchaser, subject to the following exceptions:

(a) Those exceptions referred to in paragraph 2.(a), (b), (c), (d), (e), and (f) of this contract; and

(b) Liens, encumbrances, adverse claims or other matters which Purchaser has created, suffered, or permitted to accrue after the date of this contract.

Seller's warranty contained in the deed shall be only that Seller's deed conveys after-acquired title, and that Seller has not made, done, executed or suffered any act or thing whereby the Premises or any part of the Premises is or may be imperiled, charged or encumbered in any manner; and that Seller warrants the title to the Premises against all persons claiming the Premises from or through Seller as a result of any such act or thing. Sellers warranty in the Bill of Sale shall be only that Seller has not made, done, executed or suffered any act or thing whereby the Facilities and Permits or any part of the Facilities and Permits is or may be imperiled, charged or encumbered in any manner; and that Seller warrants the title to the Facilities and Permits against all persons claiming the Facilities and Permits from or through Seller as a result of any such act or thing.

**** DUPLICATE FILING DATA ****

Registrar of Titles

St. Louis County

State of Minnesota

Document No.

810204.0

Filed Dec 14, 2005 at 10:34AM

on Certificate(s) of Title

258754.0 308653.0 302572.0

Mark A. Monacelli

Registrar of Titles

**** DUPLICATE FILING DATA ****

TFR 191381

**** DUPLICATE FILING DATA ****

810204.0

The above Document No. has also been filed on Certificate(s) of Title

305292.0 305293.0 305295.0 305296.0

305297.0 305311.0 305334.0 305424.0

**** DUPLICATE FILING DATA ****

TFR 191382

4. PURCHASE PRICE COMPONENTS. Purchaser shall provide to Seller, as the purchase price for the Premises and the Facilities and Permits: (i) the Cash Component as defined in paragraph 4.(a) below, (ii) the Stock Component as defined in paragraph 4.(b) below, and (iii) the Assumption of Liabilities Component as defined in paragraph 4.(c) below (collectively the "Purchase Price").

(a) CASH COMPONENT. Purchaser shall pay to Seller, by wire transfer, the sum of Three Million Four Hundred Thousand and no/100 Dollars ($3,400,000.00)(U.S.) (the "Cash Component"), payable as follows:

(i) One Million and no/100 Dollars ($1,000,000.00) (U.S.) which has been paid by the Purchaser to the Seller, receipt of which is hereby acknowledged by the Seller;

(ii) Two Million Four Hundred Thousand and no/100 Dollars ($2,400,000.00) (U.S.), the unpaid principal balance of the Cash Component hereunder, together with interest on the unpaid principal balance thereof from time to time remaining hereunder at the annual simple rate of four percent (4.0%) accruing on and after the date hereof, shall be paid by the Purchaser to the Seller in quarterly installments equal to Two Hundred Fifty Thousand and no/100 Dollars ($250,000.00)(U.S.) plus interest accrued and remaining unpaid on the unpaid principal balance of the Cash Component from time to time remaining, commencing with the last day of the first full calendar quarter after the date of this contract (e.g., if the date of this contract is September 15, 2005, the first installment shall be due on December 31, 2005), and continuing thereafter on the last day of successive calendar quarters until the earlier of (A) the date 90 days after the date that Purchaser obtains a Permit to Mine and Seller and Cleveland-Cliffs Inc. are released by the State of Minnesota from the CE Remediation Obligations (as defined below), or (B) the date the principal balance of the Cash Component remaining unpaid is less than Two Hundred Fifty Thousand and no/100 Dollars ($250,000.00)(U.S.), in which event the entire principal balance of the Cash Component and all accrued interest remaining unpaid shall be due and shall be paid to the Seller on the last day of the next succeeding full calendar quarter. All payments hereunder shall be made to the Seller by wire transfer, without deduction for any wire transfer fees, in accord with wire transfer instructions given to the Purchaser by the Seller. All payments shall first be applied to accrued late charges, then to accrued interest, then toward the reduction of the unpaid principal balance, and then to any other amounts due or becoming due to the Seller hereunder. Whenever any payment to be made hereunder shall be stated to be due on a Saturday, Sunday or a holiday under the laws of the State of Minnesota, such payment may be made on the next succeeding business day, and such extension of time shall in such case be included in the computation and payment of interest hereunder.

(b) STOCK COMPONENT. The Stock Component of the Purchase Price shall be 6,200,547 shares of the common stock of PolyMet Mining Corporation ("PolyMet Canada") at a deemed value of $0.90 per share in Canadian dollars (the "Stock Component"). PolyMet shall deliver or cause PolyMet Canada to deliver to CE at Closing a stock certificate for the Stock Component. The shares of common stock in PolyMet Canada issued or delivered to CE pursuant to this Section shall be duly authorized and shall be validly issued as fully paid and non-assessable shares of common stock in PolyMet Canada. It shall be a condition precedent to the issuance and delivery of the Stock Component that notice of this transaction shall have been accepted for filing by the TSX Venture Exchange. The parties agree that CE shall have the same preemptive rights as to the Stock Component as it has to the existing one million shares of PolyMet Canada as described in Section 1.7 of the Option Agreement.

(c) ASSUMPTION OF LIABILITIES COMPONENT. Purchaser hereby assumes all Environmental and Reclamation Liabilities associated with the Premises as defined in Section 2.2 of the Option Agreement, and covenants and agrees to indemnify the Seller and Cleveland-Cliffs Inc. for all damages, losses, costs, and expenses that result therefrom, and Purchaser shall obtain a Permit to Mine and all other environmental permits necessary to conduct its mining operations on or about the Premises, which permits shall assign to Purchaser full responsibility and liability for all Environmental and Reclamation Liabilities with respect to the Premises, including without limitation Environmental and Reclamation Liabilities created by reason of Purchaser operations, and the Environmental and Reclamation Liabilities already associated with the Premises which are being assumed by Purchaser pursuant to this contract and which are presently the responsibility of Seller and guaranteed by its parent corporation, Cleveland-Cliffs Inc., the CE Remediation Obligations as defined more fully below (the "Assumption of Liabilities Component"). Because Purchaser's permitting process is not complete on the date of this contract, Purchaser's obligations in connection with Environmental and Reclamation Liabilities are limited to an assumption of such liabilities and an indemnification of Seller from those liabilities pursuant to Section 8.2 of the Option Agreement. The assumption and indemnification herein provided shall survive performance or termination of this contract. In order for Purchaser to be deemed to have fully paid the Purchase Price and to have performed the Purchaser's obligations under this contract, Seller and Cleveland-Cliffs Inc. must first have been provided with a release from the State of Minnesota of the CE Remediation Obligations.

5. CE REMEDIATION OBLIGATIONS; MINING OPERATIONS. Seller has existing obligations to perform certain environmental remediation and reclamation activities on the Premises pursuant to Seller's

Permit to Mine, Mine Closure Plan and various other environmental permits relevant to the Premises as well pursuant to the State Master Agreement among Seller, the State of Minnesota, the Minnesota Iron Range esources and Rehabilitation, the Minnesota Department Of Natural Resources, Minnesota Pollution Control Agency, The Minnesota Department of Revenue, Cleveland-Cliffs Inc, Minnesota Power, Rainy River Energy Corporation Taconite Harbor, LTV Steel Mining Company, and LTV Steel Company, Inc. ("CE Remediation Obligations"). The Purchaser covenants and agrees that it shall not commence mining operations on the Premises, before it obtains a Permit to Mine and all other environmental permits necessary to conduct its mining operations, which permits shall assign to Purchaser full responsibility and liability for all Environmental and Reclamation Liabilities with respect to the Premises, including without limitation the CE Remediation Obligations.

6. LICENSES/EASEMENTS. The Purchaser is contemporaneously granting the Seller, and its sublicensees and successors and assigns, certain licenses identified as Permitted Encumbrances in Exhibit B attached hereto, and the rights to obtain easements pursuant thereto, over, across, and under the Premises for the use and purposes set forth in the licenses, and is reserving unto itself, and its successors and assigns, the easement for environmental remediation and reclamation set forth in Exhibit C attached hereto, which is also identified as a Permitted Encumbrance in Exhibit B attached hereto.

7. PREPAYMENT. Unless otherwise provided in this contract, Purchaser shall have the right to fully or partially prepay this contract at any time without penalty. Any partial prepayment shall be applied first to payment of amounts then due under this contract, including unpaid accrued interest, and the balance shall be applied to the principal installments to be paid in the inverse order of their maturity. Partial prepayment shall not postpone the due date of the installments to be paid pursuant to this contract or change the amount of such installments.

. REAL ESTATE TAXES AND ASSESSMENTS. Seller shall pay all real estate taxes and installments of special assessments assessed against the Premises which first became due and payable in calendar years prior to the calendar year containing the date of this contract, and any penalties and interest due with regard thereto. Real estate taxes and installments of special assessments first becoming due and payable during the calendar year containing the date of this contract shall be pro rated between the Seller and the Purchaser on a per diem basis, based on a 365 day year, the Seller being responsible for and obligated to pay those attributable (on the pro rated basis) to the number of days in the calendar year preceding and including the date of this contract, and the Purchaser being responsible for and obligated to pay those attributable (on the pro rated basis) to the number of days in the calendar year following the date of this contract. Purchaser shall pay, before penalty accrues, all real estate taxes and installments of special assessments assessed against the Premises which first become due and payable in the calendar year following the date of this contract, and which first become due and payable in all subsequent years.

9. PROPERTY INSURANCE.

(a) INSURED RISKS AND AMOUNT. Purchaser shall keep all buildings, improvements and fixtures now or later located on or a part of the Premises insured against loss by fire, extended coverage perils, vandalism, malicious mischief and, if applicable, steam boiler explosion for at least the amount of the full insurable value thereof. If any of the buildings, improvements or fixtures are located in a federally designated flood prone area, and if flood insurance is available for that area, Purchaser shall procure and maintain flood insurance in amounts reasonably satisfactory to Seller.

(b) OTHER TERMS. The insurance policy shall contain a loss payable clause in favor of Seller which provides that Seller's right to recover under the insurance shall not be impaired by any acts or omissions of Purchaser or Seller, and that Seller shall otherwise be afforded all rights and privileges customarily provided a mortgagee under the so-called standard mortgage clause.

(c) NOTICE OF DAMAGE. In the event of damage to the Premises by fire or other casualty, Purchaser shall promptly give notice of such damage to Seller and the insurance company.

10 DAMAGE TO THE PROPERTY.

(a) APPLICATION OF INSURANCE PROCEEDS. If the Premises is damaged by fire or other casualty, the insurance proceeds paid on account of such damage shall be applied to payment of the amounts payable by Purchaser under this contract, even if such amounts are not then due to be paid, unless Purchaser makes a permitted election described in the next paragraph. Such amounts shall be first applied to unpaid accrued interest and next to the installments to be paid as provided in this contract in the inverse order of their maturity. Such payment shall not postpone the due date of the installments to be paid pursuant to this contract or change the amount of such installments. The balance of insurance proceeds, if any, shall be the property of Purchaser. If Purchaser does not make a permitted election described in the next paragraph, then the unpaid principal balance, together with all accrued interest and other amounts due Seller shall be paid in full within

ninety days after the date of the damage to the Premises

(b) PURCHASER'S ELECTION TO REBUILD. If (i) Purchaser is not in default under this contract, or after curing any such default, (ii) the mortgagees in any prior mortgages and sellers in any prior contacts for deed do not require otherwise, (iii) the damage to the Premises occurs more than 240 days prior to the date the Purchaser's entire performance under this contract is due pursuant to paragraph 4. of this contract, and (iv) the Purchaser can complete the restoration, replacement, or repair of the damaged Premises within 120 days of the date of the damage, then Purchaser may elect to have that portion of such insurance proceeds necessary to repair, replace or restore the damaged Premises (the repair work) deposited in escrow with a bank or title insurance company qualified to do business in the State of Minnesota, or such other party as may be mutually agreeable to Seller and Purchaser. The election may only be made by written notice to Seller within sixty (60) days after the damage occurs. Also, the election will only be permitted if the plans and specifications, contracts, contractor and subcontractors for the repair work are approved by Seller, which approval Seller shall not unreasonably withhold or delay. If such a permitted election is made by Purchaser, Seller and Purchaser shall jointly deposit, when paid, such insurance proceeds into such escrow. If such insurance proceeds are insufficient for the repair work, Purchaser shall, before the commencement of the repair work, deposit into such escrow sufficient additional money to insure the full payment for the repair work. Even if the insurance proceeds are unavailable or are insufficient to pay the cost of the repair work, Purchaser shall at all times be responsible to pay the full cost of the repair work. All escrowed funds shall be held and disbursed by the escrowee in accordance with generally accepted sound construction escrow and disbursement procedures approved by the Seller, which approval shall not be unreasonably withheld, conditioned, or delayed. The cost incurred or to be incurred on account of such escrow shall be deposited by Purchaser into such escrow before the commencement of the repair work. Purchaser shall complete the repair work as soon as reasonably possible and in a good and workmanlike manner with new good quality materials, and in any event the repair work shall be completed by Purchaser within 120 days after the damage occurs. If, following the completion of and payment for the repair work, there remain any undisbursed escrow funds, such funds shall be applied to payment of the amounts payable by Purchaser under this contract in accordance with paragraph 10 (a) above.

11. INJURY OR DAMAGE OCCURING ON THE PROPERTY.

(a) LIABILITY. Seller shall be free from liability and claims for damages by reason of injuries occurring on or after the date of this contract to any person or persons or property while on or about the Premises. Purchaser shall defend and indemnify Seller from all liability, loss, costs and obligations, including reasonable attorneys' fees, on account of or arising out of any such injuries. However, Purchaser shall have no liability or obligation to Seller for such injuries which are caused by the negligence or intentional wrongful acts or omissions of Seller.

(b) LIABILITY INSURANCE. Purchaser shall, at Purchaser's own expense, procure and maintain liability insurance against claims for bodily injury, death and property damage occurring on or about the Premises in amounts reasonably satisfactory to Seller and naming Seller as an additional insured. The liability insurance to be maintained during the term of this contract shall not be less than Five Million and no/100 Dollars ($5,000,000.00)(U.S) per occurrence.

12. INSURANCE GENERALLY. The insurance which Purchaser is required to procure and maintain pursuant to paragraphs 9 and 11 of this contract shall be issued by an insurance company or companies licensed to do business in the State of Minnesota or which may issue policies pursuant to the Minnesota Surplus Lines Insurance Act and acceptable to Seller. The insurance shall be maintained by Purchaser at all times while any amount remains unpaid under this contract. The insurance policies shall provide for not less than 30 days written notice to Seller before cancellation, non-renewal, termination or change in coverage, and Purchaser shall deliver to Seller a duplicate original or certificate of such insurance policy or policies.

13. CONDEMNATION. If all or any part of the Premises is taken in condemnation proceedings instituted under power of eminent domain or is conveyed in lieu thereof under threat of condemnation, the money paid pursuant to such condemnation or conveyance in lieu thereof shall be applied to payment of the amounts payable by Purchaser under this contract, even if such amounts are not then due to be paid. Such amounts shall be applied first to unpaid accrued interest and next to the installments to be paid as provided in this contract in the inverse order of their maturity. Such payment shall not postpone the due date of the installments to be paid pursuant to this contract or change the amount of such installments. The balance, if any, shall be the property of Purchaser.

14. WASTE, REPAIR and LIENS. Purchaser shall not remove or demolish any buildings, improvements or fixtures now or later located on or a part of the Premises, nor shall Purchaser commit or allow waste of the Premises, except as provided in the Option Agreement and any amendments thereto. Purchaser shall maintain the Premises in good condition and repair. Purchaser shall not create or permit to accrue liens or adverse claims against the Premises which constitute a lien or claim against Seller's interest in the Premises. Purchaser shall pay to Seller all amounts, costs and expenses, including reasonable attorney's fees, incurred by Seller to remove

any such liens or adverse claims.

15. COMPLIANCE WITH LAWS. Purchaser shall comply or cause compliance with all laws and regulation of any governmental authority which affect the Premises or the manner of using or operating the same, and with all restrictive covenants, if any, affecting title to the Premises or the use thereof.

16. RECORDING OF CONTRACT; DEED TAX. Purchaser shall, at Purchaser's expense, record this contract in the office of the county recorder or registrar of titles in the county in which the Premises is located within four (4) months after the date hereof. Purchaser shall pay any penalty imposed under Minnesota Statutes Section 507.235 for failure to timely record the contract. Upon an agreed upon allocation of the Purchase Price between the Premises and the Facilities and Permits, Seller and Purchaser shall, upon Purchaser's full performance of this contract, equally divide and each pay one-half the deed tax due on the amount of the Purchase Price allocated to the Premises upon the recording of the deed to be delivered by Seller.

17. ASSIGNMENT.

(a) If Seller assigns its interest in the Premises or this contract, a copy of such assignment shall promptly be furnished to the non-assigning party.

(b) The Purchaser may assign its interests in the Premises and this contract to an entity owned, controlled, and managed by Purchaser (hereinafter the Purchaser's Permitted Assignee) without releasing or discharging the Purchaser from its obligations thereunder, in which event the performance by the Purchaser's Permitted Assignee of all the Purchaser's duties and obligations thereunder shall be substituted for the required performance of the Purchaser, until the Permitted Assignee defaults under this contract for deed, and upon the Purchaser's request the Seller shall execute and deliver its consent thereto in recordable form.

(c) If all or any part of the Premises or any interest in it is sold or transferred (or if the Purchaser is not a natural person and a beneficial interest in the Purchaser is sold or transferred) without Seller's prior written consent, the Seller may, at its option, require immediate payment in full of all amounts remaining unpaid hereunder, and immediate performance of all the Purchaser's obligations remaining to be performed hereunder. However, this option shall not be exercised by the Seller if exercise is prohibited by federal law as of the date of this contract.

(d) If Seller exercises this option, the Seller shall give the Purchaser notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Purchaser must pay all amounts remaining unpaid hereunder. If Purchaser fails to pay these amounts prior to expiration of this period, the Seller may invoke any remedies permitted by this contract or by law without any further notice or demand on the Purchaser.

18. PROTECTION OF INTERESTS. If Purchaser fails to pay any sum of money required under the terms of this contract or fails to perform any of Purchaser's obligations as set forth in this contract, Seller may, at Seller's option, pay the same or cause the same to be performed, or both, and the amounts so paid by Seller and the cost of such performance shall be payable at once, with interest at the rate stated in paragraph 4. of this contract, as an additional amount due Seller under this contract. If there now exists, or if Seller hereafter creates, suffers or permits to accrue, any mortgage, contract for deed, lien or encumbrance against the Premises which is not herein expressly assumed by Purchaser, and provided Purchaser is not in default under this contract, Seller shall timely pay all amounts due thereon, and if Seller fails to do so, Purchaser may, at Purchaser's option, pay any such delinquent amounts and deduct the amounts paid from the installment(s) next coming due under this contract.

19. DEFAULT. The time of performance by Purchaser of the terms of this contract is an essential part of this contract, and is "of the essence". Should Purchaser fail to timely perform any of the terms of this contract, Seller may, at Seller's option, elect to declare this contract cancelled and terminated by notice to Purchaser in accordance with applicable law. All right, title and interest acquired under this contract by Purchaser shall then cease and terminate, and all improvements made upon the Premises and all payments made by Purchaser pursuant to this contract shall belong to Seller as liquidated damages for breach of this contract. Neither the extension of the time for payment of any sum of money to be paid hereunder nor any waiver by Seller of Seller's rights to declare this contract forfeited by reason of any breach shall in any manner affect Seller's right to cancel this contract because of defaults subsequently occurring, and no extension of time shall be valid unless agreed to in writing. After service of notice of default and failure to cure such default within the period allowed by law, Purchaser shall, upon demand, surrender possession of the Premises to Seller, but Purchaser shall be entitled to possession of the Premises until the expiration of such period.

20. BINDING EFFECT. The terms of this contract shall run with the land and bind the parties hereto and their successors in interest.

21. HEADINGS. Headings of the paragraphs of this contract are for convenience only and do not define,

limit or construe the contents of such paragraphs.

22. NOTICES. Any notice required or permitted hereunder shall be given by personal delivery to an authorized representative of a party hereto, or mailed by United States registered or certified mail, return receipt requested, postage prepaid, or transmitted by facsimile copy followed by mailed notice, or deposited cost paid with a nationally recognized, reputable overnight courier. Notices mailed or transmitted by reputable overnight carrier shall be addressed as follows:

Seller:	Cliffs Erie L.L.C. Hoyt Lakes Plant, County Road 666 P. O. Box 847 Hoyt Lakes, Minnesota 55750
Purchaser:	Poly Met Mining, Inc 215 N-W 1st Avenue Grand Rapids, MN 55744-2702

23. DEVELOPMENT. Seller is the owner of certain real property located near Hoyt Lakes, Minnesota (the "Erie Site") on which are located various ore processing facilities formerly operated by LTV Steel Mining Company as part of that company's taconite mining and processing operations (the "Property") as well as certain other mining facilities to be relocated to the Property which facilities (the "Facilities") are presently located on property at the Erie Site to be retained by the Seller (the "Remaining Property"). Purchaser agrees, for itself and its permitted successors and assigns, that at no time shall it develop, use or improve the Premises in any manner which shall materially interfere with the development, improvement or use of the Remaining Property. Purchaser further agrees that the Limited Warranty Deed shall contain a restrictive covenant, in form and substance satisfactory to Seller which shall run with the land, prohibiting any development, improvement or use of the Premises which materially interferes with Seller's use of the Remaining Property.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

SELLER

CLIFFS ERIE L.L.C.

By _____

Its: _____

PURCHASER:

POLY MET MINING, INC.

By _____

Its: _____

STATE OF MINNESOTA)
) ss.
COUNTY OF Hennepin)

This instrument was acknowledged before me this 15th day of November, 2005, by James A. Trethewey, the President + CEO of CLIFFS ERIE L.L.C., a Delaware limited liability company, on behalf of the limited liability company.

_____
Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF Hennepin)

AMY JO DITTY
NOTARY PUBLIC-MINNESOTA
My Commission Expires Jan. 31, 2010

This instrument was acknowledged before me on 15th day of November, 2005, by William Murray, the President + CEO of POLY MET MINING, INC., a Minnesota corporation, on behalf of the corporation.

AMY JO DITTY
NOTARY PUBLIC-MINNESOTA
My Commission Expires Jan. 31, 2010

_____
Notary Public

THIS INSTRUMENT DRAFTED BY:

MACKALL, CROUNSE & MOORE, PLC
1400 AT&T Tower
901 Marquette Avenue
Minneapolis, MN 55402-2859

Real estate tax statements should be sent to:

POLYMET MINING INC.
215 N-W 1st Avenue
Grand Rapids, MN 55744-2702

EXHIBIT A

Legal Description of Premises

[Attached to the Contract for Deed from Cliff's Erie L.L.C. (as Seller) to Poly Met Mining, Inc. (as Purchaser)]

All the real property located within St. Louis County, Minnesota, legally described as follows, *to-wit*:

NW ¼ of NW ¼, SW ¼ of NW ¼, NW ¼ of SW ¼, and SW ¼ of SW ¼, Section 2, Township 59 North, Range 14 West.

Section 3, Township 59 North, Range 14 West.

Section 4, Township 59 North, Range 14 West.

Section 5, Township 59 North, Range 14 West.

E ½ of NE ¼, E ½ of SE ¼, Section 6, Township 59 North, Range 14 West.

E ½ of NE ¼, NE ¼ of SE ¼, Section 7, Township 59 North, Range 14 West.

NE ¼, NW ¼ except railroad right of way, SW ¼ except railroad right of way, SE ¼ except railroad right of way, Section 8, Township 59 North, Range 14 West.

Section 9, Township 59 North, Range 14 West.

Section 10, Township 59 North, Range 14 West.

NW ¼ of NW ¼, Section 11, Township 59 North, Range 14 West.

That part of the NW ¼ of Section 15, Township 59 North, Range 14 West of the Fourth Principal Meridian lying northerly of a line lying 200 feet north of the following described line, measured perpendicular thereto and perpendicular to the tangent to curves therein:

> Commencing at the northwest corner of said Section 15; thence South 05 degrees 49 minutes 40 seconds East based on the St. Louis County Central Zone Coordinate System for a distance of 400.76 feet to the POINT OF BEGINNING; thence North 86 degrees 44 minutes 30 seconds East 1235.77 feet; thence along a tangential curve concave to the south having a radius of 1699.87 feet, the chord of which bears South 65 degrees 34 minutes 06 seconds East with a chord length of 1415.84 feet; thence North 85 degrees 08 minutes 37 seconds East 167.41 feet more or less to the east line of said NW ¼ of Section 15 and there terminating.

N ½ of NE ¼, N ½ of NW ¼, SW ¼ of NW ¼, and N ½ of SE ¼ of NW ¼, Section 16, Township 59 North, Range 14 West.

E ½ of NE ¼, Section 17, Township 59 North, Range 14 West, and that part of the SW ¼ of the NE ¼ of Section 17, Township 59 North, Range 14 West of the Fourth Principal Meridian lying easterly of a line lying 40 feet west of the following described line, measured perpendicular thereto, and the extension thereof to the south boundary of said SW ¼ of the NE ¼.

> Commencing at the Center Quarter corner of said Section 17; thence North 89 degrees 14 minutes 59 seconds East based on the St. Louis County Central Zone Coordinate System for a distance of 986.23 feet to the POINT OF BEGINNING; thence North 06 degrees 28 minutes 39 seconds East 1224.55 feet more or less to the north line of the SW ¼ of the NE ¼ of said Section 17 and there terminating,

and that part of the NW ¼ of the NE ¼ of Section 17, Township 59 North, Range 14 West of the Fourth Principal Meridian lying easterly of the following described line:

> Commencing at the North Quarter corner of said Section 17; thence North 88

degrees 50 minutes 33 seconds East based on the St. Louis County Central Zone Coordinate System for a distance of 486.89 feet to the POINT OF BEGINNING, thence South 11 degrees 19 minutes 32 seconds East 719.70 feet; thence along a tangential curve concave to the west having a radius of 1494.37 feet, the chord of which bears South 00 degrees 27 minutes 55 seconds West with a chord length of 505.49 feet; to the south line of the NW ¼ of the NE ¼ of said Section 17 and there terminating.

NW ¼ of SE ¼, Section 18, Township 59 North, Range 14 West, and that part of the SE¼ of the SW ¼ and the NE ¼ of the SW ¼ of Section 18, Township 59 North, Range 14 West of the Fourth Principal Meridian lying northerly of the following described line:

Commencing at the southeast corner of the NE ¼ of the SW ¼ of said Section 18; thence North 89 degrees 59 minutes 35 seconds West based on the St. Louis County Central Zone Coordinate System for a distance of 333.97 to the POINT OF BEGINNING; thence South 65 degrees 24 minutes 26 seconds West 484.44 feet; thence North 23 degrees 19 minutes 04 seconds West 1244.30 feet; thence on a tangential curve concave to the southwest having a radius of 517.57 feet the chord of which bears North 35 degrees 16 minutes 19 seconds West with a chord length of 204.99 feet to the west line of the NE ¼ of the SW ¼ of said Section 18 and there terminating.

SE ¼ of NE ¼, E ½ of SE ¼, Section 31, Township 60 North, Range 14 West.

Section 32, Township 60 North, Range 14 West.

Section 33, Township 60 North, Range 14 West.

Section 34, Township 60 North, Range 14 West.

W ½ of NW ¼, W ½ of SW ¼, Section 35, Township 60 North, Range 14 West.

EXHIBIT B

Permitted Encumbrances

The following items, as and to the extent describing or affecting the lands described on Exhibit A to the contract:

1. Recitals on Certificate of Title Nos. 222425, 258750, 268,917, 271756, 299241, 300136, 300499, 300959, and 302574 filed in the office of the Registrar of Titles in and for St. Louis County, Minnesota.

2. The Indenture and Lease made as of October 1, 1942, filed as Document No. 647175 in Book 746 of Deeds, at page 210 thereof, in the office of the County Recorder in and for St. Louis County, Minnesota, on November 30, 1943, and all amendments thereto (identified by the parties as the "Stone Lease" or "Lease I-D-73"), and the Assignment of Lease related thereto dated April 12, 1978, filed as Document No. 420866 in the office of said Registrar of Titles on April 26, 1979.

3. The Lis Pendens dated August 22, 1945, filed as Document No. 175919 in the office of said Registrar of Titles on September 1, 1945.

4. The Final certificate dated April 8, 1948, filed as Document No. 195931 in the office of said Registrar of Titles on August 19, 1948.

5. The Order authorizing execution of a Lease, which Order is dated June 13, 1957, filed as Document No. 257631 in the office of said Registrar of Titles on June 14, 1957.

6. The Petition by Minnesota Power & Light Company dated November 25, 1977, filed as Document No. 407115 in the office of said Registrar of Titles on November 25, 1977, and the Document No. 406016 therein referenced.

7. The Permit in favor of Erie Mining Co. dated July 20, 1981, filed as Document No. 440472 in the office of said Registrar of Titles on September 16, 1981.

8. The Timber Deed in favor of Minnesota Power, legally incorporated as Allete, Inc., dated November 27, 2002, filed as Document No. 738117 in the office of said Registrar of Titles on December 23, 2002.

9. The Timber Deed in favor of S.D. Warren Services, Co. d/b/a Sappi Fine Papers North America, dated December 20, 2002, filed as Document No. 739059 in the office of said Registrar of Titles on January 9, 2003.

10. The Timber Deed in favor of S.D. Warren Services, Co. d/b/a Sappi Fine Papers North America, dated June 5, 2003, filed as Document No. 752513 in the office of said Registrar of Titles on June 25, 2003.

11. The Amendment to Timber Deed in favor of Minnesota Power, legally incorporated as Allete, Inc., dated July 12, 2005, filed as Document No. 804633 in the office of said Registrar of Titles on September 16, 2005.

12. The Roadway Access License Agreement of even date herewith executed by the Purchaser in favor of the Seller, and the rights therein contained.

13. The Gas Pipeline License Agreement of even date herewith executed by the Purchaser in favor of the Seller, and the rights therein contained.

14. The Water Facilities License Agreement of even date herewith executed by the Purchaser in favor of the Seller, and the rights therein contained.

15. The Railroad License Agreement of even date herewith executed by the Purchaser in favor of the Seller, and the rights therein contained.

16. The Demolition License Agreement of even date herewith executed by the Purchaser in favor of the Seller, and the rights therein contained.

17. The Environmental Remediation and Reclamation Easement herein reserved to the Seller, and its successors and assigns, set forth in Exhibit C to this contract.

EXHIBIT C

Reserved Easements

[Attached to the Contract for Deed from Cliffs Erie L.L.C. (as Seller) to Poly Met Mining, Inc. (as Purchaser)]

Environmental Remediation and Reclamation

An easement over, under, and across the Premises is specifically hereby reserved unto and for the benefit of the Seller, and its successors and assigns, for the purpose of performing all environmental remediation and reclamation activities on the Premises that may be required pursuant to Seller's Permit to Mine, Mine Closure Plan, environmental permits issued by the State of Minnesota, and the State Master Agreement among Seller, the State of Minnesota, the Minnesota Iron Range Resources and Rehabilitation, the Minnesota Department of Natural Resources, Minnesota Pollution Control Agency, the Minnesota Department of Revenue, Cleveland-Cliffs Inc, Minnesota Power, Rainy River Energy Corporation - Taconite Harbor, LTV Steel Mining Company, and LTV Steel Company, Inc. (i.e. the "CE Remediation Obligations"). The easement shall be for, without limitation, ingress and egress, excavation, contouring, earth moving, blasting, filling, demolition and removal of buildings and structures, soil or substance removal, soil, air and water testing and monitoring, and all other actions incidental to or required pursuant to the CE Remediation Obligations. This easement does not create any duty, obligation or liability whatsoever to perform the CE Remediation Obligations to the Seller or any third party; it is strictly for the benefit of the Seller and its successors and assigns.

By accepting this contract for deed, the Purchaser, and its successors and assigns, consent to the performance of the CE Remediation Obligations by the Seller, and its successors and assigns, if and to the extent required by the State of Minnesota or an agency thereof, as an improvement to the Premises for the purposes of Chapter 514 of the Minnesota Statutes, and to any mechanics' lien that may arise thereunder.

AUS 28/7535966

Exhibit 8.1

PolyMet Mining Corp.
Subsidiaries

Name of Subsidiary	Ownership % of PolyMet Mining Corp.	Jurisdiction of Incorporation	Names Under Which They Do Business
Poly Met Mining, Inc.	100%	State of Minnesota	Poly Met Mining, Inc.
Fleck Minerals Inc.	100%	Ontario, Canada	Fleck Minerals Inc.

EXHIBIT 12.1

CERTIFICATION

I, William Murray, certify that:

1. I have reviewed this annual report on Form 20-F of PolyMet Mining Corp.;

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)) 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) 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

   c) 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: July 31, 2006

/s/ William Murray

Name: William Murray
Title: Chief Executive Officer

EXHIBIT 12.2

CERTIFICATION

I, Douglas Newby, certify that:

1. I have reviewed this annual report on Form 20-F of PolyMet Mining Corp.;

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)) 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) 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

   c) 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: July 31, 2006

/s/ Douglas Newby

Name: Douglas Newby
Title: Chief Financial Officer

Exhibit 13.1

CERTIFICATION
Pursuant to 18 United States Code § 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned hereby certify that the Annual Report on Form 20-F for the fiscal year ended December 31, 2005 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 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: July 31, 2006

By: /s/ William Murray

Name: William Murray
Title: Chief Executive Officer

Date: July 31, 2006

By: /s/ Douglas Newby

Name: Douglas Newby
Title: Chief Financial Officer

Filename:	**v048318_ex15-2.htm**
Type:	**EX-15.2**
Comment/Description:	

(this header is not part of the document)

THIS AGREEMENT dated for reference July 19, 2004

BETWEEN

[redacted]

[print name]

[redacted]

[print residence address, including postal code]

(the "Purchaser")

AND

Polymet Mining Corp.
1116 – 925 West Georgia Street, Vancouver, B.C. V6C 3L2

(the "Issuer").

Subject and pursuant to the terms set out in Appendix 1 attached hereto, the Purchaser hereby irrevocably subscribes for, and on Closing will purchase from the Issuer the following securities at the following price:

1,250,000 Units;

$0.80 per Unit for a total purchase price of $ 1,000,000.--

The Purchaser hereby directs the Issuer to issue, register and deliver the certificates representing the Units as follows:

Registration Instructions (if different from above):

Name to appear on certificate

Account reference, if applicable

Address

Delivery Instructions (if different from above):

[redacted]

Name and account reference, if applicable

[redacted]

Contact Name

[redacted]

Address

Telephone Number

EXECUTED by the Purchaser this 19 day of July, 2004

WITNESS:

Lombard Odier Darier Hentsch & Cie
by proxy

Signature of Witness

[redacted]

Name of Witness

[redacted]

Address of Witness

EXECUTION BY PURCHASER:

Signature of individual (if Purchaser is an individual)

Authorized signatory (if Purchaser is not an individual)

Name of Purchaser (please print)

Name of Authorized signatory (please print)

Address of Purchaser (residence if an individual)

[redacted]

Telephone number of Purchaser

[redacted]

E-mail address of Purchaser

ACCEPTED this 12th day of August, 2004

Polymet Mining Corp.

Per: [redacted]

Authorized signatory

p:\clients\1-under\polymet\pp-apr04\subtagt.doc

APPENDIX I

1. **DEFINITIONS**

1.1 In this Agreement, which includes the cover page and all of the Appendices, the following words have the following meanings unless otherwise indicated:

"**Accredited Investor**" has the meaning defined in MI 45-103:

"**Applicable Legislation**" means the BC Act, together with the regulations and rules made and promulgated thereunder and all administrative policy statements, and rulings, notices, and other administrative directions issued by the BC Commission;

"**BC Act**" means the *Securities Act*, (British Columbia) R.S.B.C. 1996, as amended, the regulations and rules made thereunder and all administrative policy statements, notices, directions and rulings issued by the BC Commission;

"**BC Commission**" means the British Columbia Securities Commission and the person appointed by it as the executive director;

"**BCI**" means BC Instrument 72-503, entitled "Distribution of Securities Outside British Columbia";

"**BC Rules**" means the rules made under the BC Act;

"**Close Business Associate**" has the meaning defined in 45-103CP;

"**Close Personal Friend**" has the meaning defined in 45-103CP.

"**Closing**" means the day the Units are issued to the Purchaser;

"**Disclosure Record**" has the meaning set forth in sub-paragraph 5.3(e) hereof;

"**Distribution**" means the proposed issuance of Shares and Warrants to the Purchaser;

"**Exchange**" means the TSX Venture Exchange;

"**Exchange Policies**" means the rules and policies of the Exchange;

"**Filing Deadline**" means the date the Private Placement documentation is required to be filed with the Exchange, or any extension thereof;

"**Final Closing**" means the last closing under the Private Placement;

"**MI 45-102**" means Multilateral Instrument 45-102, "Resale of Securities", dated and effective March 30, 2004, issued by the Canadian Securities Administrators, and adopted by the BC Commission;

"**MI 45-103**" means Multilateral Instrument 45-103, "Capital Raising Exemptions", dated and effective March 30, 2004, issued by the Canadian Securities Administrators, and adopted by the BC Commission;

"**Offering Memorandum**" means an Offering Memorandum, if any, prepared by the Issuer in connection with the Private Placement, as it may be amended from time to time;

"**Private Placement**" means the offering of the Units on the terms and conditions set out herein;

"**Regulatory Authorities**" means the BC Commission and the Exchange;

"**Securities**" means the Units, the Shares, the Warrants and the Warrant Shares;

"Shares" means the previously unissued common shares in the capital of the Issuer, as presently constituted, which will be issued as part of the Units;

"Units" means the units of the Issuer to be offered by the Issuer pursuant to this Agreement having the terms provided in this Agreement;

"Warrants" means the share purchase warrants of the Issuer, which form a part of the Units and which have the terms provided in this Agreement and the certificates representing such share purchase warrants;

"Warrant Shares" means the previously unissued common shares in the capital stock of the Issuer, as presently constituted, which will be issued on exercise of the Warrants; and

"45-103CP" means Companion Policy 45-103CP to MI 45-103.

1.2 In this Agreement, the following terms have the meanings defined in Regulation "S": "U.S. Person" and "United States".

1.3 All references to currency in this Agreement are references to Canadian dollars.

2. PURCHASE AND SALE OF UNITS

2.1 Each Unit consists of one Share and one-half of one Warrant. The Shares and Warrants will be issued and registered in the name of the Purchaser or its nominee.

2.2 The issue of the Units will not restrict or prevent the Issuer from obtaining any other financing, or from issuing additional securities or rights.

3. WARRANTS

3.1 The right to purchase a Warrant Share under a Warrant may be exercised at any time until the close of business on the day which is 18 months from the date such Warrant was issued to the holder.

3.2 The Warrants will be issued and registered in the name of the Purchaser or its nominee.

3.3 One whole Warrant will entitle the holder, on exercise, to purchase one Warrant Share at a price of $1.20 per Warrant Share.

3.4 The Warrants will be non-transferable, except as permitted under the BC Act.

3.5 The certificates representing the Warrants will, among other things, include provisions for the appropriate adjustment in the class, number and price of the Warrant Shares issued upon exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Issuer's common shares, the payment of stock dividends and the amalgamation of the Issuer.

3.6 The issue of the Warrants will not restrict or prevent the Issuer from obtaining any other financing, or from issuing additional securities or rights, during the period within which the Warrants may be exercised.

4. AIF

4.1 The Issuer filed a Form 20-F, entitled "Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934", as an alternative form of AIF with the BC Commission.

5. **WARRANTIES AND DISCLAIMER**

5.1 The Purchaser acknowledges, represents, warrants and covenants to and with the Issuer that, as at the date given above and at the Closing:

(a) no prospectus has been filed by the Issuer with the BC Commission in connection with the issuance of the Units, the issuance is exempted from the prospectus requirements of the Applicable Legislation and that:

(i) the Purchaser is restricted from using most of the civil remedies available under the Applicable Legislation;

(ii) the Purchaser may not receive information that would otherwise be required to be provided to him under the Applicable Legislation; and

(iii) the Issuer is relieved from certain obligations that would otherwise apply under the Applicable Legislation;

(b) **if resident in British Columbia:**

[B.C. - s. 74(2)(1) - exempt purchasers]

(i) the Purchaser is the Business Development Bank of Canada, a bank, credit union, trust company or extra-provincial trust corporation authorized to carry on business under the *Financial Institutions Act* (British Columbia), a corporation that is a subsidiary of a bank and to which the *Loan Companies Act* (Canada) applies, the B.C. Community Financial Services Corporation established under the *Community Financial Services Act* (British Columbia), and insurance company or an extra-provincial insurance corporation licensed to do business under the *Financial Institutions Act* (British Columbia), a subsidiary wholly owned (except for voting securities required by law to be owned by directors of that subsidiary) of any of the foregoing, the government of Canada or a province, or a municipal corporation, public board or commission in Canada;

OR *[B.C. - s. 74(2)(3) – exemption order]*

(ii) the Purchaser is purchasing as principal, is not an individual and is designated as an exempt purchaser in an order made by the Executive Director of the BC Commission.

OR *[B.C. - s.74(2)(4) $97,000]*

(iii) the Purchaser is purchasing sufficient Units so that the aggregate acquisition cost of the Units to the Purchaser is not less than $97,000, the Purchaser is not a corporation, partnership, trust, fund, association, or any other organized group of persons created solely, or used primarily, to permit the purchase of the Units (or other similar purchases) by a group of individuals whose individual share of the aggregate acquisition cost of the Units is less than $97,000, and the Purchaser is either:

(A) purchasing the Units as principal and no other person, corporation, firm or other organization will have a beneficial interest in the Units; or

(B) if not purchasing the Units as principal, is

(1) duly authorized to enter into this subscription and to execute all documentation in connection with the purchase on behalf of each beneficial purchaser, it being acknowledged that the Issuer may in the future be required by law to disclose on a confidential basis to securities regulatory authorities the identity of each beneficial purchaser of Units for whom the Purchaser may be acting; and is

(a) a trust company, insurance company or financial institution that has been authorized to do business under the *Financial Institutions Act* (British Columbia);

(b) an adviser who manages the investment portfolio of clients through discretionary authority granted by one or more clients and who is registered as a portfolio manager under the BC Act or is exempt from such registration;

(c) a trust company or insurer, authorized under the laws of a province or territory of Canada other than British Columbia to carry on business in such province or territory;

(d) a portfolio manager registered or exempt from registration under the laws of a province or territory of Canada other than British Columbia; or

(e) a portfolio manager in a jurisdiction other than Canada;

and it is purchasing the Units as an agent or trustee for accounts that are fully managed by it, and the aggregate acquisition cost of the Units purchased for all the accounts managed by it is not less than $97,000; or

(II) is acting as agent for one or more disclosed principals, each of which principals is purchasing as a principal for its own account, not for the benefit of any other person, and not with a view to the resale or distribution of all or any of the Units and each of which principals complies with Subsection 5.1(b)(i) hereof;

OR *[BC – s.74(2)(9) – Director, Senior Officer, Employee]*

(iv) the Purchaser is:

(A) an employee, senior officer or director of an employer, senior officer or director of an affiliate of the Issuer, so long as that person is not induced to purchase by expectation of employment or continued employment;

(B) a trustee on behalf of a person referred to in subparagraph (A), or

(C) an issuer all of the voting securities of which are beneficially owned by one or more of the persons referred to in subparagraph (A).

OR *[MI 45-103- s.3.1 – Family, friends and business associates]*

(v) the Purchaser is purchasing the Units as principal, and is:

(A) a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;

(B) a spouse, parent, grandparent, brother, sister or child of a director, senior officer or control person of the issuer, or of an affiliate of the Issuer; or

(C) a parent, grandparent, brother, sister or child of the spouse of a director, senior officer or control person of the Issuer or of an affiliate of the Issuer;

(D) a close personal friend of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer;

(E) a close business associate of a director, senior officer or control person of the Issuer, or of an affiliate of the Issuer, or

(F) a founder of the Issuer or a spouse, parent, grandparent, brother, sister, child, close personal friend or close business associate of a founder of the issuer;

(G) a parent, grandparent, brother, sister or child of the spouse of a founder of the issuer;

(H) a person or company of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons or companies described in subparagraphs (A) to (G); or

(I) a trust or estate of which all of the beneficiaries or a majority of the trustees are persons or companies described in paragraphs (A) to (G).

OR *[MI 45-103 – 5.1 – Accredited Investor]*

(vii) (A) the Purchaser is purchasing the Units as principal and is an Accredited Investor,

(B) the prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (A).

(c) **if resident outside Canada and the United States, the Purchaser:**

(i) is knowledgeable of, or has been independently advised as to the applicable securities laws of the securities regulatory authorities (the "Authorities") having application in the jurisdiction in which the Purchaser is resident (the "International Jurisdiction") which would apply to the acquisition of the Purchaser's Units, if any;

(ii) is purchasing the Purchaser's Units pursuant to exemptions from the prospectus and registration requirements under the applicable securities laws of the Authorities in the International Jurisdiction or, if such is not applicable, the Purchaser is permitted to purchase the Purchaser's Units under the applicable securities laws of the Authorities in the International Jurisdiction without the need to rely on any exemption; and

(iii) the applicable securities laws of the Authorities in the International Jurisdiction do not require the Issuer to make any filings or seek any approvals of any nature whatsoever from any Authority of any kind whatsoever in the International Jurisdiction in connection with the issue and sale or resale of the Purchaser's Units;

(d) the Purchaser has received a copy of the Offering Memorandum, if any;

(e) to the best of the Purchaser's knowledge, the Units were not advertised;

(f) no person has made to the Purchaser any written or oral representations:

(i) that any person will resell or repurchase the Securities;

(ii) that any person will refund the purchase price of the Units;

(iii) as to the future price or value of any of the Securities; or

(iv) that the Securities will be listed and posted for trading on a stock exchange or that application has been made to list and post the Securities for trading on a stock exchange, other than the Exchange;

(g) this subscription has not been solicited in any other manner contrary to the Applicable Legislation;

(h) the Purchaser is not a "control person" of the Issuer as defined in the Applicable Legislation, will not become a "control person" by virtue of this purchase of any of the Securities, and does not intend to act in concert with any other person to form a control group of the Issuer;

(i) the offer was not made to the Purchaser when he was in the United States and at the time the Purchaser's buy order was made, the Purchaser was outside the United States;

(j) the Purchaser is not a U.S. Person;

(k) the Purchaser is not and will not be purchasing Units for the account or benefit of any U.S. Person;

(l) the Purchaser (or others for whom it is contracting hereunder) has been advised to consult its own legal and tax advisors with respect to applicable resale restrictions and tax considerations, and it (or others for whom it is contracting hereunder) is solely responsible for compliance with applicable resale restrictions and, subject to the other provisions of this Agreement, applicable tax legislation;

(m) the Purchaser has no knowledge of a "material fact" or "material change" (as those terms are defined in the Acts) in the affairs of the Issuer that has not been generally disclosed to the public, save knowledge of this particular transaction;

(n) the offer made by this subscription is irrevocable (subject to the Purchaser's right to withdraw his subscription and to terminate his obligations as set out in this Agreement) and requires acceptance by the Issuer and approval of the Exchange;

(o) the Purchaser has the legal capacity and competence to enter into and execute this Agreement and to take all actions required pursuant hereto and, if the Purchaser is a corporation it is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been given to authorize execution of this Agreement on behalf of the Purchaser;

(p) the entering into of this Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Purchaser or of any agreement, written or oral, to which the Purchaser may be a part or by which he is or may be bound;

(q) this Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser enforceable against the Purchaser;

(r) the Purchaser has been independently advised as to the applicable hold period imposed in respect of the Securities by securities legislation in the jurisdiction in which the Purchaser resides and confirms that no representation has been made respecting the applicable hold periods for the Securities and is aware of the risks and other characteristics of the Securities and of the fact that the Purchaser may not be able to resell the Securities except in accordance with the applicable securities legislation and regulatory policies;

(s) the Purchaser, and any beneficial purchaser for whom the Purchaser is acting, is resident in the province or jurisdiction set out on the cover page of this Agreement;

(t) if required by applicable securities legislation, policy or order or by any securities commission, stock exchange or other regulatory authority, the Purchaser will execute, deliver, file and otherwise assist the Issuer in filing, such reports, undertakings and other documents with respect to the issue of the Securities as may be required;

(u) the Purchaser acknowledges that the offering of securities under this Private Placement is restricted to purchasers in Canada that are resident in British Columbia only, and in such other jurisdictions outside Canada and the United States, where such securities may be lawfully offered for sale;

(v) the Purchaser acknowledges that:

(i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;

(ii) there is no government insurance covering the Securities;

(iii) there are risks associated with the purchase of the Securities;

(iv) except as otherwise set forth herein, it has relied solely upon publicly available information relating to the Issuer and not relied upon any oral or written representation as to fact or otherwise made by or on behalf of the Issuer except as expressly set forth herein and such publicly available information having been delivered to the Purchaser, and

(v) the Purchaser, or, where the Purchaser is not purchasing as principal, each beneficial purchaser, has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment and is able to bear the economic risk of loss of its investment; and

(w) the Purchaser agrees that the above representations, warranties and covenants in this subsection will be true and correct both as of the execution of this subscription and as of the day of Closing.

5.2 The foregoing representations, warranties and covenants are made by the Purchaser with the intent that they be relied upon by the Issuer in determining its suitability as a purchaser of Units, and the Purchaser hereby agrees to indemnify the Issuer against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur as a result of reliance thereon. The Purchaser undertakes to notify the Issuer immediately of any change in any representation, warranty or other information relating to the Purchaser set forth herein which takes place prior to the Closing.

5.3 The Issuer represents and warrants to the Purchaser that, as of the date given above and at the Closing:

(a) the Issuer and its subsidiaries, if any, are valid and subsisting corporations duly incorporated and in good standing under the laws of the jurisdiction in which they are incorporated, continued or amalgamated;

(b) the Issuer and its subsidiaries, if any, are duly registered and licenced to carry on business in the jurisdictions in which they carry on business or own property where required under the laws of that jurisdiction;

(c) the authorized and issued capital of the Issuer is as disclosed to the Exchange, and the outstanding shares of the Issuer are fully paid and non-assessable;

(d) the Issuer will reserve or set aside sufficient shares in its treasury to issue the Warrant Shares;

(e) except as qualified by the disclosure in all prospectuses, filing statements, annual information forms, including the Issuer's current AIF, and press releases filed with the Regulatory Authorities or as disclosed in the Offering Memorandum, if any, (the "**Disclosure Record**"), the Issuer is the beneficial owner of the properties, business and assets or the interests in the properties, business or assets referred to in the Disclosure Record, all agreements by which the Issuer holds an interest in a property, business or assets are in good standing according to their terms, and the properties are in good standing under the applicable laws of the jurisdictions in which they are situated;

(f) the Disclosure Record, subscription form and all other written or oral representations made by the Issuer to the Purchaser in connection with the Private Placement is and will be accurate in all material respects and does and will omit no fact, the omission of which does or will make such representations misleading or incorrect;

(g) the financial statements contained in the Offering Memorandum, if any, or most recently filed with the BC Commission have been prepared in accordance with Canadian generally accepted accounting principles, accurately reflect the financial position and all material liabilities (accrued, absolute, contingent or otherwise) of the Issuer as at the date thereof, and no adverse material changes in the financial position of the Issuer have taken place since the date thereof, save in the ordinary course of the Issuer's business;

(h) the Issuer has complied and will comply fully with the requirements of all applicable corporate and securities laws and administrative policies and directions, including, without limitation, the Applicable Legislation in relation to the issue and trading of its securities and in all matters relating to the Private Placement;

(i) there is not presently, and will not be until the Closing of the Distribution, any material change, as defined in the Applicable Legislation, relating to the Issuer or change in any material fact, as defined in the Applicable Legislation, relating to any of the Securities which has not been or will not be fully disclosed in accordance with the requirements of the Applicable Legislation and the Exchange Policies;

(j) the issue and sale of the Securities by the Issuer does not and will not conflict with, and does not and will not result in a breach of, any of the terms of the Issuer's incorporating documents or any agreement or instrument to which the Issuer is a party;

(k) neither the Issuer nor any of its subsidiaries is a party to any actions, suits or proceedings which could materially affect its business or financial condition, and to the best of the Issuer's knowledge no such actions, suits or proceedings are contemplated or have been threatened except as disclosed in the Disclosure Record;

(l) there are no judgments against the Issuer or any of its subsidiaries, if any, which are unsatisfied, nor are there any consent decrees or injunctions to which the Issuer or any of its subsidiaries, if any, is subject;

(m) this Agreement has been or will be by the Closing, duly authorized by all necessary corporate action on the part of the Issuer, and the Issuer has full corporate power and authority to undertake the Private Placement;

(n) the Issuer is not in default of any of the requirements of the Applicable Legislation or any of the administrative policies or notices of the Regulatory Authorities;

(o) the Issuer is an "exchange issuer" within the meaning of the BC Act and a "reporting issuer" in the provinces of British Columbia and Alberta within the meaning of the Applicable Legislation;

(p) no order ceasing or suspending trading in securities of the Issuer nor prohibiting the sale of such securities has been issued to and is outstanding against the Issuer or its directors, officers or promoters or against any other companies that have common directors, officers or promoters and no investigations or proceedings for such purposes are pending or threatened;

(q) except as disclosed in the Disclosure Record or otherwise to the Regulatory Authorities no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming such a right, agreement or option, for the issue or allotment of any unissued shares in the capital of the Issuer or its subsidiaries, if any, or any other security convertible into or exchangeable for any such shares, or to require the Issuer or its subsidiaries, if any, to purchase, redeem or otherwise acquire any of the issued and outstanding shares in its capital;

(r) the Issuer and its subsidiaries, if any, have filed all federal, provincial, local and foreign tax returns which are required to be filed, or have requested extensions thereof, and have paid all taxes required to be paid by them and any other assessment, fine or penalty levied against them, to the extent that any of the foregoing is due and payable, except for such assessments, fines and penalties which are currently being contested in good faith;

(s) the Issuer and its subsidiaries, if any, have established on their books and records reserves which are adequate for the payment of all taxes not yet due and payable and there are no liens for taxes on the assets of the Issuer or its subsidiaries, if any, except for taxes not yet due, and there are no audits of any of the tax returns of the Issuer or its subsidiaries, if any, which are known by the Issuer's management to be pending, and there are no claims which have been or may be asserted relating to any such tax returns which, if determined adversely, would result in the assertion by any governmental agency of any deficiency which would have a material adverse effect on the properties, business or assets of the Issuer or its subsidiaries, if any; and

(t) the Issuer owns or possesses adequate rights to use all material patents, trademarks, service marks, trade names, copyrights, trade secrets, information, proprietary rights and other intellectual property necessary for the business of the Issuer now conducted and proposed to be conducted, without any conflict with or infringement of the rights of others. The Issuer has received no communication alleging that the Issuer has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity. Neither the execution or delivery of this Agreement nor the carrying on of the business of the Issuer by the employees of the Issuer, nor the conduct of the business of the Issuer will conflict with or result in a breach of the terms, conditions, or provisions of or constitute a default under, any contract, covenant or instrument under which any of such employees is now obligated.

5.4 The representations and warranties contained in this Section will survive the Closing.

5.5 The Purchaser hereby acknowledges that all warranties, conditions, representations or stipulations, whether express or implied and whether arising hereunder or under prior agreement or statement or by statute or at common law are expressly those of the Issuer.

The Purchaser acknowledges that no information or representation concerning the Issuer has been provided to the Purchaser by the Issuer other than those contained in this Agreement and the Disclosure Record and that the Purchaser is relying entirely upon this Agreement and the Disclosure Record.

6. OTHER UNIT SALES

6.1 The Purchaser acknowledges that there may be other sales of Units, some or all of which may occur after the acquisition of the Units by the Purchaser. The Purchaser further acknowledges that there is a risk that insufficient funds may be raised from the sale of Units to fund the Issuer's objectives described in the Offering Memorandum, if any, and that it is possible that no Units may be purchased after the Purchaser has done so.

7. ISSUER'S ACCEPTANCE

7.1 The Agreement, when executed by the Purchaser and delivered to the Issuer, will constitute a subscription for Units which will not be binding on the Issuer until accepted by the Issuer by executing this Agreement in the space provided on the first page of the Agreement and, notwithstanding the reference date on that page, if the Issuer accepts the subscription by the Purchaser, the Agreement will be entered into on the date of such execution by the Issuer.

7.2 The Issuer shall be entitled to rely on delivery by facsimile of an executed copy of this Agreement, and acceptance by the Issuer by facsimile copy shall be legally effective to create a valid and binding agreement between the Purchaser and the Issuer in accordance with the terms hereof.

8. CONTRACTUAL AND STATUTORY RIGHTS

8.1 If an Offering Memorandum is delivered to the Purchaser, then the Issuer hereby grants to the Purchaser the contractual and statutory rights of action in the terms referred to in the Applicable Legislation and described in the Offering Memorandum.

8.2 In the event that the Purchaser, who acquires Shares and Warrants, comprising the Units purchased by it, is or becomes entitled under the Applicable Legislation to the remedy of rescission by reason of the Offering Memorandum or any amendment thereto containing a misrepresentation, the Purchaser will be entitled to rescission of its subscription hereunder. The foregoing is in addition to any other right or remedy available to the Purchaser under the Applicable Legislation or otherwise at law.

9. CLOSING

9.1 The Closing will take place within five business days of approval of the Private Placement by the Exchange, unless otherwise agreed between the Issuer and the Purchaser. The Purchaser acknowledges that, although the Units may be issued to other purchasers under the Private Placement concurrently with the Closing, there may be other sales of Units under the Private Placement, some or all of which may close after the Closing. The Purchaser further acknowledges that there is a risk that insufficient funds may be raised on the Closing to fund the Issuer's objectives described in the Offering Memorandum, if any, and that further closings may not take place after the Closing.

9.2 On or before the Filing Deadline, the Purchaser will deliver to the Issuer this subscription form, duly executed, and payment in full for the total price of the Units to be purchased by the Purchaser.

9.3 At Closing, the Issuer will deliver to the Purchaser the certificates representing the Shares and Warrants, comprising the Units, purchased by the Purchaser registered in the name of the Purchaser or its nominee.

9.4 Prior to the Filing Deadline, if the Purchaser is resident in British Columbia, the Purchaser will deliver to the Issuer, a completed Accredited Investor Confirmation, as set out in Appendix II, and if the Purchaser is not an individual, a fully executed Form 4C, Corporate Placee Registration Form (the "**Form**") in form as set out in Appendix III, unless the Form is already on file with

the Exchange and the Exchange has been advised of any changes in the information provided in the Form, prior to the Purchaser participating in the Private Placement.

10. HOLD PERIOD

10.1 The Purchaser acknowledges that the Securities will be subject to restrictions on resale in Canada until such time as:

(a) the appropriate "hold periods" have been satisfied, which for residents of British Columbia, is four (4) months plus one day from the date of issue of the Shares and Warrants comprising the Units;

(b) a further statutory exemption is available to the investor and if such trade takes place within four (4) months of Closing, and if the Shares are listed on the Exchange, the prior consent of the Exchange is obtained; or

(c) an appropriate discretionary order is obtained pursuant to applicable securities laws.

10.2 The certificates representing the Securities will bear a legend denoting the restrictions on transfer imposed by the Applicable Legislation. The Purchaser agrees to sell, assign or transfer the Securities only in accordance with the requirements of applicable securities laws and such legends.

11. MISCELLANEOUS

11.1 The Purchaser hereby authorizes the Issuer to correct any minor errors in, or complete any minor information missing from:

(a) if a resident of British Columbia, an Accredited Investor Confirmation (Appendix II); and

(b) if not an individual, a Form 4C, Corporate Placee Registration Form (Appendix III),

which has been executed by the Purchaser and delivered to the Issuer.

11.2 The Issuer will be entitled to rely on delivery by facsimile machine of an executed copy of this subscription, and acceptance by the Issuer of such facsimile copy will be equally effective to create a valid and binding agreement between the Purchaser and the Issuer in accordance with the terms hereof.

11.3 Without limitation, this subscription and the transactions contemplated hereby are conditional upon and subject to the Issuer receiving the Exchange's approval of this subscription and the transactions contemplated hereby.

11.4 This Agreement is not assignable or transferable by the parties hereto without the express written consent of the other party hereto.

11.5 Time is of the essence of this Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (British Columbia).

11.6 Except as expressly provided in this Agreement and in the agreements, instruments and other documents contemplated or provided for herein, this Agreement contains the entire agreement between the parties with respect to the Securities and there are no other terms, conditions, representations or warranties whether expressed, implied, oral or written, by statute, by common law, by the Issuer, or by anyone else.

11.7 The parties to this Agreement may amend this Agreement only in writing.

11.8 This Agreement enures to the benefit of and is binding upon the parties to this Agreement and their successors and permitted assigns.

11.9 A party to this Agreement will give all notices to or other written communications with the other party to this Agreement concerning this Agreement by hand or by registered mail addressed to the address given above.

11.10 This Agreement is to be read with all changes in gender or number as required by the context.

11.11 This Agreement will be governed by and construed in accordance with the laws of British Columbia, and the parties hereto irrevocably attorn and submit to the jurisdiction of the courts of British Columbia with respect to any dispute related to this Agreement.

END OF APPENDIX I

APPENDIX II - ACCREDITED INVESTOR CONFIRMATION

(SUBSCRIBERS IN BRITISH COLUMBIA)

The undersigned, as a purchaser of securities of **Polymet Mining Corp.** (the "Issuer"), has represented that the undersigned is an "accredited investor" as defined in Multilateral Instrument 45-103, Capital Raising Exemptions, dated and effective March 30, 2004, issued by the Canadian Securities Administrators, and adopted by the BC Commission. The undersigned has indicated below by a checkmark (√) the categories which it, he or she satisfies.

____ (a) a Canadian financial institution, or an authorized foreign bank listed in Schedule III of the *Bank Act* (Canada);

____ (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);

____ (c) an association under the *Cooperative Credit Associations Act* (Canada) located in Canada or a central cooperative credit society for which an order has been made under subsection 473(1) of that Act;

____ (d) a subsidiary of any person or company referred to in paragraphs (a) to (c), if the person or company owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

____ (e) a person or company registered under the securities legislation of a jurisdiction of Canada, as an adviser or dealer, other than a limited market dealer registered under the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador);

____ (f) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada, as a representative of a person or company referred to in paragraph (e);

____ (g) the government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly-owned entity of the government of Canada or a jurisdiction of Canada;

____ (h) a municipality, public board or commission in Canada;

____ (i) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;

____ (j) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;

____ (k) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000;

____ (l) an individual whose net income before taxes exceeded $200,000 in each of the two most recent years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the two most recent years and who, in either case, reasonably expects to exceed that net income level in the current year;

____ (m) a person or company, other than a mutual fund or non-redeemable investment fund, that, either alone or with a spouse, has net assets of at least $5,000,000, and unless the person or company is an individual, that amount is shown on its most recently prepared financial statements;

____ (n) a mutual fund or non-redeemable investment fund that, in the local jurisdiction, distributes its securities only to persons or companies that are accredited investors;

____ (o) a mutual fund or non-redeemable investment fund that, in the local jurisdiction, is distributing or has distributed its securities under one or more prospectuses for which the regulator has issued receipts;

____ (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, trading as a trustee or agent on behalf of a fully managed account;

____ (q) a person or company trading as agent on behalf of a fully managed account if that person or company is registered or authorized to carry on business under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction as a portfolio manager or under an equivalent category of adviser or is exempt from registration as a portfolio manager or the equivalent category of adviser.

____ (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advise from an eligibility adviser or other adviser registered to provide advice on the securities being traded.

____ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (n) through (e) and paragraph (j) in form and function, or

____ (t) a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, except the voting securities required by law to be owned by directors, are persons or companies that are accredited investors.

The statements made in this Appendix are true.

DATED _____ 2004.

_____
Signature of Purchaser

_____
Name of Purchaser

_____
Address of the Purchaser

END OF APPENDIX III

APPENDIX III

TSX venture EXCHANGE

FORM 4C
CORPORATE PLACEE REGISTRATION FORM

Where subscribers to a Private Placement are not individuals, the following information about the placee must be provided. This form will remain on file with the Exchange. The corporation, trust, portfolio manager or other entity (the "Placee") need only file it on one time basis, and it will be referenced for all subsequent Private Placements in which it participates. If any of the information provided in this Form changes, the Placee must notify the Exchange prior to participating in further placements with Exchange listed companies. If as a result of the Private Placement, the Placee becomes an Insider of the Issuer, Insiders of the Placee are reminded that they must file a Personal Information Form (2A) or, if applicable, Declarations, with the Exchange.

1. Placee Information

   (a) Name: [redacted]

   (b) Complete Address: [redacted]

   (c) Jurisdiction of Incorporation or Creation: [redacted]

2. (a) Is the Placee purchasing securities as a portfolio manager?

   Yes [X] No [ ]

   (b) Is the Placee carrying on business as a portfolio manager outside Canada?

   Yes [X] No [ ]

3. If the answer to 2(b) above was "Yes", the undersigned certified that:

   (a) It is purchasing securities of an Issuer on behalf of managed accounts for which it is making the investment decision to purchase the securities and has full discretion to purchase or sell securities for such accounts without requiring the client's express consent to a transaction;

   (b) It carries on the business of managing the investment portfolios of clients through discretionary authority granted by those clients (a "portfolio manager" business) in [redacted] [jurisdiction], and it is permitted by law to carry on a portfolio manager business in that jurisdiction;

   (c) it was not created solely or primarily for the purpose of purchasing securities of the Issuer;

   (d) the total asset value of the investment portfolios it manages on behalf of clients is not less than $20,000,000; and

   (e) it has no reasonable grounds to believe that any of the directors, senior officers and other insiders of the Issuer, and the persons that carry on investor relations activities for the Issuer has a beneficial interest in any of the managed accounts for which it is purchasing.

4. If the answer to 2(a) above was "No", please provide the names and addresses of control persons of the Placee:

Name	City	Province or State	Country

The undersigned acknowledges that it is bound by the provisions of applicable Securities Law, including provisions concerning the filing of insider reports and reports of acquisitions (See for example, sections 87 and 111 of the *Securities Act* (British Columbia) and sections 176 and 182 of the *Securities Act* (Alberta)).

Dated at [redacted] on July 19, 2004.

Lombard Odier Darier Hentsch & Cie
by proxy :

(Name of Purchaser - please print)

[redacted]

(Authorized Signature)

[redacted]

(Official Capacity - please print)

(please print name of individual whose signature appears above, if different from name of placee printed above)

THIS IS NOT A PUBLIC DOCUMENT

END OF APPENDIX III

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POLYMET MINING CORP.

PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT

INSTRUCTIONS TO PURCHASER

1. All purchasers complete all the information in the boxes on page and sign where indicated with an "**X**".

2. If you are a resident in a jurisdiction outside of Canada or the United States of America specifically the United Kingdom or Europe), then complete the "Accredited Investor Questionnaire (British Columbia)" that starts on page . The purpose of the questionnaire is to determine whether you meet the standards for participation in a private placement under Multilateral Instrument 45-103 adopted by the British Columbia Securities Commission.

3. If you are a portfolio manager or you are not an individual (that is, the Purchaser is a corporation, partnership, trust or entity other than an individual), then complete and sign the "Corporate Placee Registration Form" (Form 4C) that starts on page .

4. On or before the end of the fifth business day before the Closing Date as defined under the Terms, the Purchaser will deliver to the Issuer the Subscription Agreement and all applicable schedules and required forms, duly executed, and payment in full for the total price of the Purchased Securities to be purchased by the Purchaser, by wire transfer, certified funds or bank drafts as follows:

   (i) Cheques and bank drafts to be made payable to: **PolyMet Mining Corp.**

   (ii) Wire transfers to be forwarded to:

Account name:	**Polymet Mining Corp.**
Bank:	**Royal Bank of Canada** **6400 No. 3 Road,** **Richmond, B.C.,** **V6Y 2C2**
Transit #:	**4800**
Account#:	**1039577**
Swift Code:	**ROYCCAT 2**
ABA#:	**021 0000021**

ALL SUBSCRIPTION AGREEMENTS, APPLICABLE, SCHEDULES, REQUIRED FORMS AND PAYMENTS TO BE FORWARDED TO:

POLYMET MINING CORP.
520 - 700 WEST PENDER STREET
VANCOUVER, BRITISH COLUMBIA, CANADA V6C 1G8

This is page of pages of a subscription agreement and related appendixes, schedules and forms. Collectively, these pages together are referred to as the "Subscription Agreement".

UNIT NON-BROKERED PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT

TO: **PolyMet Mining Corp.** (the "Issuer"), of Suite 520 - 700 West Pender Street, Vancouver, British Columbia, V6C 1G8

Subject and pursuant to the terms set out in the Terms on pages to , the General Provisions on pages to and the other schedules and appendixes attached which are hereby incorporated by reference, the Purchaser hereby irrevocably subscribes for, and on Closing will purchase from the Issuer, the following securities at the following price:

_____Units

$0.55 per Unit for a total purchase price of $_____

The Purchaser owns, directly or indirectly, the following securities of the Issuer: _____

[Check if applicable] The Purchaser is ☐ an insider of the Issuer

The Purchaser directs the Issuer to issue, register and deliver the certificates representing the Purchased Securities as follows:

REGISTRATION INSTRUCTIONS	**DELIVERY INSTRUCTIONS**
Name to appear on certificate	Name and account reference, if applicable
Account reference if applicable	Contact name
Address	Address
	Telephone Number

EXECUTED by the Purchaser this _____ day of _____, 2005. By executing this Subscription Agreement, the Purchaser certifies that the Purchaser and any beneficial purchaser for whom the Purchaser is acting is resident in the jurisdiction shown as the "Address of Purchaser". Unless the jurisdiction shown as the "Address of Purchaser" is British Columbia, then the Purchaser certifies that the Purchaser is NOT resident in British Columbia.

WITNESS:	**EXECUTION BY PURCHASER:**
	X
Signature of Witness	Signature of individual (if Purchaser **is** an individual)
	X
Name of Witness	Authorized signatory (if Purchaser **is not** an individual)
Address of Witness	Name of Purchaser (**please print**)
	Name of authorized signatory (**please print**)
Accepted this _____ day of _____, 2005	Address of Purchaser (residence)
POLYMET MINING CORP..	
Per:	Telephone Number
Authorized signatory	E-mail address

By signing this acceptance, the Issuer agrees to be bound by the Terms on pages to , the General Provisions on pages to , and the other schedules and appendixes incorporated by reference.

TERMS

Reference date of this Subscription Agreement February•, 2005 (the "Agreement Date")

The Offering

The Issuer	POLYMET MINING CORP. (the "Issuer")
Offering	The offering consists of up to an aggregate of **9,000,000** units of the Issuer (the "Units").
Purchased Securities	The "Purchased Securities" are Units. Each Unit consists of one previously unissued common share, as presently constituted (a "Share") and one-half of one non-transferable share purchase warrant (a "Warrant") of the Issuer. One whole Warrant will entitle the holder, on exercise, to purchase one additional common share of the Issuer (a "Warrant Share") at a price of **$0.70** per Warrant Share at any time until the close of business on the day which is **24 months** from the date of Closing, **provided that if the closing price of the Issuer's shares as traded on the Exchange is over $1.00 per share for 30 consecutive days, the Warrants will terminate 30 days thereafter.**
Total amount	Up to **$4,950,000**
Price	**$0.55** per Unit
Warrants	The Warrants will be issued and registered in the name of the purchasers. The Warrants will be non-transferable and are subject to a four-month hold period. See "Resale Restrictions and Legends." The certificates representing the Warrants will, among other things, include provisions for the appropriate adjustment in the class, number and price of the Warrant Shares issued upon exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Issuer's common shares, the payment of stock dividends and the amalgamation of the Issuer. The issue of the Warrants will not restrict or prevent the Issuer from obtaining any other financing, or from issuing additional securities or rights, during the period within which the Warrants may be exercised.
Use of Proceeds	The proceeds of the placement will be utilized for a winter drill program, engagement of contracts for the environmental impact statement, commencement of process testwork and process engineering matters for a Definitive Feasibility Study on the NorthMet Project and to provide working capital.
Selling Jurisdictions	The Units may be sold in certain jurisdictions outside Canada as solely determined by the Company in accordance with available exemptions (the "Selling Jurisdictions").

Exemptions

The offering will be made in accordance with the following exemptions from the prospectus requirements:

(a) the British Columbia "accredited investor" exemption (section 5.1 of Multilateral Instrument 45-103)

Resale restrictions and legends

Pursuant to Multilateral Instrument 45-102, the Purchased Securities will be subject to a four month hold period that starts to run on Closing.

The Purchaser acknowledges that the certificates representing the Purchased Securities will bear the following legends:

"Unless permitted under securities legislation, the holder of the securities shall not trade the securities before [date that is four months and a day after the Closing.]"

"Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [date that is four months and a day after the Closing]."

Purchasers are advised to consult with their own legal counsel or advisors to determine the resale restrictions that may be applicable to them.

Closing Date

Payment for, and delivery of, the Units is scheduled to occur 48 hours after TSX Venture Exchange acceptance of the placement for filing (the "Closing Date").

Additional definitions

In the Subscription Agreement, the following words have the following meanings unless otherwise indicated:

(a) "Purchased Securities" means the Units purchased under this Subscription Agreement;

(b) "Securities" means the Shares, the Warrants and the Warrant Shares;

(c) "Warrants" includes the certificates representing the Warrants.

The Issuer

Jurisdiction of organization

The Issuer is incorporated under the laws of British Columbia.

Stock exchange listings

Shares of the Issuer are listed on the TSX Venture Exchange (the "Exchange").

"Securities Legislation Applicable to the Issuer"	The "Securities Legislation Applicable to the Issuer" is the *Securities Act* (British Columbia), the *Securities Act* (Alberta) the *Securities Act* Ontario. The "Commissions with Jurisdiction over the Issuer" are the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission.

END OF TERMS

Accredited Investor Questionnaire (British Columbia)

(Capitalized terms not specifically defined in this Questionnaire have the meaning ascribed to them in the Subscription Agreement to which this Questionnaire is attached.)

In connection with the execution of the Subscription Agreement to which this Questionnaire is attached, the undersigned (the "Purchaser") represents and warrants to the Issuer that the Purchaser satisfies one or more of the categories indicated below (please place an "X" on the appropriate lines):

____ Category 1	a Canadian financial institution, or an authorized foreign bank listed in Schedule III of the *Bank Act* (Canada)
____ Category 2	the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada)
____ Category 3	an association under the *Cooperative Credit Associations Act* (Canada) located in Canada or a central cooperative credit society for which an order has been made under subsection 473(1) of that Act
____ Category 4	a subsidiary of any person or company referred to in Categories 1 to 3, if the person or company owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary
____ Category 5	a person or company registered under the securities legislation of a jurisdiction of Canada, as an adviser or dealer, other than a limited market dealer registered under the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador)
____ Category 6	an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada, as a representative of a person or company referred to in Category 5
____ Category 7	the government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the government of Canada or a jurisdiction of Canada
____ Category 8	a municipality, public board or commission in Canada
____ Category 9	any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government
____ Category 10	a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada
____ Category 11	an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000
____ Category 12	an individual whose net income before taxes exceeded $200,000 in each of the two most recent years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the two most recent years and who, in either case, reasonably expects to exceed that net income level in the current year

____ Category 13 a person or company, other than a mutual fund or non-redeemable investment fund, that, either alone or with a spouse, has net assets of at least $5,000,000, and unless the person or company is an individual, that amount is shown on its most recently prepared financial statements

____ Category 14 a mutual fund or non-redeemable investment fund that, in the local jurisdiction, distributes its securities only to persons or companies that are accredited investors

____ Category 15 a mutual fund or non-redeemable investment fund that, in the local jurisdiction, is distributing or has distributed its securities under one or more prospectuses for which the regulator has issued receipts

____ Category 16 a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, trading as a trustee or agent on behalf of a fully managed account

____ Category 17 a person or company trading as agent on behalf of a fully managed account if that person or company is registered or authorized to carry on business under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction as a portfolio manager or under an equivalent category of adviser or is exempt from registration as a portfolio manager or the equivalent category of adviser

____ Category 18 a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or other adviser registered to provide advice on the securities being traded

____ Category 19 an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in Categories 1 through 5 and Category 10 in form and function, or

____ Category 20 a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, except the voting securities required by law to be owned by directors, are persons or companies that are accredited investors

The statements made in this Questionnaire are true and accurate to the best of my information and belief and the Purchaser will promptly notify the Issuer of any changes in the answers.

Dated _____ 2005.

X _____

Signature of individual (if Purchaser **is** an individual)

X _____

Authorized signatory (if Purchaser is **not** an individual)

_____

Name of Purchaser (**please print**)

_____

Name of authorized signatory (**please print**)

_____

Official capacity of authorized signatory (**please print**)

For the purposes hereof:

(a) "**financial assets** " means cash and securities;

(b) "**related liabilities**" means:

(i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets; or

(ii) liabilities that are secured by financial assets;

(c) **"eligibility adviser"** means an investment dealer or equivalent category of registration, registered under the securities legislation of a jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed.

FORM 4C
CORPORATE PLACEE REGISTRATION FORM

Where subscribers to a Private Placement are not individuals, the following information about the placee must be provided. This Form will remain on file with the Exchange. The corporation, trust, portfolio manager or other entity (the "Placee") need only file it on one time basis, and it will be referenced for all subsequent Private Placements in which it participates. If any of the information provided in this Form changes, the Placee must notify the Exchange prior to participating in further placements with Exchange listed companies. If as a result of the Private Placement, the Placee becomes an Insider of the Issuer, Insiders of the Placee are reminded that they must file a Personal Information Form (2A) or, if applicable, Declarations, with the Exchange.

1. Placee Information:

   (a) Name: _____

   (b) Complete Address:_____

   (c) Jurisdiction of Incorporation or Creation: _____

2. Portfolio Manager

   (a) Is the Placee purchasing securities as a portfolio manager (Yes/No)? _____

   (b) Is the Placee carrying on business as a portfolio manager outside of Canada (Yes/No)? _____

3. If the answer to 2(b) above was "Yes", the undersigned certifies that:

   (a) It is purchasing securities of an Issuer on behalf of managed accounts for which it is making the investment decision to purchase the securities and has full discretion to purchase or sell securities for such accounts without requiring the client's express consent to a transaction;

   (b) it carries on the business of managing the investment portfolios of clients through discretionary authority granted by those clients (a "portfolio manager" business) in _____ [jurisdiction], and it is permitted by law to carry on a portfolio manager business in that jurisdiction;

   (c) it was not created solely or primarily for the purpose of purchasing securities of the Issuer;

   (d) the total asset value of the investment portfolios it manages on behalf of clients is not less than $20,000,000; and

   (e) it has no reasonable grounds to believe, that any of the directors, senior officers and other insiders of the Issuer, and the persons that carry on investor relations activities for the Issuer has a beneficial interest in any of the managed accounts for which it is purchasing

4. If the answer to 2(a). above was "No", please provide the names and addresses of control persons of the Placee:

Name	City	Province or State	Country

The undersigned acknowledges that it is bound by the provisions of applicable Securities Law, including provisions concerning the filing of insider reports and reports of acquisitions (See for example, sections 87 and 111 of the *Securities Act* (British Columbia) and sections 176 and 182 of the *Securities Act* (Alberta).

Acknowledgement - Personal Information

"Personal Information" means information about an identifiable individual, and includes information contained in sections 1, 2 and 4, as applicable, of this Form.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

(a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to this Form; and

(b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated at _____ on _____, 2005.

X _____
Signature of individual (if Purchaser **is** an individual)

X _____
Authorized signatory (if Purchaser is **not** an individual)

_____
Name of Purchaser (**please print**)

_____
Name of authorized signatory (**please print**)

_____
Official capacity of authorized signatory (**please print**)

THIS IS NOT A PUBLIC DOCUMENT

Provisions applicable to a purchaser resident in the United Kingdom

IMPORTANT NOTE: the following provisions are applicable ONLY if the Purchaser is resident in the United Kingdom.

Additional representations

IN ADDITION to the representations and warranties in the General Provisions (on pages to), the Purchaser acknowledges, represents, warrants and covenants to and with the Issuer that, as at the Agreement Date and at the Closing:

(a) the Purchaser is acquiring the Purchased Securities for its own account for investment purpose only and not with a view to resale; and

(b) the Purchaser is an authorized or exempted person within the meaning of the *Financial Services Act 1986*, or a local authority or a body corporate which has, or whose holding company has, a called up share capital or net assets of not less than £5 million or satisfies one or more of the other requirements of article 9(3) of the *Financial Services Act 1986* (Investment Advertisements) (Exemptions) Order 1988 (as amended).

GENERAL PROVISIONS

1. DEFINITIONS

1.1 In the Subscription Agreement (including the first (cover) page, the Terms on pages to , the General Provisions on pages to and the other schedules and appendixes incorporated by reference), the following words have the following meanings unless otherwise indicated:

(a) "Applicable Legislation" means the Securities Legislation Applicable to the Issuer (as defined on page) and all legislation incorporated in the definition of this term in other parts of the Subscription Agreement, together with the regulations and rules made and promulgated under that legislation and all administrative policy statements, blanket orders and rulings, notices and other administrative directions issued by the Commissions;

(b) "Closing" means the completion of the sale and purchase of the Purchased Securities;

(c) "Closing Date" has the meaning assigned in the Terms;

(d) "Commissions" means the Commissions with Jurisdiction over the Issuer (as defined on page) and the securities commissions incorporated in the definition of this term in other parts of the Subscription Agreement;

(e) "Exchange" has the meaning assigned in the Terms;

(f) "Final Closing" means the last closing under the Private Placement;

(g) "General Provisions" means those portions of the Subscription Agreement headed "General Provisions" and contained on pages to ,

(h) "Private Placement" means the offering of the Purchased Securities on the terms and conditions of the Agency Agreement and this Subscription Agreement;

(i) "Purchased Securities" has the meaning assigned in the Terms;

(j) "Regulatory Authorities" means the Commissions and the Exchange;

(k) "Securities" has the meaning assigned in the Terms;

(l) "Subscription Agreement" means the first (cover) page, the Terms on pages to , the General Provisions to , and the other schedules and appendixes incorporated by reference; and

(m) "Terms" means those portions of the Subscription Agreement headed "Terms" and contained on pages to .

1.2 In the Subscription Agreement, unless otherwise specified, all references to dollar amounts are to Canadian dollars.

1.3 In the Subscription Agreement, other words and phrases that are capitalized have the meaning assigned in the Subscription Agreement.

2. REPRESENTATIONS AND WARRANTIES OF PURCHASER

2.1 Acknowledgements concerning offering

The Purchaser acknowledges that:

(a) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;

(b) there is no government or other insurance covering the Securities;

(c) there are risks associated with the purchase of the Securities;

(d) there are restrictions on the Purchaser's ability to resell the Securities and it is the responsibility of the Purchaser to find out what those restrictions are and to comply with them before selling the Securities;

(e) the Issuer has advised the Purchaser that the Issuer is relying on an exemption from the requirements to provide the Purchaser with a prospectus and to sell securities through a person registered to sell securities under the Applicable Legislation and, as a consequence of acquiring securities pursuant to this exemption, certain protections, rights and remedies provided by the Applicable Legislation, including statutory rights of rescission or damages, will not be available to the Purchaser;

(f) no prospectus has been filed by the Issuer with the Commissions in connection with the issuance of the Purchased Securities, the issuance is exempted from the prospectus and registration requirements of the Applicable Legislation and:

(i) the Purchaser is restricted from using most of the civil remedies available under the Applicable Legislation;

(ii) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Applicable Legislation; and

(iii) the Issuer is relieved from certain obligations that would otherwise apply under the Applicable Legislation;

2.2 Representations by all purchasers

The Purchaser represents and warrants to the Issuer that, as at the Agreement Date and at the Closing:

(a) to the best of the Purchaser's knowledge, the Securities were not advertised;

(b) no person has made to the Purchaser any written or oral representations:

(i) that any person will resell or repurchase the Securities;

(ii) that any person will refund the purchase price of the Purchased Securities;

(iii) as to the future price or value of any of the Securities; or

(iv) that any of the Securities will be listed and posted for trading on a stock exchange or that application has been made to list and post any of the Securities for trading on any stock exchange other than the Shares and Warrant Shares on the Exchange;

(c) the Purchaser is at arm's length (as that term is customarily defined) with the Issuer;

(d) the Purchaser (or others for whom it is contracting hereunder) has been advised to consult its own legal and tax advisors with respect to applicable resale restrictions and tax considerations, and it (or others for whom it is contracting hereunder) is solely responsible for compliance with applicable resale restrictions and applicable tax legislation;

(e) the Purchaser has no knowledge of a "material fact" or "material change" (as those terms are defined in the Applicable Legislation) in the affairs of the Issuer that has not been generally disclosed to the public, except knowledge of this particular transaction;

(f) the offer made by this subscription is irrevocable (subject to the Purchaser's right to withdraw the subscription and to terminate the obligations as set out in this Subscription Agreement) and requires acceptance by the Issuer and approval of the Exchange;

(g) the Purchaser has the legal capacity and competence to enter into and execute this Subscription Agreement and to take all actions required pursuant to the Subscription Agreement and, if the Purchaser is a corporation, it is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been given to authorize execution of this Subscription Agreement on behalf of the Purchaser;

(h) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound;

(i) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser enforceable against the Purchaser;

(j) the Purchaser has been independently advised as to the applicable hold period imposed in respect of the Securities by securities legislation in the jurisdiction in which the Purchaser resides and confirms that no representation has been made respecting the applicable hold periods for the Securities and is aware of the risks and other characteristics of the Securities and of the fact that the Purchaser may not be able to resell the Securities except in accordance with the applicable securities legislation and regulatory policies;

(k) the Purchaser is capable of assessing the proposed investment as a result of the Purchaser's financial and business experience or as a result of advice received from a registered person other than the Issuer or any affiliates of the Issuer;

(l) if required by applicable securities legislation, policy or order or by any securities commission, stock exchange or other regulatory authority, the Purchaser will execute, deliver, file and otherwise assist the Issuer in filing, such reports, undertakings and other documents with respect to the issue of the Securities as may be required; and

(m) the Purchaser acknowledges that certain persons may receive a commission from the Issuer in connection with this Private Placement.

(n) the Purchaser is not a "control person" of the Issuer as defined in the Applicable Legislation, will not become a "control person" by virtue of this purchase of any of the Securities, and does not intend to act in concert with any other person to form a control group of the Issuer;

(o) the offer was not made to the Purchaser when he was in the United States and at the time the Purchaser's buy order was made, the Purchaser was outside the United States;

(p) the Purchaser is not a U.S. Person;

(q) the Purchaser is not and will not be purchasing Units for the account or benefit of any U.S. Person.

2.3 Reliance, indemnity and notification of changes

The representations and warranties in the Subscription Agreement (including the first (cover) page, the Terms on pages to , the General Provisions on pages to , and the other schedules and appendixes incorporated by reference) are made by the Purchaser with the intent that they be relied upon by the Issuer in determining its suitability as a purchaser of Purchased Securities, and the Purchaser hereby agrees to indemnify the Issuer against all losses, claims, costs, expenses and damages or liabilities which any of them may suffer or incur as a result of reliance thereon. The Purchaser undertakes to notify the Issuer immediately of any change in any representation, warranty or other information relating to the Purchaser set forth in the Subscription Agreement (including the first (cover) page, the Terms on pages to , the General Provisions on pages to , and the other schedules and appendixes incorporated by reference) which takes place prior to the Closing.

2.4 Survival of representations and warranties

The representations and warranties contained in this Section will survive the Closing.

3. REPRESENTATIONS AND WARRANTIES OF THE ISSUER

3.1 The Issuer warrants and represents that:

(a) the Issuer and its material subsidiaries, if any, are valid and subsisting corporations duly incorporated and in good standing under the laws of the jurisdictions in which they are incorporated, continued or amalgamated;

(b) the Issuer and its material subsidiaries, if any, are duly registered and licensed to carry on business or own property in the jurisdictions in which they carry on business or own property where so required by the laws of that jurisdiction;

(c) the Issuer is authorized to issue **1,000,000,000** common shares of which **55,313,653** were issued as fully paid and non-assessable as of November 23, 2004;

(d) the Issuer will reserve or set aside sufficient common shares in its treasury to issue the Shares, and Warrant Shares,

(e) the issue and sale of the Securities by the Issuer does not and will not conflict with, and does not and will not result in a breach of, any of the terms of its incorporating documents or any agreement or instrument to which the Issuer is a party;

(f) neither the Issuer or its subsidiaries, if any, is a party to any actions, suits or proceedings which could materially affect its business or financial condition, and no such actions, suits or proceedings are contemplated or have been threatened;

(g) there are no judgments against the Issuer or any of its subsidiaries, if any, which are unsatisfied, nor are there any consent decrees or injunctions to which the Issuer or any of its subsidiaries, if any, is subject;

(h) this Agreement has been duly authorized by all necessary corporate action on the part of the Issuer

(i) the common shares of the Issuer are listed for trading on the Exchange and no order ceasing, halting or suspending trading in securities of the Issuer or prohibiting the sale of such securities has been issued to and is outstanding against the Issuer or its directors, officers or promoters or against any other companies that have common directors, officers or promoters and no investigations or proceedings for such purposes are pending or threatened;

4. CLOSING

4.1 The Purchaser acknowledges that, although Purchased Securities may be issued to other purchasers under the Private Placement concurrently with the Closing, there may be other sales of Purchased Securities under the Private Placement, some or all of which may close before or after the Closing. The Purchaser further acknowledges that there is a risk that insufficient funds may be raised on the Closing to fund the Issuer’s objectives, and that further closings may not take place after the Closing.

4.2 On or before the end of the fifth business day before the Closing Date, the Purchaser will deliver to the Issuer the Subscription Agreement and all applicable schedules and required forms, duly executed, and payment in full for the total price of the Purchased Securities to be purchased by the Purchaser, by wire transfer, certified funds or bank drafts.

4.3 The Purchaser's obligation to complete the purchase and sale of the Purchased Securities shall be subject to the following conditions:

(a) the representations and warranties made by the Issuer in this Subscription Agreement shall be true and correct as of the Closing Date (except for representations and warranties that speak as of a specific date) and the covenants of the Issuer shall have been performed, satisfied and complied with, where applicable, on or before the Closing Date;

(b) the Issuer shall have delivered to the Purchaser, or to the direction of the Purchaser, the following items:

(i) a copy of this Subscription Agreement duly executed by the Issuer.

5. MISCELLANEOUS

5.1 The Purchaser agrees to sell, assign or transfer the Securities only in accordance with the requirements of applicable securities laws and any legends placed on the Securities as contemplated by the Subscription Agreement.

5.2 The Purchaser hereby authorizes the Issuer to correct any errors in, or complete any minor information missing from any part of the Subscription Agreement and any other schedules, forms, certificates or documents executed by the Purchaser and delivered to the Issuer in connection with the Private Placement.

5.3 The Issuer may rely on delivery by fax machine of an executed copy of this subscription, and acceptance by the Issuer of such faxed copy will be equally effective to create a valid and binding agreement between the Purchaser and the Issuer in accordance with the terms of the Subscription Agreement.

5.4 Without limitation, this subscription and the transactions contemplated by this Subscription Agreement are conditional upon and subject to the Issuer's having obtained such regulatory approval of this subscription and the transactions contemplated by this Subscription Agreement as the Issuer considers necessary.

5.5 This Subscription Agreement is not assignable or transferable by the parties hereto without the express written consent of the other party to this Subscription Agreement.

5.6 Time is of the essence of this Subscription Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (British Columbia).

5.7 Except as expressly provided in this Subscription Agreement and in the agreements, instruments and other documents contemplated or provided for in this Subscription Agreement, this Subscription Agreement contains the entire agreement between the parties with respect to the Securities and there are no other terms, conditions, representations or warranties whether expressed, implied, oral or written, by statute, by common law, by the Issuer or by anyone else.

5.8 The parties to this Subscription Agreement may amend this Subscription Agreement only in writing.

5.9 This Subscription Agreement enures to the benefit of and is binding upon the parties to this Subscription Agreement and their successors and permitted assigns.

5.10 A party to this Subscription Agreement will give all notices to or other written communications with the other party to this Subscription Agreement concerning this Subscription Agreement by hand or by registered mail addressed to the address given on page 1.

5.11 This Subscription Agreement is to be read with all changes in gender or number as required by the context.

5.12 This Subscription Agreement will be governed by and construed in accordance with the internal laws of British Columbia (without reference to its rules governing the choice or conflict of laws), and the parties hereto irrevocably attorn and submit to the exclusive jurisdiction of the courts of British Columbia with respect to any dispute related to this Subscription Agreement.

END OF GENERAL PROVISIONS

END OF SUBSCRIPTION AGREEMENT

POLYMET MINING CORP.

SUBSCRIPTION AGREEMENT FOR UNITS

(Canadian and Offshore Subscribers)

TO: **POLYMET MINING CORP.**

AND TO: **RESEARCH CAPITAL CORPORATION**

The undersigned (the "Subscriber") hereby irrevocably subscribes for and agrees to purchase from Polymet Mining Corp. (the **"Corporation")** that number of units of the Corporation (the "Units") set out below at a price of $0.90 per Unit. Each Unit consists of one common share in the capital of the Corporation (a "Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Common Share (a "Warrant Share") at a price of $1.25 (the "Exercise Price") for a period of thirty (30) months following the Closing Date (as hereinafter defined); provided that, if at any time the closing trading price of the Common Shares for any 20 consecutive trading days exceeds $2.50, the Corporation may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th calendar day after the date on which such notice is deemed to have been received by such holders. The Subscriber agrees to be bound by the terms and conditions set forth in the attached "Terms and Conditions of Subscription for Units" including without limitation the representations, warranties and covenants set forth in the applicable schedules attached thereto. The Subscriber further agrees, without limitation, that the Corporation and the Agent (as hereinafter defined) may rely upon the Subscriber's representations, warranties and covenants contained in such documents.

SUBSCRIPTION AND SUBSCRIBER INFORMATION

Please print all information (other than Signatures), as applicable, in the space provided below

Name of Subscriber

Account Reference (if applicable): _____

By: _____

Authorized Signature

(Official Capacity or Title - if the Subscriber is not an individual)

(Name of individual whose signature appears above if different than the name of the Subscriber printed above.)

(Subscriber's Address, including Municipality and Province)

(Telephone Number) (Email Address)

Number of Units: _____X $0.90

=

Aggregate Subscription Price: _____

(the "**Subscription Price**")

If the Subscriber is signing as agent for a principal (beneficial purchaser) and is not purchasing as a trustee or agent for account fully managed by it, complete the following:

(Name of Principal)

(Principal's Address)

Account Registration:

(Name)

(Account Reference, if applicable)

(Address, including Postal Code)

Delivery Instructions as set forth below:

(Name)

(Account Reference, if applicable)

(Address)

(Contact Name) (Telephone Number)

Number and kind of securities of the Corporation held, directly or indirectly, if any:

_____

1. State whether the Subscriber is an Insider (as such term is hereinafter defined) of the Corporation:

Yes ☐ No ☐

2. State whether the Subscriber is a member of the Pro Group (as such term is hereinafter defined):

Yes ☐ No ☐

TERMS AND CONDITIONS OF SUBSCRIPTION FOR UNITS

ARTICLE 1- INTERPRETATION

1.1 Definitions

Whenever used in this Subscription Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and phrases shall have the respective meanings ascribed to them as follows:

"Agency Agreement" means the agency agreement to be entered into between the Agent and the Corporation in respect of the Offering.

"**Agent**" means Research Capital Corporation.

"Business Day" means a day other than a Saturday, Sunday or any other day on which the principal chartered banks located in Toronto are not open for business.

"Closing" shall have the meaning ascribed to such term in Section 4.1.

"Closing Date" shall have the meaning ascribed to such term in Section 4.1.

"Closing Time" shall have the meaning ascribed to such term in Section 4.1.

"Common Shares" shall have the meaning ascribed to such terns on the face page of this Subscription Agreement.

"Compensation Options" shall have the meaning ascribed to such teen in Section 8.1.

"Control Person" means a person, company or combination of persons or companies described in clause (c) of the definition of "distribution" in subsection 1(1) of the *Securities Act* (Ontario).

"Corporation" means Polymet Mining Corp. and includes any successor corporation to or of the Corporation.

"**Exercise Price**" shall have the meaning ascribed to such term on the face page of this Subscription Agreement.

"Insider" means (a) a director or senior officer of the Corporation, (b) a director or senior officer of a company that is an insider or subsidiary of the Corporation, or (c) any person who beneficially owns, directly or indirectly, voting securities of the Corporation or who exercises control or direction over voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all voting securities of the Corporation for the time being outstanding.

"**Offering**" means the offering of Units through the Agent pursuant to the Agency Agreement.

"person" means any individual (whether acting as an executor, trustee administrator, legal representative or otherwise), corporation, firm, partnership, sole proprietorship, syndicate, joint venture, trustee, trust, unincorporated organization or association, and pronouns have a similar extended meaning.

"Pro Group" means a member (brokerage firm) of the TSXV, an employee, partner, officer, director or an `affiliate' (a company controlling or under common control) of a member or an `associate' (a company of which more than 10% of the voting shares are owned or controlled by such person, a partner of such person, a trust or estate of which a substantial beneficial interest is owned or of which such person is a trustee, a spouse or child of such person, or a relative of such person or their spouse living in the same home as such person) of any of the foregoing.

"Securities" means, collectively, the Units, the Common Shares, the Warrants and the Warrant Shares.

"Securities Laws" means, as applicable, the securities laws, regulations, rules, rulings and orders in each of the provinces of Alberta, British Columbia and Ontario and the applicable policy statements issued by the securities regulators in each of the provinces of Alberta, British Columbia and Ontario, and the rules of the TSXV.

"Subscriber" means the subscriber for the Units as set out on the face page of this Subscription Agreement.

"Subscription Agreement" means this subscription agreement (including any schedules hereto) and any instrument amending this Subscription Agreement; **"hereof', "hereto", "hereunder", "herein"** and similar expressions mean and refer to this Subscription Agreement and not to a paᵀticular Article or Section; and the expression "Article" or "Section" followed by a number means and refers to the specified Article or Section of this Subscription Agreement.

"Subscription Price" shall have the meaning ascribed to such term on the face page of this Subscription Agreement.

"Term Sheet" means the term sheet delivered to potential purchasers of Units, a copy of which is attached hereto as Schedule "E".

"TSXV" means the TSX Venture Exchange.

"TSXV Approval" means the conditional approval of the Offering by the TSXV.

"United States" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

"Units" shall have the meaning ascribed to such term on the face page of this Subscription Agreement.

"**U.S. Purchaser"** means a person in the United States, a person who receives or received an offer of the Securities while in the United States, a person who was in the United States at the

time the Subscriber's buy order was made or a person who executed or delivered this Subscription Agreement while in the United States.

"**U.S. Securities** Act" means the United States Securities Act of 1933, as amended.

"Warrants" shall have the meaning ascribed to such term on the face page of this Subscription Agreement.

"Warrant Shares" shall have the meaning ascribed to such term on the face page of this Subscription Agreement.

1.2 Gender and Number

Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine gender and words importing persons shall include finis and corporations and vice versa.

1.3 Currency

Unless otherwise specified, all dollar amounts in this Subscription Agreement, including the symbol "$", are expressed in Canadian dollars.

1.4 Subdivisions, Headings and Table of Contents

The division of this Subscription Agreement into Articles, Sections, Schedules and other subdivisions, the inclusion of headings and the provision of a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Subscription Agreement. The headings in this Subscription Agreement are not intended to be full or precise descriptions of the text to which they refer. Unless something in the subject matter or context is inconsistent therewith, references herein to an Article, Section, Subsection, paragraph, clause or Schedule are to the applicable article, section, subsection, paragraph, clause or schedule of this Subscription Agreement.

ARTICLE 2 - SCHEDULES

2.1 Description of Schedules

The following are the Schedules attached to and incorporated in this Subscription Agreement by reference and deemed to be a part hereof:

Schedule "A" - Certificate of an Accredited Investor - Ontario
Schedule "B" - Certificate of an Accredited Investor - Alberta and British Columbia
Schedule "C" - Certificate of Offshore Purchaser
Schedule "D" - TSXV Form 4C Corporate Placee Registration Form
Schedule "E" - Term Sheet

ARTICLE 3 - SUBSCRIPTION AND DESCRIPTION OF UNITS

3.1 Subscription for the Units

The Subscriber hereby confirms its irrevocable subscription for and offer to purchase the Units from the Corporation, on and subject to the teens and conditions set out in this Subscription Agreement, for the Subscription Price which is payable as described in Article 4 hereto.

3.2 Description of Units

Each Unit consists of one Common Share and one-half of one Warrant. Subject to the anti-dilution provisions contained in the instrument under which the Warrants will be governed, each whole Warrant shall entitle the holder thereof to acquire one Warrant Share for a period of thirty (30) months following the Closing Date at the Exercise Price; provided that, if at any time the closing trading price of the Common Shares for any 20 consecutive trading days exceeds $2.50, the Corporation may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th calendar day after the date on which such notice is deemed to have been received by such holders.

3.3 Acceptance and Rejection of Subscription by the Corporation

The Subscriber acknowledges and agrees that the Corporation reserves the right, in its absolute discretion, to reject this subscription for Units, in whole or in part, at any time prior to the Closing Time. If this subscription is rejected in whole, any cheques or other forms of payment delivered to the-Agent representing the Subscription Price will be promptly returned to the Subscriber without interest or deduction. If this subscription is accepted only in part, a cheque representing any refund of the Subscription Price for that portion of the subscription for the Units which is not accepted, will be promptly delivered to the Subscriber without interest or deduction.

ARTICLE 4 - CLOSING

4.1 Closing

Delivery and sale of the Units and payment of the Subscription Price will be completed (the **"Closing")** at the offices of Goodman and Carr LLP, at 2:00 p.m. (Toronto time) (the **"Closing Time")** on August 29, 2005 or such other place or date or time as the Corporation and the Agent may agree (the **"Closing Date").** If, prior to the Closing Time, the terms and conditions contained in this Subscription Agreement and the Agency Agreement have been complied with to the satisfaction of the Agent, or waived by the Agent, the Agent shall deliver to the Corporation all completed Subscription Agreements and payment of the aggregate Subscription Price for all of the Units sold pursuant to the Agency Agreement against delivery by the Corporation of certificates representing the Common Shares and Warrants and such other documentation as may be required pursuant to the Subscription Agreement and the Agency Agreement.

If, prior to the Closing Time, the terms and conditions contained in this Subscription Agreement (other than delivery by the Corporation to the Subscriber of certificates representing the Common Shares and Warrants) and the Agency Agreement have not been complied with to the satisfaction of the Agent, or waived by it, the Agent, the Corporation and the Subscriber will have no further obligations under this Subscription Agreement.

4.2 Conditions of Closing

The Offering is conditional upon, among other things, the Corporation obtaining TSXV Approval prior to the Closing Date.

The Subscriber acknowledges and agrees that the obligations of the Corporation hereunder are conditional on the accuracy of the representations and warranties of the Subscriber contained in this Subscription Agreement as of the date of this Subscription Agreement, and as of the Closing Time as if made at and as of the Closing Time, and the fulfillment of the following additional conditions as soon as possible and in any event not later than the Closing Time:

(a) unless other arrangements acceptable to the Agent have been made, payment by the Subscriber of the Subscription Price by certified cheque or bank draft in Canadian dollars payable to "Research Capital Corporation";

(b) the Subscriber having properly completed, signed and delivered this Subscription Agreement to:

Research Capital Corporation
222 Bay Street, Suite 1500
Toronto-Dominion Centre, Box 265
Toronto, ON M5K 1J5

Attention: Vice President, Investment Banking
Fax: (416) 860-7674

(c) the Subscriber having properly completed, signed and delivered one of either Schedule "A", "B" or "C" hereto, as applicable; and

(d) (if applicable) the Subscriber having completed and provided the TSXV Form 4C Corporate Placee Registration Form set out as Schedule "D" hereto.

4.3 Authorization of the Agent

The Subscriber irrevocably authorizes the Agent in its discretion, to act as the Subscriber's representative at the Closing, and hereby appoints the Agent, with full power of substitution, as its true and lawful attorney with full power and authority in the Subscriber's place and stead:

(a) to receive certificates representing the Common Shares and Warrants, to execute in the Subscriber's name and on its behalf all closing receipts and required documents, to complete and correct any errors or omissions in any form or document provided by the Subscriber in connection with the subscription for the Units and to exercise any rights of termination contained in the Agency Agreement;

(b) to extend such time periods and to waive, in whole or in part, any representations, warranties, covenants or conditions for the Subscriber's benefit contained in this Subscription Agreement, and the Agency Agreement or any ancillary or related document; and

(c) to terminate this Subscription Agreement if any condition precedent is not satisfied, in such manner and on such terms and conditions as the Agent in its sole discretion may determine.

ARTICLE 5- REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

5.1 By execution of this Subscription Agreement, the Corporation hereby agrees with the Subscriber that the Subscriber shall have the benefit of the representations and warranties made by the Corporation to the Agent and set forth in the Agency Agreement, such representations and warranties shall form an integral part of this Subscription Agreement and shall survive the Closing of the purchase and sale of Units and shall continue in full force and effect for the benefit of the Subscriber in accordance with the Agency Agreement.

5.2 The Corporation hereby represents and warrants to, and covenants with, the Subscriber as follows and acknowledges that the Subscriber is relying on such representations and warranties in connection with the transactions contemplated herein that:

(a) the Corporation is not an "investment company" within the meaning of the *Investment Company Act of 1940* (United States);

(b) the Corporation is a "foreign issuer" (as such term is defined in Regulation S of the U.S. Securities Act) and there is no "substantial U.S. market interest" (as such tern is defined in Regulation S of the U.S. Securities Act) in the Securities;

(c) neither the Corporation nor any of its affiliates, nor any person acting on its or their behalf (i) has made or will make any "directed selling efforts" (as such term is defined in Regulation S of the U.S. Securities Act) in the United States, or (ii) has engaged in or will engage in any form of "general solicitation" or "general advertising" (as such terns are defined in Rule 502 (c) under Regulation D of the U.S. Securities Act) in the United States with respect to offers or sales of the Securities;

(d) the Corporation is not required to file reports under Section 13(a) or Section 15(d) of the United States Securities Exchange Act of 1934, as amended;

(e) the Corporation has not, for a period of six months prior to the date hereof, sold, offered for sale or solicited any offer to buy any of its securities in a manner that would be integrated with the offer and sale of the Units and would cause the exemption from registration set forth in Rule 506 of Regulation D or Rule 903 of Regulation S of the U.S. Securities Act to become unavailable with respect to the offer and sale of the Securities; and

(f) the Corporation will use its best efforts to remain a "foreign issuer" (as such teen is defined in Regulation S of the U.S. Securities Act) for a period of eighteen (18) months following the Closing Date.

5.3 The Corporation shall indemnify, defend and hold the Subscriber (which term shall, for the purposes of this Section, include the Subscriber or its shareholders, managers, partners, directors, officers, members, employees, direct or indirect investors, agents and affiliates and assignees and the stockholders, partners, directors, members, managers, officers, employees direct or indirect investors and agents of such affiliates and assignees) harmless against any and all liabilities, loss, cost or damage, together with all reasonable costs and expenses related thereto (including reasonable legal and accounting fees and expenses), arising from, relating to, or connected with an untrue, inaccurate or breached statement, representation, warranty or covenant of the Corporation contained herein or in the Agency Agreement. The Corporation undertakes to notify the Subscriber immediately of any change in any representation, warranty or other material information relating to the Corporation set forth in this Subscription Agreement or in the Agency Agreement which takes place prior to the Closing Time and of any change that would cause the representations, warranties and covenants of the Corporation set forth in paragraphs (a), (b), (c), (d) and (f) of Section 5.2 above to be untrue for a period of eighteen (18) months following the Closing Date.

ARTICLE 6 - ACKNOWLEDGEMENTS, COVENANTS, REPRESENTATIONS AND WARRANTIES OF THE SUBSCRIBER

6.1 Acknowledgements, Representations, Warranties and Covenants of the Subscriber

The Subscriber, on its own behalf and, if applicable and as permitted under applicable Securities Laws, on behalf of each beneficial purchaser for whom it is acting, hereby represents and warrants to, and covenants with, the Corporation as follows and acknowledges that the Corporation and the Agent are relying on such representations and warranties in connection with the transactions contemplated herein:

(a) The Subscriber, and if applicable) each beneficial purchaser for whom it is acting, is a resident in the jurisdiction set out on the face page of this Subscription Agreement and the Subscriber and any such beneficial purchaser was solicited to purchase the Units solely in such jurisdiction. Such address was not created and is not used solely for the purpose of acquiring the Units and the Subscriber and any beneficial purchaser was solicited to purchase the Units solely in such jurisdiction.

(b) If the Subscriber, and (if applicable) any beneficial purchaser for whom it is acting, are resident in any of the provinces of Ontario, Alberta and British Columbia, or of a jurisdiction other than Canada or the United States or are otherwise subject to the securities laws of any of such provinces or jurisdictions, the Subscriber, on its own behalf and (if applicable) on behalf of any such beneficial purchaser, makes the representations, warranties and covenants set out in either Schedule "A", Schedule "B" or Schedule "C", as applicable, with the Corporation, and the Subscriber, and (if applicable) any such beneficial purchaser, may avail itself of one or more of the categories of prospectus exempt purchasers listed in one of Schedule "A", Schedule "B" or Schedule "C", as applicable.

(c) The Subscriber has properly completed, executed and delivered within applicable time periods to the Corporation the applicable certificate and form (dated as of the date hereof) set forth in either Schedule "A", Schedule "B" or Schedule "C" and (if applicable) Schedule "D" and the information contained therein is true and correct.

(d) The representations, warranties and covenants contained in the applicable Schedules will be true and correct both as of the date of execution of this Subscription Agreement and as of the Closing Time.

(e) The Subscriber or (if applicable) any beneficial purchaser for whom it is acting is neither a U.S. Purchaser nor subscribing for the Units for the account of a U.S. Purchaser or for resale in the United States and the Subscriber confirms that:

(i) the offer was not made to the Subscriber when the Subscriber was in the United States and, at the time the Subscriber's buy order was made, the Subscriber was outside the United States;

(ii) the Subscriber was outside the United States at the time this Subscription Agreement was executed and delivered;

(iii) the Subscriber is not and will not be purchasing the Securities for the account or benefit of any person in the United States;

(iv) the current structure of this transaction and all transactions and activities contemplated hereunder is not a scheme to avoid the registration requirements of the U.S. Securities Act; and

(v) the Subscriber has no intention to distribute either directly or indirectly any of the Securities in the United States, neither the Subscriber nor any beneficial purchaser for whom it is acting will offer, sell or otherwise dispose of the Common Shares, Warrants and Warrant Shares in the United States or to any person in the United States unless such offer, sale or disposition is made in accordance with an exemption from the

registration requirements under the U.S. Securities Act and the securities laws of all applicable states of the United States or the U.S. Securities and Exchange Commission has declared effective a registration statement in respect of such securities.

(f) If the Subscriber, or any beneficial purchaser for whom it is acting, is not a person resident in Canada, the subscription for the Units by the Subscriber, or such beneficial purchaser, does not contravene any of the applicable securities legislation in the jurisdiction in which the Subscriber or such beneficial purchaser resides and does not give rise to any obligation of the Corporation or the Agent to prepare and file a prospectus or similar document or to register the Units or to be registered with or to file any report or notice with any governmental or regulatory authority.

(g) The execution and delivery of this Subscription Agreement, the performance and compliance with the terms hereof, the subscription for the Units and the completion of the transactions described herein by the Subscriber will not result in any material breach of, or be in conflict with or constitute a material default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a material default under any term or provision of the constating documents, by-laws or resolutions of the Subscriber, the Securities Laws or any other laws applicable to the Subscriber, any agreement to which the Subscriber is a party, or any judgment, decree, order, statute, rule or regulation applicable to the Subscriber.

(h) If the Subscriber is subscribing for the Units as principal, it is doing so for its own account and not for the benefit of any other person (within the meaning of applicable Securities Laws) and not with a view to the resale or distribution of all or any of the Units or if it is not subscribing as principal, it acknowledges that the Corporation may be required by law to disclose to certain regulatory authorities the identity of each beneficial purchaser of the Units for whom it is acting.

(i) In the case of a subscription for the Units by the Subscriber acting as trustee or agent (including, for greater certainty, a portfolio manager or comparable adviser) for a principal, the Subscriber is duly authorized to execute and deliver this Subscription Agreement and all other necessary documentation in connection with such subscription on behalf of each such beneficial purchaser, each of whom is subscribing as principal for its own account, not for the benefit of any other person and not with a view to the resale or distribution of the Common Shares and Warrants, and this Subscription Agreement has been duly authorized, executed and delivered by or on behalf of and constitutes a legal, valid and binding agreement of, such principal, and the Subscriber acknowledges that the Corporation and/or the Agent may be required by law to disclose the identity of each beneficial purchaser for whom the Subscriber is acting.

(j) In the case of a subscription for the Units by the Subscriber acting as principal, this Subscription Agreement has been duly authorized, executed and delivered by, and constitutes a legal, valid and binding agreement of, the Subscriber. This Subscription Agreement is enforceable in accordance with its terms against the Subscriber and (if applicable) any beneficial purchaser on whose behalf the Subscriber is acting.

(k) If the Subscriber is:

(i) a corporation, the Subscriber is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to execute and deliver this Subscription Agreement, to subscribe for the Units as contemplated herein and to observe and perform its obligations under the terms of this Subscription Agreement;

(ii) a partnership, syndicate or other form of unincorporated organization, the Subscriber has the necessary legal capacity and authority to execute and deliver this Subscription Agreement and to observe and perform its covenants and obligations hereunder and has obtained all necessary approvals in respect thereof; or

(iii) an individual, the Subscriber is of the full age of majority and is legally competent to execute this Subscription Agreement and to observe and perform his or her covenants and obligations hereunder.

(l) Other than the Agent (and any group of investment dealers managed by the Agent for the purposes of offering the Units for sale), there is no person acting or purporting to act in connection with the transactions contemplated herein who is entitled to any brokerage or finder's fee. If any person establishes a claim that any fee or other compensation is payable in connection with this subscription for the Units, the Subscriber covenants to indemnify and hold harmless the Corporation and the Agent with respect thereto and with respect to all costs reasonably incurred in the defence thereof.

(m) The Subscriber is not, with respect to the Corporation or any of its affiliates, a Control Person.

(n) If required by applicable Securities Laws or the Corporation, the Subscriber will execute, deliver and file or assist the Corporation in filing such reports, undertakings and other documents with respect to the issue of the Common Shares, Warrants or Warrant Shares as may be required by any securities commission, stock exchange or other regulatory authority.

(o) The Subscriber, and each beneficial purchaser for whom it is acting, have been advised to consult their own legal advisors with respect to trading in the Common Shares, Warrants, and Warrant Shares and with respect to the resale restrictions imposed by the Securities Laws of the province in which the Subscriber resides and other applicable securities laws, and acknowledges that no representation has been made respecting the applicable hold periods imposed by the Securities Laws and other applicable securities laws or other resale restrictions applicable to such securities which restrict the ability of the Subscriber (or others for whom it is acting) to resell such securities, that the Subscriber (or others for whom it is acting) is solely responsible to find out what these restrictions are and the Subscriber is solely responsible (and neither the Corporation nor the Agent are in any way responsible) for compliance with applicable resale restrictions and the Subscriber is aware that it (or beneficial purchaser for whom it is acting) may not be able to resell such securities except in accordance with limited exemptions under the Securities Laws and other applicable securities laws.

(p) The Subscriber has not received or been provided with a prospectus, offering memorandum, within the meaning of the Securities Laws, or any sales or advertising literature in connection with the Offering and the Subscriber's decision to subscribe for the Units was not based upon, and the Subscriber has not relied upon, any oral or written representations as to facts made by or on behalf of the Corporation or the Agent. The Subscriber's decision to subscribe for the Units was based solely upon the Term Sheet attached hereto as Schedule "B" and information about the Corporation which is publicly available (any such information having been obtained by the Subscriber without independent investigation or verification by the Agent).

(q) The Subscriber is not purchasing Units with knowledge of material information concerning the Corporation which has not been generally disclosed on SEDAR.

(r) No person has made any written or oral representations:

(i) that any person will resell or repurchase the Common Shares, the Warrants or the Warrant Shares;

(ii) that any person will refund the Subscription Price; or

(iii) as to the future price or value of the Common Shares, the Warrants or the Wan-ant Shares.

(s) The subscription for the Units has not been made through or as a result of, and the distribution of the Common Shares and Warrants is not being accompanied by any advertisement, including without limitation in printed public media, radio, television or telecommunications, including electronic display, or as part of a general solicitation.

(t) None of the funds being used to purchase Units are, to the Subscriber's knowledge, proceeds obtained or derived directly or indirectly as a result of illegal activities.

6.2 Acknowledgments of the Subscriber

The Subscriber, on its own behalf and, if applicable, on behalf of each beneficial purchaser for whom it is acting, acknowledges and agrees as follows:

(a) The Subscriber has received a copy of the Term Sheet setting out the principal terms of the Offering.

(b) The Subscriber acknowledges that the aggregate gross proceeds of the Offering will be up to $7,750,000. The Subscriber further acknowledges that in addition to the Offering, the Corporation may issue Common Shares or Units to purchasers under non-brokered private placements.

(c) No securities commission, agency, governmental authority, regulatory body, stock exchange or other regulatory body has reviewed or passed on the merits of the Common Shares, the Warrants or the Warrant Shares.

(d) The Common Shares and Warrants shall be, and the Warrant Shares may be, subject to statutory resale restrictions under the Securities Laws of the province in which the Subscriber resides and under other applicable securities laws, and the Subscriber covenants that it will not resell the Common Shares, Warrants or Warrant Shares except in compliance with such laws and the Subscriber acknowledges that it is solely responsible (and neither the Corporation nor the Agent are in any way responsible) for such compliance.

(e) The Subscriber's ability to, transfer the Common Shares, Warrants and Warrant Shares is limited by, among other things, applicable Securities Laws.

(f) The certificates representing the Common Shares and Warrants will bear, as of the Closing Date, legends substantially in the following form and with the necessary information inserted:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE <INSERT DATE THAT IS FOUR (4) MONTHS AND ONE (1) DAY AFTER CLOSING DATE>."

In addition, the Common Shares will also bear a legend substantially in the following form:

"WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL < INSERT THE DATE THAT IS FOUR (4) MONTHS AND ONE (1) DAY AFTER THE CLOSING DATE>."

(g) In the event that holders of Warrants exercise the Warrants prior to the expiry of the hold periods applicable to the Warrants, the Warrant Shares will bear legends substantially in the following form and with the necessary information inserted:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE <INSERT DATE THAT IS FOUR (4) MONTHS AND ONE (1) DAY AFTER CLOSING DATE>.

"WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL < INSERT THE DATE THAT IS FOUR (4) MONTHS AND ONE (1) DAY AFTER THE CLOSING DATE>."

(h) The Agent and/or its counsel, directors, officers, employees, agents and representatives assume no responsibility or liability of any nature whatsoever for the accuracy or adequacy of any such publicly available information concerning the Corporation or as to whether all information concerning the Corporation that is required to be disclosed or filed by the Corporation under the Securities Laws has been so disclosed or filed.

(i) The Subscriber, and each beneficial purchaser for whom it is acting shall execute, deliver, file and otherwise assist the Corporation and the Agent with filing all documentation required by the applicable Securities Laws to permit the subscription for the Units and the issuance of the Common Shares, Warrants or Warrant Shares as may be required.

(j) The Corporation is relying on the representations, warranties and covenants contained herein and in the applicable Schedules attached hereto to determine the Subscriber's eligibility to subscribe for the Units under applicable Securities Laws and other applicable securities laws and the Subscriber agrees to indemnify the Corporation, the Agent and each of their respective directors and officers against all losses, claims, costs, expenses, damages or liabilities which any of them may suffer or incur as a result of or arising from reliance thereon. The Subscriber undertakes to immediately notify the Corporation of any change in any statement or other information relating to the Subscriber set forth in such applicable Schedules which takes place prior to the Closing Time.

(k) The Corporation is relying on an exemption from the requirement to provide the Subscriber with a prospectus under the Securities Laws and, as a consequence of acquiring the Common Shares, Warrants and Warrant Shares pursuant to such exemption, certain protections, rights and remedies provided by the Securities Laws, including statutory rights of rescission and/or damages, will not be available to the Subscriber.

(l) The Common Shares, Warrants and the Warrant Shares are being offered pursuant to an exclusion from the registration requirements of the U.S. Securities Act pursuant to Regulation S promulgated thereunder. The Common Shares, Warrants and the Warrant Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States or to U.S. Purchasers unless registered under such act or an exemption from the registration requirements of such act is available.

(m) The Subscriber acknowledges that the Warrants may not be exercised in the United States by or on behalf of a U.S. Purchaser, unless the Common Shares, Warrants and Warrant Shares are registered under the U.S. Securities Act and applicable state securities law or unless the Corporation has consented to such offer, sale or distribution and such exercise is made in accordance with an exemption from the registration requirements under the U.S. Securities Act and the securities laws of all applicable states of the United States.

(n) The Subscriber, and each beneficial purchaser for whom it is acting, is responsible for obtaining such legal and tax advice as it considers appropriate in connection with the execution, delivery and performance of this Subscription Agreement and the transactions contemplated under this Subscription Agreement.

(o) There is no government or other insurance covering the Common Shares, Warrants, or the Warrant Shares.

(p) There are risks associated with the purchase of the Common Shares, Warrants, or Warrant Shares.

6.3 Reliance on Representations, Warranties, Covenants and Acknowledgements

The Subscriber acknowledges and agrees that the representations, warranties, covenants and acknowledgements made by the Subscriber in this Subscription Agreement are made with the intention that they may be relied upon by the Corporation and the Agent in determining the Subscriber's eligibility (and, if applicable, the eligibility of others for whom the Subscriber is acting) to purchase the Units under the Securities Laws and other applicable securities laws. The Subscriber further agrees that by accepting the Units, the Subscriber shall be representing and warranting that such representations, warranties, acknowledgements and covenants are true as at the Closing Time with the same force and effect as if they had been made by the Subscriber at the Closing Time and that they shall survive the purchase by the Subscriber of the Units and shall continue in full force and effect notwithstanding any subsequent disposition by the Subscriber of any of the Common Shares, Warrants or Warrant Shares.

ARTICLE 7 - SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 Survival of Representations, Warranties and Covenants of the Corporation

The representations, warranties and covenants of the Corporation contained in this Subscription Agreement shall survive the Closing and, notwithstanding such Closing or any investigation made by or on behalf of the Subscriber with respect thereto, shall continue in fall force and effect for the benefit of the Subscriber and the Agent.

7.2 Survival of Representations, Warranties and Covenants of the Subscriber

The representations, warranties and covenants of the Subscriber contained in this Subscription Agreement shall survive the Closing and, notwithstanding such Closing or any investigation made by or on behalf of the Corporation or the Agent with respect thereto, shall continue in full force and effect for the benefit of the Corporation and the Agent.

ARTICLE 8 - COMMISSION

8.1 Commission to Agent

The Subscriber understands that in connection with the issue and sale of the Units pursuant to the Offering: (a) the Agent will receive from the Corporation on Closing, a cash commission equal to 7% of the aggregate Subscription Price; and (b) the Corporation will also grant to the Agent options (the **"Compensation Options")** equal in number to 10% of the number of Units sold pursuant to the Offering. Each Compensation Option will entitle the Agent to purchase one Common Share at $1.25 for a period of twenty-four (24) months following the Closing Date, provided that if at any time the closing trading price of the Common Shares for any 20 consecutive trading days exceeds $2.50, the Corporation may accelerate the expiry date of the Compensation Option by giving notice to the Agent and in such case the Compensation Option will expire on the 30th calendar day after the date on which such notice is deemed to be received by the Agent. No other fee or commission is payable by the Corporation in connection with the completion of the Offering. However, the Corporation will pay certain fees and expenses of the Agent in connection with the Offering, as set out in the Agency Agreement.

ARTICLE 9 - COLLECTION OF PERSONAL INFORMATION

9.1 Collection of Personal Information

The Subscriber (on its own behalf and, if applicable, on behalf of each beneficial purchaser for whose benefit the Subscriber is acting) acknowledges and consents to the fact the Corporation and the Agent are collecting the Subscriber's (and any beneficial purchaser's) personal information for the purpose of completing the Subscriber's subscription. The Subscriber (on its own behalf and, if applicable, on behalf of each beneficial purchaser for whose benefit the Subscriber is acting) acknowledges and consents to the Corporation and Agent retaining the personal information for as long as permitted or required by applicable law or business practices. The Subscriber (on its own behalf and, if applicable, on behalf of each beneficial purchaser for whose benefit the Subscriber is acting) further acknowledges and consents to the fact the Corporation or the Agent may be required by applicable Securities Laws, stock exchange rules, and Investment Dealers Association of Canada rules to provide regulatory authorities any personal information provided by the Subscriber respecting itself (and any beneficial purchaser). The Subscriber represents and warrants that it has the authority to provide the consents and acknowledgements set out in this paragraph on behalf of all beneficial purchasers.

ARTICLE 10 - MISCELLANEOUS

10.1 Further Assurances

Each of the parties hereto upon the request of each of the other parties hereto, whether before or after the Closing Time, shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may reasonably be necessary or desirable to complete the transactions contemplated herein.

10.2 Notices

(a) Any notice, direction or other instrument required or permitted to be given to any party hereto shall be in writing and shall be sufficiently given if delivered personally, or transmitted by facsimile tested prior to transmission to such party, as follows:

(i) in the case of the Corporation, to:

Polymet Mining Corp.
2350-1177 West Hastings Street
Vancouver, B.C. V6E 2K3
Attention: President
Fax: (604) 669-4705

with a copy to :

Vector Corporate Finance Lawyers
1040 - 999 West Hastings Street
Vancouver, B.C. V6C 2W2

Attention: Graham Scott
Fax: (604) 683-2643

(ii) in the case of the Subscriber, at the address specified on the face page hereof, with a copy to the Agent at:

Research Capital Corporation
222 Bay Street, Suite 1500
Toronto-Dominion Centre
Box 265
Toronto, ON M5K 1J5

Attention: Vice President, Investment Banking
Fax: (416) 860-7674

with a copy to:

Goodman and Carr LLP
2300 - 200 King Street West
Toronto, ON M5H 3W5

Attention: Gary Litwack
Fax: (416) 595-0567

(b) Any such notice, direction or other instrument, if delivered personally, shall be deemed to have been given and received on the day on which it was delivered, provided that if such day is not a Business Day then the notice, direction or other instrument shall be deemed to have been given and received on the first Business Day next following such day and if transmitted by fax, shall be deemed to have been given and received on the day of its transmission, provided that if such day is not a Business Day or if it is transmitted or received after the end of normal business hours then the notice, direction or other instrument shall be deemed to have been given and received on the first Business Day next following the day of such transmission.

(c) Any party hereto may change its address for service from time to time by notice given to each of the other parties hereto in accordance with the foregoing provisions.

10.3 Time of the Essence

Time shall be of the essence of this Subscription Agreement and every part hereof.

10.4 Costs and Expenses

All costs and expenses (including, without limitation, the fees and disbursements of legal counsel) incurred in connection with this Subscription Agreement and the transactions herein contemplated shall be paid and borne by the party incurring such costs and expenses.

10.5 Applicable Law

This Subscription Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the province of Ontario and the laws of Canada applicable therein. Any and all disputes arising under this Subscription Agreement, whether as to interpretation, performance or otherwise, shall be subject to the non-exclusive jurisdiction of the courts of the province of Ontario and each of the parties hereto hereby irrevocably attorns to the jurisdiction of the courts of such province.

10.6 Entire Agreement

This Subscription Agreement, including the Schedules hereto, constitutes the entire agreement between the parties with respect to the transactions contemplated herein and cancels and supersedes any prior understandings, agreements, negotiations and discussions between the parties. There are no representations, warranties, teens, conditions, undertakings or collateral agreements or understandings, express or implied, between the parties hereto other than those expressly set forth in this Subscription Agreement or in any such agreement, certificate, affidavit, statutory declaration or other document as aforesaid. This Subscription Agreement may not be amended or modified in any respect except by written instrument executed by each of the parties hereto.

10.7 Counterparts

This Subscription Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same Subscription Agreement. Counterparts may be delivered either in original or faxed form and the parties adopt any signature received by a receiving fax machine as original signatures of the parties.

10.8 Assignment

This Subscription Agreement may not be assigned by either party except with the prior written consent of the other parties hereto.

10.9 Enurement

This Subscription Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, successors (including any successor by reason of the amalgamation or merger of any party), administrators and permitted assigns.

[PAGE INTENTIONALLY LEFT BLANK]

10.10 Acceptance

The Corporation hereby accepts the subscription for Units as set forth on the face page of this Subscription Agreement on the teens and conditions contained in the Subscription Agreement (including all applicable schedules) this day of , 2005.

POLYMET MINING CORP.

Per: _____
Authorized Signing Officer

SCHEDULE "A"

CERTIFICATE
ONTARIO RESIDENT EXEMPTION FORM

The Subscriber (on its own behalf and, if applicable, on behalf of each beneficial purchaser on whose behalf the Subscriber is acting) represents, warrants and covenants to the Corporation and the Agent and acknowledges that the Corporation and the Agent, and their counsel, are relying thereon that: [Initial or place a checkmark in the box to the left of each applicable item; choose only one of item (a) or (b) below and choose only one sub item in (a) or (b)]:

☐	(a)		the Subscriber is resident in Ontario, has completed the attached Ontario Resident Accredited Investor Certificate and:
	☐	(i)	if purchasing the securities as principal, the Subscriber is an "accredited investor" (as such term is defined in Rule 45-501 of the Ontario Securities Commission **("Rule 45-501")),** is purchasing the securities as principal for its own account and not for the benefit of any other person, it is purchasing for investment only and not with a view to resale or distribution and no other person, corporation, fine or other organization has a beneficial interest in the said securities being purchased; or
	☐	(ii)	if purchasing the securities as agent for a principal disclosed on the cover page of this Subscription Agreement, the Subscriber is an agent or trustee of such disclosed principal and such disclosed principal for whom the Subscriber is acting is an "accredited investor", is purchasing the securities as principal for its own account and not for the benefit of any other person, and is purchasing for investment only and not with a view to resale or distribution and no other person, corporation, fine or other organization has a beneficial interest in the said securities being purchased; OR
	(b)		the Subscriber is resident in Ontario and is purchasing the securities for a principal or principals which is or are undisclosed or identified by account number only and the Subscriber is:
	☐	(i)	a portfolio adviser (as such tern is defined in Rule 45-501) and is purchasing the securities for one or more managed accounts (as defined in Rule 45-501); or
	☐	(ii)	a trust corporation registered under the *Loan and Trust Corporations Act* (Ontario) or under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in any jurisdiction and is purchasing the securities for an account that is fully managed by such trust corporation.

ONTARIO RESIDENT ACCREDITED INVESTOR CERTIFICATE

The Subscriber hereby represents, warrants and certifies to the Corporation and the Agent that the Subscriber (or its disclosed principal) is an "accredited investor" as defined in Rule 45-501 by virtue of being: [check appropriate boxes]

Accredited Investors

☐	(a)	a bank listed in Schedule I or II of the *Bank Act* (Canada), or an authorized foreign bank listed in Schedule III of the *Bank Act* (Canada);
☐	(b)	the Business Development Bank incorporated under the *Business Development Bank* Act (Canada);
☐	(c)	a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act* (Ontario) or under the *Trust and Loan Corporations Act* (Canada), or under comparable legislation in any other jurisdiction;
☐	(d)	a co-operative credit society, credit union central, federation of caisses populaires, credit union or league, or regional caisse populaire, or an association under the *Cooperative Credit Associations Act* (Canada), in each case, located in Canada;
☐	(e)	a company licensed to do business as an insurance company in any jurisdiction of Canada;
☐	(f)	a subsidiary entity of any company referred to in paragraph (a), (b), (c), (d) or (e), where the company owns all of the voting shares of the subsidiary entity;
☐	(g)	a person or company registered under the *Securities Act* (Ontario) or securities legislation in another jurisdiction of Canada as an adviser or dealer, other than a limited market dealer;
☐	(h)	the government of Canada or of any jurisdiction, or any crown corporation, instrumentality or agency of a Canadian federal, provincial or territorial government;
☐	(i)	any Canadian municipality or any Canadian provincial or territorial capital city;
☐	(j)	any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any instrumentality or agency thereof;
☐	(k)	a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission or similar regulatory authority;
☐	(l)	a registered charity under the *Income Tax Act* (Canada);
☐	(m)	an individual who beneficially owns, or who together with a spouse beneficially own, financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds $1,000,000;
☐	(n)	an individual whose net income before taxes exceeded $200,000 in each of the two most recent years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of those years and who, in either case, has a reasonable expectation of exceeding the same net income level in the current year;

☐ (o) an individual who has been granted registration under the *Securities Act* (Ontario) or securities legislation in another jurisdiction of Canada as a representative of a person or company referred to in paragraph (g), whether or not the individual's registration is still in effect;

☐ (p) a promoter of the Corporation or an affiliated entity of a promoter of the Corporation;

☐ (q) a spouse, parent, brother, sister, grandparent or child of an officer, director or promoter of the Corporation;

☐ (r) a person or company that, in relation to the Corporation, is an affiliated entity or a person or company referred to in clause (c) of the definition of distribution in subsection 1(1) of the *Securities Act* (Ontario);

☐ (s) a company, limited liability company, limited partnership, limited liability partnership, trust or estate, other than a mutual fund or non-redeemable investment fund, that had net assets of at least $5,000,000 as reflected in its most recently prepared financial statements;

☐ (t) a person or company that is recognized by the Ontario Securities Commission as an accredited investor, pursuant to a discretionary order of the Ontario Securities Commission;

☐ (u) a mutual fund or non-redeemable investment fund that, in Ontario, distributes its securities only to persons or companies that are accredited investors;

☐ (v) a mutual fund or non-redeemable investment fund that, in Ontario, distributes its securities under a prospectus for which a receipt has been granted by the Director of the Ontario Securities Commission or, if it has ceased distribution of its securities, previously distributed its securities in this manner;

☐ (w) a fully managed account if it is acquiring a security that is not a security of a mutual fund or non-redeemable investment fund;

☐ (x) an account that is fully managed by a trust corporation registered under the *Loan and Trust Corporations Act* (Ontario) or under the *Trust and Loan Companies Act* (Canada), or under comparable legislation in any other jurisdiction;

☐ (y) an entity organized outside of Canada that is analogous to any of the entities referred to in paragraphs (a) through (g) and paragraph (k) in form and function; or

☐ (z) a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, are persons or companies that are accredited investors.

For the purposes hereof, the following terms shall have the following meanings:

"company" means any corporation, incorporated association, incorporated syndicate or other incorporated organization.

"control person" means any person, company or combination of persons or companies holding a sufficient number of any securities of the Corporation to affect materially the control of the Corporation, but any holding of any persons, company or combination of persons or companies holding more than 20 per cent of the outstanding voting securities of the Corporation, in the absence of evidence to the contrary, shall be deemed to affect materially the control of the Corporation.

"director" where used in relation to a person, includes a person acting in a capacity similar to that of a director of a company.

"entity" means a company, syndicate, partnership, trust or unincorporated organization.

"financial assets" means cash, securities, or any contract of insurance or deposit or evidence thereof that is not a security for the purposes of the Securities Act (Ontario).

"individual" means a natural person, but does not include a partnership, unincorporated association, unincorporated organization, trust or a natural person in his or her capacity as trustee, executor, administrator or other legal personal representative.

"fully managed account" means an investment portfolio account of a client established in writing with a portfolio adviser who makes investment decisions for the account and has full discretion to trade in securities of the account without requiring the client's express consent to a transaction.

"mutual fund" includes an issuer whose primary purpose is to invest money provided by its security holders and whose securities entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in a part of the net assets, including a separate fund or trust account, of the issuer of the securities.

"non-redeemable investment fund" means an issuer

(a) whose primary purpose is to invest money provided by its securityholders;

(b) that does not invest for the purpose of exercising effective control, seeking to exercise effective control, or being actively involved in the management of the issuers in which it invests, other than other mutual funds or non-redeemable investment funds; and

(c) is not a mutual fund.

"officer" means the chair, any vice-chair of the board of directors, the president, any vice-president, the secretary, the assistant secretary, the treasurer, the assistant treasurer, and the general manager of a company, and any other person designated an officer or a company by by-law or similar authority, or any individual acting in a similar capacity on behalf of the Corporation.

"person" means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative.

"portfolio adviser" means (a) a portfolio manager; or (b) a broker or investment dealer exempted from registration as an adviser under subsection 148(1) of the Regulation to the *Securities Act* (Ontario) if that broker or investment dealer is not exempt from the by-laws or regulations of the Toronto Stock Exchange or the Investment Dealers' Association of Canada referred to in that subsection.

"promoter" means (a) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, has taken the initiative in founding, organizing or substantially reorganizing the business of the Corporation, or (b) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of the Corporation, directly or indirectly, received in consideration of services or property, or both services and property, 10 per cent or more of any class of securities of the Corporation or 10 percent or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business.

"related liabilities" means liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets and liabilities that are secured by financial assets.

"spouse", in relation to an individual, means another individual to whom that individual is married, or another individual of the opposite sex or the same sex with whom that individual is living in a conjugal relationship outside marriage.

For the purposes of the foregoing:

(a) a person or company is considered to be an affiliated entity of another person or company if one is a subsidiary entity of the other, or if both are subsidiary entities of the same person or company, or if each of them is controlled by the same person or company.

(b) a person or company is considered to be controlled by a person or company if

  (i) in the case of a person or company,

    (A) voting securities of the first mentioned person or company carrying more than 50 percent of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or company, and

    (B) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned person or company;

  (ii) in the case of a partnership that does not have directors, other than a limited partnership, the second-mentioned person or company holds more than 50 percent of the interests in the partnership; or

  (iii) in the case of a limited partnership, the general partner is the second-mentioned person or company; and

(c) a person or company is considered to be a subsidiary entity of another person or company if

(i) it is controlled by,

(A) that other, or

(B) that other and one or more persons or companies each of which is controlled by that other, or

(C) two or more persons or companies, each of which is controlled by that other; or

(d) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

The foregoing representations contained in this certificate are true and accurate as of the date hereof and will be true and accurate as of the Closing Date. **If any such representations shall not be true and accurate prior to the Closing Date, the Subscriber shall give immediate notice to the Corporation and Agent.**

EXECUTED by the Subscriber at _____ this _____ day of _____, 2005.

If a corporation, partnership or other entity:

_____
Print Name of Subscriber

_____
Signature of Authorized Signatory

_____
Name and Position of Authorized Signatory

_____
Jurisdiction of Residence

If an individual:

_____
Print Name

_____
Signature

_____
Jurisdiction of Residence

_____
Print Name of Witness

_____
Signature of Witness

SCHEDULE "B"

ACCREDITED INVESTOR CERTIFICATE UNDER MULTILATERAL INSTRUMENT 45-103

If the Subscriber is a resident of, or the purchase and sale of securities to the Subscriber is otherwise subject to the securities legislation of Alberta or British Columbia, **the Subscriber hereby represents, warrants and certifies to the Corporation and the Agent that the Subscriber (and, if applicable, each beneficial purchaser for whom it is acting) is an "accredited investor" as defined in Section 1.1 of Multilateral Instrument 45-103 (Capital Raising Exemptions), by virtue of being:**

[Check appropriate item]

☐	(a)	a Canadian financial institution, or an authorized foreign bank listed in Schedule III of *the Bank Act* (Canada);
☐	(b)	the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);
☐	(c)	an association under the *Cooperative Credit Associations Act* (Canada) located in Canada or a central cooperative credit society for which an order has been made under subsection 473(1) of that Act;
☐	(d)	a subsidiary of any person or company referred to in paragraphs (a) to (c), if the person or company owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;
☐	(e)	a person or company registered under the securities legislation of a jurisdiction of Canada, as an adviser or dealer, other than a limited market dealer registered under the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador);
☐	(f)	an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada, as a representative of a person or company referred to in paragraph (e);
☐	(g)	the government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the government of Canada or a jurisdiction of Canada;
☐	(h)	a municipality, public board or commission in Canada;
☐	(i)	any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;
☐	(j)	a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;
☐	(k)	an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000;
☐	(l)	an individual whose net income before taxes exceeded $200,000 in each of the two most recent years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the two most recent years and who, in either case, reasonably expects to exceed that net income level in the current year;

☐	(m)	a person or company, other than a mutual fund or non-redeemable investment fund, that, either alone or with a spouse, has net assets of at least $5,000,000, and unless the person or company is an individual, that amount is shown on its most recently prepared financial statements;
☐	(n)	a mutual fund or non-redeemable investment fund that, in the local jurisdiction, distributes its securities only to persons or companies that are accredited investors;
☐	(o)	a mutual fund or non-redeemable investment fund that, in the local jurisdiction, is distributing or has distributed its securities under one or more prospectuses for which the regulator has issued receipts;
☐	(p)	a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, trading as a trustee or agent on behalf of a fully managed account;
☐	(q)	a person or company trading as agent on behalf of a fully managed account if that person or company is registered or authorized to carry on business under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction as a portfolio manager or under an equivalent category of adviser or is exempt from registration as a portfolio manager or the equivalent category or adviser;
☐	(r)	a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or other advisor registered to provide advice on the security being traded;
☐	(s)	an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) through (e) and paragraph (j) in form and function; or
☐	(t)	a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, except the voting securities required by law to be owned by directors, are persons or companies that are accredited investors.

As used in this certificate, the following terms have the following meanings:

"**financial** assets" means cash and securities; and

"**related liabilities**" means: (a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or (b) liabilities that are secured by financial assets.

The foregoing representations contained in this certificate are true and accurate as of the date hereof and will be true and accurate as of the Closing Date. **If any such representations shall not be true and accurate prior to the Closing Date, the Subscriber shall give immediate notice to the Corporation and the Agent.**

EXECUTED by the Subscriber at _____ this _____ day of _____ 2005.

If a corporation, partnership or other entity:

_____
Print Name of Subscriber

_____
Signature of Authorized Signatory

_____
Name and Position of Authorized Signatory

_____
Jurisdiction of Residence

If an individual:

Print Name

_____
Signature

_____
Jurisdiction of Residence

_____
Print Name of Witness

_____
Signature of Witness

SCHEDULE "C" CERTIFICATE

ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS
FOR NON-CANADIAN SUBSCRIBERS
(OTHER THAN U.S. SUBSCRIBERS)

The Subscriber, on its own behalf and (if applicable) on behalf of others for whom it is acting hereunder, further represents, warrants and covenants to and with the Corporation and the Agent (and acknowledges that the Corporation and the Agent are relying thereon) that it is, and (if applicable) any beneficial purchaser for whom it is acting hereunder is, a resident of, or otherwise subject to, the securities legislation of a jurisdiction other than Canada or the United States, and:

(a) the Subscriber is, and (if applicable) any other purchaser for whom it is acting hereunder, is:

(i) a purchaser that is recognized by the securities regulatory authority in the jurisdiction in which it is, and (if applicable) any other purchaser for whom it is acting hereunder is resident or otherwise subject to the securities laws of such jurisdiction, as an exempt purchaser and is purchasing the Units as principal for its, or (if applicable) each such other pm-chaser's, own account, and not for the benefit of any other person, for investment only and not with a view to resale or distribution; or

(ii) a purchaser which is purchasing Units pursuant to an exemption from any prospectus or securities registration requirements (particulars of which are enclosed herewith) available to the Corporation, the Agent, the Subscriber and any such other purchaser under applicable securities laws of their jurisdiction of residence or to which the Subscriber and any such other purchaser are otherwise subject to, and the Subscriber and any such other purchaser shall deliver to the Corporation and the Agent such further particulars of the exemption and their qualification thereunder as the Corporation or the Agent may reasonably request;

(b) the purchase of Units by the Subscriber, and (if applicable) each such other purchaser, does not contravene any of the applicable securities laws in such jurisdiction and does not trigger: (i) any obligation of the Corporation to prepare and file a prospectus, an offering memorandum or similar document, or (ii) any obligation of the Corporation to make any filings with or seek any approvals of any kind from any regulatory body in such jurisdiction or any other ongoing reporting requirements with respect to such purchase or otherwise; or (iii) any registration or other obligation on the part of the Corporation or the Agent;

(c) the Subscriber is knowledgeable of, and has been independently advised as to, the securities laws of such jurisdiction as applicable to this Agreement; and

(d) the Subscriber, and (if applicable) any other purchaser for whom it is acting hereunder will not sell or otherwise dispose of any Units or any Common Shares, Warrants and Warrant Shares underlying the Units (the "**Underlying** Securities"), except in accordance with applicable Canadian securities laws and in accordance with the rules and regulations of the TSXV, and if the Subscriber, or (if applicable) such beneficial purchaser sell or otherwise dispose of any Units or Underlying Securities to a person other than a resident of Canada, the Subscriber, and (if applicable) such beneficial purchaser, will obtain from such purchaser representations, warranties and covenants in the same form as provided in this Schedule "C" and shall comply with such other requirements as the Corporation may reasonably require.

Dated at _____ this _____ day of _____, 2005.

_____
Name of Subscriber

By: _____
Signature

_____
Title

SCHEDULE "D"

FORM 4C

CORPORATE PLACEE REGISTRATION FORM

Where subscribers to a Private Placement are not individuals, the following information about the placee must be provided. This Form will remain on file with the Exchange. The corporation, trust, portfolio manager or other entity (the "Placee") need only file it on one time basis, and it will be referenced for all subsequent Private Placements in which it participates. If any of the information provided in this Form changes, the Placee must notify the Exchange prior to participating in further placements with Exchange listed companies. If as a result of the Private Placement, the Placee becomes an Insider of the Issuer, Insiders of the Placee are reminded that they must file a Personal Information Form (2A) or, if applicable, Declarations, with the Exchange.

1. Placee Information:

   (a) Name: _____

   (b) Complete Address: _____

   (c) Jurisdiction of Incorporation or Creation: _____

2. (a) Is the Placee purchasing securities as a portfolio manager (Yes/No)? _____

   (b) Is the Placee carrying on business as a portfolio manager outside of Canada (Yes/No)? _____

3. If the answer to 2(b) above was "Yes", the undersigned certifies that:

   (a) It is purchasing securities of an Issuer on behalf of managed accounts for which it is making the investment decision to purchase the securities and has full discretion to purchase or sell securities for such accounts without requiring the client's express consent to a transaction;

   (b) it carries on the business of managing the investment portfolios of clients through discretionary authority granted by those clients (a "portfolio manager" business) in _____ [jurisdiction], and it is permitted by law to carry on a portfolio manager business in that jurisdiction;

   (c) it was not created solely or primarily for the purpose of purchasing securities of the Issuer;

   (d) the total asset value of the investment portfolios it manages on behalf of clients is not less than $20,000,000; and

   (e) it has no reasonable grounds to believe, that any of the directors, senior officers and other insiders of the Issuer, and the persons that carry on investor relations activities for the Issuer has a beneficial interest in any of the managed accounts for which it is purchasing.

4. If the answer to 2(a). above was "No", please provide the names and addresses of control persons of the Placee:

Name	City	Province or State	Country

The undersigned acknowledges that it is bound by the provisions of applicable Securities Law, including provisions concerning the filing of insider reports and reports of acquisitions (See for example, sections 87 and 111 of the *Securities Act* (British Columbia) and sections 176 and 182 of the *Securities Act* (Alberta).

Acknowledgement - Personal Information

"Personal Information" means any information about an identifiable individual, and includes information contained in sections 1, 2 and 4, as applicable, of this Fonn.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

(a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to this Form; and

(b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, fiorn time to time.

Dated at _____ on _____

_____
(Name of Purchaser - please print)

_____
(Authorized Signatory)

_____
(Official Capacity - please print)

_____
(please print name of individual whose signature appears above)

THIS IS NOT A PUBLIC DOCUMENT

SCHEDULE "E"
TERM SHEET
POLYMET MINING CORP.
PRIVATE PLACEMENT OF UNITS

Issuer:	Polymet Mining Corp. (the **"Corporation")**
Offering:	Up to $7,750,000 in the aggregate for the Units (as hereinafter defined) by way of private placement exemptions from prospectus requirements, subject to the receipt of necessary regulatory approvals.
Issue:	Units of the Corporation (the **"Units")** are offered at a price of $0.90 per Unit. Each Unit consists of one common share in the capital of the Corporation (a **"Common Share")** and one-half of one Common Share purchase warrant (each whole warrant, a **"Warrant").** Each (whole) Warrant entitles the holder to subscribe for one Common Share for a period of thirty (30) months following the Closing Date (as hereinafter defined), at a price of $1.25; provided that, if at any time the closing trading price of the Common Shares for any 20 consecutive trading days exceeds $2.50, the Corporation may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th calendar day after the date on which such notice is deemed to have been received by such holders.
Minimum Subscription:	A $5,000 minimum subscription will apply to subscribers resident in the Canadian Offering Jurisdictions (as hereinafter defined).
Expenses:	The Corporation will be responsible for certain reasonable expenses of the Offering.
Type of Transaction:	Best efforts, private placement, subject to a formal agency agreement. No offering memorandum or other offering document will be furnished to subscribers of Units.
Qualifying Jurisdictions:	The Offering will be marketed to qualified investors in the provinces of Ontario, Alberta and British Columbia and in such other provinces as agreed by the Corporation and the Agent (the **"Canadian Offering Jurisdictions").** The Offering may also be marketed to investors in the United States pursuant to available exemptions from U.S. federal and state prospectus requirements and to investors in offshore jurisdictions.
Commission:	7% of the aggregate gross proceeds, payable in cash upon the closing of the Offering.

Compensation Options:	The Corporation shall issue to the Agent on the closing of the Offering, options **(the "Compensation Options")** equal in number to 10% of the number of Units sold pursuant to the Offering. Each Compensation Option will entitle the Agent to purchase one Common Share at $1.25 for a period of twenty-four (24) months following the Closing Date, provided that if at any time the closing trading price of the Common Shares for any 20 consecutive trading days exceeds $2.50, the Corporation may accelerate the expiry date of the Compensation Option by giving notice to the Agent and in such case the Compensation Option will expire on the 30th calendar day after the date on which such notice is deemed to be received by the Agent.
Closing Date:	August 29, 2005 or such other date as may be agreed upon by the Corporation and the Agent.
Agent:	Research Capital Corporation.
Use of Proceeds:	For working capital purposes and to advance the technical program with respect to NorthMet property and the Cliffs Erie facility.

POLYMET MINING CORP.

PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT (CANADA)

INSTRUCTIONS TO PURCHASER

1. All purchasers complete all the information in the boxes on page and sign where indicated with an "**X**".

2. If you are an "accredited investor", then complete Schedule "A", the "Accredited Investor Questionnaire" that starts on page . The purpose of the questionnaire is to determine whether you meet the standards for participation in a private placement under National Instrument 45-106.

3. If you are a portfolio manager or you are not an individual (that is, the Purchaser is a corporation, partnership, trust or entity other than an individual), then complete and sign the "Corporate Placee Registration Form" (Form 4C) that starts on page 10.

4. On or before the end of the fifth business day before the Closing Date as defined under the Terms, the Purchaser will deliver to the Issuer the Subscription Agreement and all applicable schedules and required forms, duly executed, and payment in full for the total price of the Purchased Securities to be purchased by the Purchaser, by wire transfer, certified funds or bank drafts as follows:

   (i) Cheques and bank drafts to be made payable to: **PolyMet Mining Corp.**

   (ii) Wire transfers to be forwarded to:

Account name:	**PolyMet Mining Corp.**
Bank:	**Royal Bank of Canada** **6400 No. 3 Road,** **Richmond, B.C.,** **V6Y 2C2**
Transit #:	**4800**
Account#:	**1054451**
Swift Code:	**ROYCCAT 2**
ABA#:	**021 0000021**

ALL SUBSCRIPTION AGREEMENTS, APPLICABLE, SCHEDULES, REQUIRED FORMS AND PAYMENTS TO BE FORWARDED TO:

POLYMET MINING CORP.
2350 - 1177 WEST HASTINGS STREET
VANCOUVER, BRITISH COLUMBIA, CANADA V6E 2K3

UNIT NON-BROKERED PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT

TO: **PolyMet Mining Corp.** (the "Issuer"), of Suite 2350 - 1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3

Subject and pursuant to the terms set out in the Terms on pages to , the General Provisions on pages 17 to 22 and the other schedules and appendixes attached which are hereby incorporated by reference, the Purchaser hereby irrevocably subscribes for, and on Closing will purchase from the Issuer, the following securities at the following price:

_____ Units

$1.40 per Unit for a total purchase price of $ _____

The Purchaser owns, directly or indirectly, the following securities of the Issuer:

_____

[Check if applicable]The Purchaser is ☐ an insider of the Issuer

The Purchaser directs the Issuer to issue, register and deliver the certificates representing the Purchased Securities as follows:

REGISTRATION INSTRUCTIONS	**DELIVERY INSTRUCTIONS**
Name to appear on certificate	Name and account reference, if applicable
Account reference if applicable	Contact name
Address	Address
	Telephone Number

EXECUTED by the Purchaser this _____ day of _____, 2005. By executing this Subscription Agreement, the Purchaser certifies that the Purchaser and any beneficial purchaser for whom the Purchaser is acting is resident in the jurisdiction shown as the "Address of Purchaser".

WITNESS:	**EXECUTION BY PURCHASER:**
	X
Signature of Witness	Signature of individual (if Purchaser **is** an individual)
	X
Name of Witness	Authorized signatory (if Purchaser **is not** an individual)
Address of Witness	Name of Purchaser (**please print**)
	Name of authorized signatory (**please print**)
Accepted this _____ day of _____, 2005	
POLYMET MINING CORP..	Address of Purchaser (residence)
Per:	
	Telephone Number
Authorized signatory	
	E-mail address

By signing this acceptance, the Issuer agrees to be bound by the Terms on pages to , the General Provisions on pages 17 to 22, and the other schedules and appendixes incorporated by reference.

TERMS

Reference date of this Subscription Agreement	September 21, 2005 (the "Agreement Date")

The Offering

The Issuer	POLYMET MINING CORP. (the "Issuer")
Offering	The offering consists of up to an aggregate of 4,000,000 units of the Issuer (the "Units").
Purchased Securities	The "Purchased Securities" are Units. Each Unit consists of one previously unissued common share, as presently constituted (a "Share") and one-half of one non-transferable share purchase warrant (a "Warrant") of the Issuer. One whole Warrant will entitle the holder, on exercise, to purchase one additional common share of the Issuer (a "Warrant Share") at a price of $2.00 per Warrant Share at any time until the close of business on the day which is 18 months from the date of Closing, **provided that if the closing price of the Issuer's shares as traded on the TSX Venture Exchange (the "Exchange") is at or exceeds $2.50 per share for 20 consecutive trading days, the Issuer has the right to accelerate the expiry date of the Warrants upon 30 days notice to holders thereof.**
Total amount	Up to **$ _____**
Price	**$1.40** per Unit
Warrants	The Warrants will be issued and registered in the name of the purchasers. The certificates representing the Warrants will, among other things, include provisions for the appropriate adjustment in the class, number and price of the Warrant Shares issued upon exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Issuer's common shares, the payment of stock dividends and the amalgamation of the Issuer. The issue of the Warrants will not restrict or prevent the Issuer from obtaining any other financing, or from issuing additional securities or rights, during the period within which the Warrants may be exercised.
Use of Proceeds	The proceeds of the placement will be utilized to advance the technical program on the NorthMet Project and to provide working capital.
Selling Jurisdictions	The Units may be sold in British Columbia, Alberta, Ontario and in certain jurisdictions outside Canada as solely determined by the Company in accordance with available exemptions (the "Selling Jurisdictions").
Exemptions	The offering will be made in Canada in accordance with the following exemption from the prospectus requirements: (a) the "accredited investor" exemption (section 2.3(2) of National Instrument 45-106).

Resale restrictions and legends

Pursuant to Multilateral Instrument 45-102, the Purchased Securities will be subject to a four month hold period that starts to run on Closing.

The Purchaser acknowledges that the certificates representing the Purchased Securities will bear the following legends:

> "Unless permitted under securities legislation, the holder of the securities shall not trade the securities before [date that is four months and a day after the Closing.]"

> "Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [date that is four months and a day after the Closing]."

Purchasers are advised to consult with their own legal counsel or advisors to determine the resale restrictions that may be applicable to them.

Closing Date

Payment for, and delivery of, the Units is scheduled to occur 48 hours after TSX Venture Exchange acceptance of the placement for filing (the "Closing Date").

Additional definitions

In the Subscription Agreement, the following words have the following meanings unless otherwise indicated:

(a) "Purchased Securities" means the Units purchased under this Subscription Agreement;

(b) "Securities" means the Shares, the Warrants and the Warrant Shares;

(c) "Warrants" includes the certificates representing the Warrants.

The Issuer

Jurisdiction of organization

The Issuer is incorporated under the laws of British Columbia.

Stock exchange listings

Shares of the Issuer are listed on the TSX Venture Exchange (the "Exchange").

"Securities Legislation Applicable to the Issuer"

The "Securities Legislation Applicable to the Issuer" is the *Securities Act* (British Columbia), the *Securities Act* (Alberta) and the *Securities Act* Ontario. The "Commissions with Jurisdiction over the Issuer" are the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission.

END OF TERMS

SCHEDULE “A”

Accredited Investor Questionnaire

(Capitalized terms not specifically defined in this Questionnaire have the meaning ascribed to them in the Subscription Agreement to which this Questionnaire is attached.)

In connection with the execution of the Subscription Agreement to which this Questionnaire is attached, the undersigned (the “Purchaser”) represents and warrants to the Issuer that the Purchaser satisfies one or more of the categories indicated below (please place an “X” on the appropriate lines):

____ Category 1	a Canadian financial institution, or an authorized foreign bank listed in Schedule III of the *Bank Act* (Canada)
____ Category 2	the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada)
____ Category 3	a subsidiary of any person or company referred to in Categories 1 or 2, if the person or company owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary
____ Category 4	a person or company registered under the securities legislation of a jurisdiction of Canada, as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador)
____ Category 5	an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada, as a representative of a person or company referred to in Category 4
____ Category 6	the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the government of Canada or a jurisdiction of Canada
____ Category 7	a municipality, public board or commission in Canada and a metropolitan community, school board, the Comite de gestion de la taxe scolaire de L’ile de Montreal or an intermunicipal management board in Quebec
____ Category 8	any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government
____ Category 9	a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada
____ Category 10	an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000
____ Category 11	an individual whose net income before taxes exceeded $200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year
____ Category 12	a person, other than an individual or investment fund, that, has net assets of at least $5,000,000 as shown on its most recently prepared financial statements

____ Category 13 an investment fund that distributes or has distributed its securities only to:

(a) a person that is or was an accredited investor at the time of the distribution;

(b) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [*Minimum Amount Investment*], and 2.19 [*Additional Investment in Mutual Funds*], or

(c) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [*Investment Fund Reinvestmen*t]

____ Category 14 an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in the case of Quebec, the securities regulatory authority, has issued a receipt

____ Category 15 a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be

____ Category 16 a person acting on behalf of a fully managed account managed by that person, if that person:

(a) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and

(b) in Ontario, is purchasing a security that is not a security of an investment fund;

____ Category 17 a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded

____ Category 18 an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in Categories 1 through 4 and Category 9 in form and function, or

____ Category 19 a person in respect of which all of the owners of interests, direct or indirect or beneficial, except the voting securities required by law to be owned by directors, are persons or companies that are accredited investors

____ Category 20 an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser, or

____ Category 21 a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Quebec, the regulator as:

(a) an accredited investor, or

(b) an exempt purchaser in Alberta or British Columbia.

The statements made in this Questionnaire are true and accurate to the best of my information and belief and the Purchaser will promptly notify the Issuer of any changes in the answers.

Dated _____ 2005.

X _____
Signature of individual (if Purchaser **is** an individual)

X _____
Authorized signatory (if Purchaser is **not** an individual)

_____
Name of Purchaser (**please print**)

_____
Name of authorized signatory (**please print**)

_____
Official capacity of authorized signatory (**please print**)

For the purposes hereof:

(a) "**financial assets** " means cash, securities and a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

(b) "**related liabilities**" means:

(i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets; or

(ii) liabilities that are secured by financial assets.

4C
CORPORATE PLACEE REGISTRATION FORM

Where subscribers to a Private Placement are not individuals, the following information about the placee must be provided. This Form will remain on file with the Exchange. The corporation, trust, portfolio manager or other entity (the "Placee") need only file it on one time basis, and it will be referenced for all subsequent Private Placements in which it participates. If any of the information provided in this Form changes, the Placee must notify the Exchange prior to participating in further placements with Exchange listed companies. If as a result of the Private Placement, the Placee becomes an Insider of the Issuer, Insiders of the Placee are reminded that they must file a Personal Information Form (2A) or, if applicable, Declarations, with the Exchange.

1. Placee Information:

   (a) Name: _____

   (b) Complete Address: _____

   (c) Jurisdiction of Incorporation or Creation: _____

2. Portfolio Manager

   (a) Is the Placee purchasing securities as a portfolio manager (Yes/No)?_____

   (b) Is the Placee carrying on business as a portfolio manager outside of Canada (Yes/No)? _____

3. If the answer to 2(b) above was "Yes", the undersigned certifies that:

(a) It is purchasing securities of an Issuer on behalf of managed accounts for which it is making the investment decision to purchase the securities and has full discretion to purchase or sell securities for such accounts without requiring the client's express consent to a transaction;

(b) it carries on the business of managing the investment portfolios of clients through discretionary authority granted by those clients (a "portfolio manager" business) in _____ [jurisdiction], and it is permitted by law to carry on a portfolio manager business in that jurisdiction;

(c) it was not created solely or primarily for the purpose of purchasing securities of the Issuer;

(d) the total asset value of the investment portfolios it manages on behalf of clients is not less than $20,000,000; and

(e) it has no reasonable grounds to believe, that any of the directors, senior officers and other insiders of the Issuer, and the persons that carry on investor relations activities for the Issuer has a beneficial interest in any of the managed accounts for which it is purchasing

4. If the answer to 2(a). above was "No", please provide the names and addresses of control persons of the Placee:

Name	City	Province or State	Country

The undersigned acknowledges that it is bound by the provisions of applicable Securities Law, including provisions concerning the filing of insider reports and reports of acquisitions (See for example, sections 87 and 111 of the *Securities Act* (British Columbia) and sections 176 and 182 of the *Securities Act* (Alberta).

Acknowledgement - Personal Information

"Personal Information" means information about an identifiable individual, and includes information contained in sections 1, 2 and 4, as applicable, of this Form.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

(a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to this Form; and

(b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated at _____ on _____, 2005.

X _____

Signature of individual (if Purchaser **is** an individual)

X _____

Authorized signatory (if Purchaser is **not** an individual)

Name of Purchaser (**please print**)

Name of authorized signatory (**please print**)

Official capacity of authorized signatory (**please print**)

THIS IS NOT A PUBLIC DOCUMENT

GENERAL PROVISIONS

1. DEFINITIONS

1.1 In the Subscription Agreement (including the first (cover) page, the Terms on pages to , the General Provisions on pages 17 to 22 and the other schedules and appendixes incorporated by reference), the following words have the following meanings unless otherwise indicated:

(a) "Applicable Legislation" means the Securities Legislation Applicable to the Issuer (as defined on page) and all legislation incorporated in the definition of this term in other parts of the Subscription Agreement, together with the regulations and rules made and promulgated under that legislation and all administrative policy statements, blanket orders and rulings, notices and other administrative directions issued by the Commissions;

(b) "Closing" means the completion of the sale and purchase of the Purchased Securities;

(c) "Closing Date" has the meaning assigned in the Terms;

(d) "Commissions" means the Commissions with Jurisdiction over the Issuer (as defined on page) and the securities commissions incorporated in the definition of this term in other parts of the Subscription Agreement;

(e) "Exchange" has the meaning assigned in the Terms;

(f) "Final Closing" means the last closing under the Private Placement;

(g) "General Provisions" means those portions of the Subscription Agreement headed "General Provisions" and contained on pages 17 to 22,

(h) "Private Placement" means the offering of the Purchased Securities on the terms and conditions of this Subscription Agreement;

(i) "Purchased Securities" has the meaning assigned in the Terms;

(j) "Regulatory Authorities" means the Commissions and the Exchange;

(k) "Securities" has the meaning assigned in the Terms;

(l) "Subscription Agreement" means the first (cover) page, the Terms on pages to , the General Provisions 17 to 22, and the other schedules and appendixes incorporated by reference; and

(m) "Terms" means those portions of the Subscription Agreement headed "Terms" and contained on pages to .

1.2 In the Subscription Agreement, unless otherwise specified, all references to dollar amounts are to Canadian dollars.

1.3 In the Subscription Agreement, other words and phrases that are capitalized have the meaning assigned in the Subscription Agreement.

2. REPRESENTATIONS AND WARRANTIES OF PURCHASER

2.1 Acknowledgements concerning offering

The Purchaser acknowledges that:

(a) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;

(b) there is no government or other insurance covering the Securities;

(c) there are risks associated with the purchase of the Securities;

(d) there are restrictions on the Purchaser's ability to resell the Securities and it is the responsibility of the Purchaser to find out what those restrictions are and to comply with them before selling the Securities;

(e) the Issuer has advised the Purchaser that the Issuer is relying on an exemption from the requirements to provide the Purchaser with a prospectus and to sell securities through a person registered to sell securities under the Applicable Legislation and, as a consequence of acquiring securities pursuant to this exemption, certain protections, rights and remedies provided by the Applicable Legislation, including statutory rights of rescission or damages, will not be available to the Purchaser;

(f) no prospectus has been filed by the Issuer with the Commissions in connection with the issuance of the Purchased Securities, the issuance is exempted from the prospectus and registration requirements of the Applicable Legislation and:

(i) the Purchaser is restricted from using most of the civil remedies available under the Applicable Legislation;

(ii) the Purchaser may not receive information that would otherwise be required to be provided to the Purchaser under the Applicable Legislation; and

(iii) the Issuer is relieved from certain obligations that would otherwise apply under the Applicable Legislation;

2.2 Representations by all purchasers

The Purchaser represents and warrants to the Issuer that, as at the Agreement Date and at the Closing:

(a) to the best of the Purchaser's knowledge, the Securities were not advertised;

(b) no person has made to the Purchaser any written or oral representations:

(i) that any person will resell or repurchase the Securities;

(ii) that any person will refund the purchase price of the Purchased Securities;

(iii) as to the future price or value of any of the Securities; or

(iv) that any of the Securities will be listed and posted for trading on a stock exchange or that application has been made to list and post any of the Securities for trading on any stock exchange other than the Shares and Warrant Shares on the Exchange;

(c) the Purchaser is at arm's length (as that term is customarily defined) with the Issuer;

(d) the Purchaser (or others for whom it is contracting hereunder) has been advised to consult its own legal and tax advisors with respect to applicable resale restrictions and tax considerations, and it (or others for whom it is contracting hereunder) is solely responsible for compliance with applicable resale restrictions and applicable tax legislation;

(e) the Purchaser has no knowledge of a "material fact" or "material change" (as those terms are defined in the Applicable Legislation) in the affairs of the Issuer that has not been generally disclosed to the public, except knowledge of this particular transaction;

(f) the offer made by this subscription is irrevocable (subject to the Purchaser's right to withdraw the subscription and to terminate the obligations as set out in this Subscription Agreement) and requires acceptance by the Issuer and approval of the Exchange;

(g) the Purchaser has the legal capacity and competence to enter into and execute this Subscription Agreement and to take all actions required pursuant to the Subscription Agreement and, if the Purchaser is a corporation, it is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and all necessary approvals by its directors, shareholders and others have been given to authorize execution of this Subscription Agreement on behalf of the Purchaser;

(h) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constating documents of, the Purchaser or of any agreement, written or oral, to which the Purchaser may be a party or by which the Purchaser is or may be bound;

(i) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser enforceable against the Purchaser;

(j) the Purchaser has been independently advised as to the applicable hold period imposed in respect of the Securities by securities legislation in the jurisdiction in which the Purchaser resides and confirms that no representation has been made respecting the applicable hold periods for the Securities and is aware of the risks and other characteristics of the Securities and of the fact that the Purchaser may not be able to resell the Securities except in accordance with the applicable securities legislation and regulatory policies;

(k) the Purchaser is capable of assessing the proposed investment as a result of the Purchaser's financial and business experience or as a result of advice received from a registered person other than the Issuer or any affiliates of the Issuer;

(l) if required by applicable securities legislation, policy or order or by any securities commission, stock exchange or other regulatory authority, the Purchaser will execute, deliver, file and otherwise assist the Issuer in filing, such reports, undertakings and other documents with respect to the issue of the Securities as may be required; and

(m) the Purchaser acknowledges that certain persons may receive a commission from the Issuer in connection with this Private Placement.

(n) the Purchaser is not a "control person" of the Issuer as defined in the Applicable Legislation, will not become a "control person" by virtue of this purchase of any of the Securities, and does not intend to act in concert with any other person to form a control group of the Issuer;

(o) the offer was not made to the Purchaser when he was in the United States and at the time the Purchaser's buy order was made, the Purchaser was outside the United States;

(p) the Purchaser is not a U.S. Person; and

(q) the Purchaser is not and will not be purchasing Units for the account or benefit of any U.S. Person.

2.3 Reliance, indemnity and notification of changes

The representations and warranties in the Subscription Agreement (including the first (cover) page, the Terms on pages 1 to 2, the General Provisions on pages 15 to 17, and the other schedules and appendixes incorporated by reference) are made by the Purchaser with the intent that they be relied upon by the Issuer in determining its suitability as a purchaser of Purchased Securities, and the Purchaser hereby agrees to indemnify the Issuer against all losses, claims, costs, expenses and damages or liabilities which any of them may suffer or incur as a result of reliance thereon. The Purchaser undertakes to notify the Issuer immediately of any change in any representation, warranty or other information relating to the Purchaser set forth in the Subscription Agreement (including the first (cover) page, the Terms on pages 1 to 2, the General Provisions on pages 15 to 17, and the other schedules and appendixes incorporated by reference) which takes place prior to the Closing.

2.4 Survival of representations and warranties

The representations and warranties contained in this Section will survive the Closing.

3. REPRESENTATIONS AND WARRANTIES OF THE ISSUER

3.1 The Issuer warrants and represents that:

(a) the Issuer and its material subsidiaries, if any, are valid and subsisting corporations duly incorporated and in good standing under the laws of the jurisdictions in which they are incorporated, continued or amalgamated;

(b) the Issuer and its material subsidiaries, if any, are duly registered and licensed to carry on business or own property in the jurisdictions in which they carry on business or own property where so required by the laws of that jurisdiction;

(c) the Issuer is authorized to issue **unlimited** common shares of which **84,396,206** were issued as fully paid and non-assessable as of September 15, 2005;

(d) the Issuer will reserve or set aside sufficient common shares in its treasury to issue the Shares, and Warrant Shares,

(e) the issue and sale of the Securities by the Issuer does not and will not conflict with, and does not and will not result in a breach of, any of the terms of its incorporating documents or any agreement or instrument to which the Issuer is a party;

(f) neither the Issuer or its subsidiaries, if any, is a party to any actions, suits or proceedings which could materially affect its business or financial condition, and no such actions, suits or proceedings are contemplated or have been threatened;

(g) there are no judgments against the Issuer or any of its subsidiaries, if any, which are unsatisfied, nor are there any consent decrees or injunctions to which the Issuer or any of its subsidiaries, if any, is subject;

(h) this Agreement has been duly authorized by all necessary corporate action on the part of the Issuer

(i) the common shares of the Issuer are listed for trading on the Exchange and no order ceasing, halting or suspending trading in securities of the Issuer or prohibiting the sale of such securities has been issued to and is outstanding against the Issuer or its directors, officers or promoters or against any other companies that have common directors, officers or promoters and no investigations or proceedings for such purposes are pending or threatened;

4. CLOSING

4.1 The Purchaser acknowledges that, although Purchased Securities may be issued to other purchasers under the Private Placement concurrently with the Closing, there may be other sales of Purchased Securities under the Private Placement, some or all of which may close before or after the Closing. The Purchaser further acknowledges that there is a risk that insufficient funds may be raised on the Closing to fund the Issuer’s objectives, and that further closings may not take place after the Closing.

4.2 On or before the end of the fifth business day before the Closing Date, the Purchaser will deliver to the Issuer the Subscription Agreement and all applicable schedules and required forms, duly executed, and payment in full for the total price of the Purchased Securities to be purchased by the Purchaser, by wire transfer, certified funds or bank drafts.

4.3 The Purchaser's obligation to complete the purchase and sale of the Purchased Securities shall be subject to the following conditions:

(a) the representations and warranties made by the Issuer in this Subscription Agreement shall be true and correct as of the Closing Date (except for representations and warranties that speak as of a specific date) and the covenants of the Issuer shall have been performed, satisfied and complied with, where applicable, on or before the Closing Date;

(b) the Issuer shall have delivered to the Purchaser, or to the direction of the Purchaser, the following items:

(i) a copy of this Subscription Agreement duly executed by the Issuer.

5. MISCELLANEOUS

5.1 The Purchaser agrees to sell, assign or transfer the Securities only in accordance with the requirements of applicable securities laws and any legends placed on the Securities as contemplated by the Subscription Agreement.

5.2 The Purchaser hereby authorizes the Issuer to correct any errors in, or complete any minor information missing from any part of the Subscription Agreement and any other schedules, forms, certificates or documents executed by the Purchaser and delivered to the Issuer in connection with the Private Placement.

5.3 The Issuer may rely on delivery by fax machine of an executed copy of this subscription, and acceptance by the Issuer of such faxed copy will be equally effective to create a valid and binding agreement between the Purchaser and the Issuer in accordance with the terms of the Subscription Agreement.

5.4 Without limitation, this subscription and the transactions contemplated by this Subscription Agreement are conditional upon and subject to the Issuer's having obtained such regulatory approval of this subscription and the transactions contemplated by this Subscription Agreement as the Issuer considers necessary.

5.5 This Subscription Agreement is not assignable or transferable by the parties hereto without the express written consent of the other party to this Subscription Agreement.

5.6 Time is of the essence of this Subscription Agreement and will be calculated in accordance with the provisions of the *Interpretation Act* (British Columbia).

5.7 Except as expressly provided in this Subscription Agreement and in the agreements, instruments and other documents contemplated or provided for in this Subscription Agreement, this Subscription Agreement contains the entire agreement between the parties with respect to the Securities and there are no other terms, conditions, representations or warranties whether expressed, implied, oral or written, by statute, by common law, by the Issuer or by anyone else.

5.8 The parties to this Subscription Agreement may amend this Subscription Agreement only in writing.

5.9 This Subscription Agreement enures to the benefit of and is binding upon the parties to this Subscription Agreement and their successors and permitted assigns.

5.10 A party to this Subscription Agreement will give all notices to or other written communications with the other party to this Subscription Agreement concerning this Subscription Agreement by hand or by registered mail addressed to the address given on page 1.

5.11 This Subscription Agreement is to be read with all changes in gender or number as required by the context.

5.12 This Subscription Agreement will be governed by and construed in accordance with the internal laws of British Columbia (without reference to its rules governing the choice or conflict of laws), and the parties hereto irrevocably attorn and submit to the exclusive jurisdiction of the courts of British Columbia with respect to any dispute related to this Subscription Agreement.

Acknowledgement - Personal Information

"Personal Information" means any information about an identifiable individual, and includes information provided by the Purchaser on the cover page and in the forms, schedules and appendices forming part of the Subscription Agreement.

The undersigned Purchaser provides its written consent to:

(a) the disclosure of Personal Information by the Issuer to the Exchange (as defined below) and to any applicable securities regulatory authorities; and

(b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described below or as otherwise identified by the Exchange, from time to time.

Dated at _____ on _____, 2005.

X _____

Signature of individual (if Purchaser **is** an individual)

X _____

Authorized signatory (if Purchaser is **not** an individual)

_____

Name of Purchaser (**please print**)

_____

Name of authorized signatory (**please print**)

_____

Official capacity of authorized signatory (**please print**)

TSX Venture Exchange Inc. and its affiliates, authorized agents, subsidiaries and divisions, including the TSX Venture Exchange (collectively referred to as "the Exchange") collect Personal Information in certain Forms that are submitted by the individual and/or by an Issuer or Applicant and use it for the following purposes:

(a) to conduct background checks;
(b) to verify the Personal Information that has been provided about each individual;
(c) to consider the suitability of the individual to act as an officer, director, insider, promoter, investor relations provider or, as applicable, an employee or consultant, of the Issuer or Applicant;
(d) to consider the eligibility of the Issuer or Applicant to list on the Exchange;
(e) to provide disclosure to market participants as to the security holdings of directors, officers, other insiders and promoters of the Issuer, or its associates or affiliates;
(f) to conduct enforcement proceedings; and
(g) to perform other investigations as required by and to ensure compliance with all applicable rules, policies, rulings and regulations of the Exchange, securities legislation and other legal and regulatory requirements governing the conduct and protection of the public markets in Canada.

As part of this process, the Exchange also collects additional Personal Information from other sources, including but not limited to, securities regulatory authorities in Canada or elsewhere, investigative, law enforcement or self-regulatory organizations, regulations services providers and each of their subsidiaries, affiliates, regulators and authorized agents, to ensure that the purposes set out above can be accomplished.

The Personal Information the Exchange collects may also be disclosed:

(a) to the agencies and organizations in the preceding paragraph, or as otherwise permitted or required by law, and they may use it in their own investigations for the purposes described above; and
(b) on the Exchange's website or through printed materials published by or pursuant to the directions of the Exchange.

The Exchange may from time to time use third parties to process information and/or provide other administrative services. In this regard, the Exchange may share the information with such third party service providers.

END OF GENERAL PROVISIONS
END OF SUBSCRIPTION AGREEMENT

AGREEMENT

Executed this 4th day of JANUARY, 1989, between USX CORPORATION, a corporation incorporated under the laws of the State of Delaware, having an office at 600 Grant Street, Pittsburgh, Pennsylvania 15230 ("USX"), and FLECK RESOURCES LTD., a Canadian corporation, having its principal office at 800-543 Granville Street, Vancouver, B.C., Canada V6C 1X8 ("Lessee").

USX and Lessee agree as follows:

Section 1 - Lease

1.1 USX does hereby let, lease and demise to Lessee all the right, title and interest now owned or hereafter acquired by USX during the term of this lease in certain lands consisting of approximately 4162.42 acres of land in Sections 1, 2, 3, 9, 10, 11, and 12, Township 59 North, Range ~~11~~ 13 West, St. Louis County, Minnesota, and more particularly described in Exhibit A attached hereto ("Premises") for the purposes hereinafter set forth.

1.2 The term of this lease shall be twenty (20) years and for such additional time as Lessee shall pay the rent required by Section 6 subject to earlier termination by Lessee pursuant to Section 22 or by USX pursuant to Section 20 or as otherwise provided in this lease.

1.3 The Premises are leased for the purpose of granting to Lessee, exclusively, the right to explore for, mine, remove, beneficiate or process and dispose of, for Lessee's own account and in any manner that Lessee may desire, but wholly at the risk of Lessee, all minerals owned by USX found therein or thereon. In connection therewith, but without in any way limiting the general rights incident to the estate granted, USX grants to Lessee, to the extent owned by USX, the right: to enter upon the Premises, and subject to all terms and provisions of this lease to occupy and use the same, and, in so doing, in, upon or under the Premises, as the case may be: to strip the surface thereof in connection with open pit mining operations; to cave and sink the surface of underlying strata; to sink drill holes, test pits and shafts; to make excavations and openings of all kinds, including underground openings; to construct and make drains, roads, railroads, tramways, conveyorways, power lines, pipe lines, and other structures, changes or improvements; to sink wells, and (subject to

the rights of the public and of the owners or occupants of other lands riparian thereto) to divert streams, ponds or lakes onto or from the Premises, and to construct new channels or beds therefor; to use the waters of any such streams, ponds or lakes, and to deposit tailings or waste products therein, subject to compliance with any applicable environmental statutes or regulations of federal, state or local governmental entitites, to deposit on the Premises earth, rock, tailings, waste products and minerals of all kinds encountered or produced by Lessee; and to erect any buildings or structures, including but not limited to mills, plants, store buildings and dwelling houses.

1.4 On or after execution of this lease, USX shall make a reasonable effort to locate and make available to Lessee for inspection and independent examination all reasonably available geologic and technical data, records, and samples in possession of USX with respect to the Premises. USX, however, makes no representations or warrantees regarding the accuracy of the information contained therein.

1.5 Unless lease is sooner terminated, Lessee shall on or before the seventh anniversary date of the lease complete a feasibility study to determine the economic viability of development. This study shall be updated each year thereafter, and the Premises shall be placed into commercial production by the end of the fourth year after demonstration of commercial feasibility.

Section 2 - After-Acquired Interest

Any right, title or interest in the Premises which may be acquired by USX during the term of this lease, or any improvement or perfection of USX's title, including the elimination of any adverse claims, to the Premises during the term of this lease, shall inure to the benefit of Lessee and become subject to all the provisions of this lease in the same manner and with the same effect as if such right, title or interest had been acquired or such improvement or perfection of title had been made prior to the execution of this lease.

Section 3 - Limitations

The rights and interests granted by this lease are granted subject to:

3.1 documents of record;

3.2 documents not of record of which USX will inform Lessee pursuant to the provisions of paragraph 4.4, and

3.3 the state of facts which a survey or inspection would disclose.

Section 4 - Title

4.1 Limited Warranties - USX claims that it is seized in fee simple only of a certain mineral estate in the Premises together with appurtenant rights and privileges to explore for, mine, and remove such minerals owned by USX. USX warrants that, if in fact said mineral estate in the Premises is owned by USX, said mineral estate is free from all encumbrances made by, through, or under USX and that so long as Lessee, its successors or assigns, keeps, performs, and observes each of the agreements and conditions to be kept, performed and observed by Lessee as herein provided or referred to, USX, its successors and assigns, shall warrant and defend Lessee, its successors and assigns, in the quiet and peaceable possession of the Premises for the uses and purposes herein provided or referred to, during the continuance of this lease, against all persons lawfully claiming or to claim the whole or any part of said owned mineral estate by, through or under USX.

4.2 Title Defects, Defense and Protection - If (a) in the opinion of Lessee's counsel, USX's title to any of the mineral estate in the Premises is defective or (b) USX's title is contested or questioned by any person, entity or governmental agency, and if USX is unable or unwilling to promptly correct the defects or alleged defects in title, Lessee may attempt to perfect, defend or initiate litigation to protect USX's title. In that event, USX shall execute all documents and shall take such other actions as are reasonably necessary to assist Lessee in its efforts to perfect, defend or protect USX's title.

4.3 Lesser Interests Provisions - Without impairment of the above warranties and representations, if USX owns a lesser interest, by quantity, in and to any one or more (or all) parts of the Premises than the entire and undivided mineral estate and interest therein, then (whether or not such lesser interest is referred to or described herein) all royalty to be paid for production derived from such parts, and all rental based on the net acreage contained in such parts, shall be reduced and shall be paid to USX only in the proportion that USX's mineral interest in such parts of the Premises bears to the entire, undivided mineral estate and interest therein. Without impairment of the above warranties and representations, if USX's mineral estate and interest in and to any one or more (or all) parts of the Premises does not include certain minerals included in the production derived

from the Premises, then (whether or not such lesser interest is referred to or described herein) all royalty to be paid USX for production derived from such parts shall be reduced by excluding from such payments to USX that part of the Net Smelter Returns that is attributable to those minerals not owned by USX.

4.4 USX shall at reasonable times allow Lessee at Lessee's own expense the right to examine at USX's Duluth, Minnesota, offices property cards (which purport to show interests acquired and rights and interests conveyed), abstracts, deeds, licenses and other documents available in said office pertaining to title to the Premises. Lessee may obtain a copy of said property cards but shall return all such abstracts, deeds, licenses and other documents to USX. USX will at Lessee's request provide Lessee with a photocopy of any such abstracts, deeds, licenses, or other documents at a reasonable charge for photocopying cost. Lessee shall hold confidentially all title data and other information of USX. Upon termination of this lease Lessee shall return to USX all copies of property cards, abstracts, deeds, licenses and other documents and all other information and material furnished by USX to Lessee and all Lessee's summaries and interpretations thereof.

Section 5 - Manner of Operations - Duties

Lessee shall have no duty or obligation, expressed or implied, to open or develop or continue in operation any mine on the Premises. Whenever Lessee deems it necessary or advisable during the term hereof, Lessee may discontinue or resume exploration, development, mining, and production operations from time to time. Nothing herein contained shall require Lessee to develop a separate shaft or shafts in the Premises nor to prevent Lessee from developing any mine or operation in the Premises solely through or in connection with Lessee's operations on or in adjoining or nearby land or lands.

Lessee's exploration, development and mining operations on the Premises and other operations on or off the Premises done pursuant to the provisions of this lease shall be conducted in a skillful and workmanlike manner and in accordance with generally accepted exploration and mining, milling, and metallurgical engineering methods, standards, and practices.

If Lessee conducts mining operations on the Premises, Lessee shall have no duty or obligation, expressed or implied, to mine, extract or remove

any ore that, in the sole judgment of Lessee, cannot be mined, milled, concentrated and further processed at a profit that Lessee considers reasonable at the time the ore will have been encountered in Lessee's operations, but in its operations Lessee shall use reasonable efforts, consistent with generally accepted mining practices, to protect and preserve such ore in a manner that will not unreasonably hinder or render dangerous or inconvenient the subsequent exploration and mining of such ore.

Section 6 - Payments

6.1 Unless sooner terminated, Lessee shall pay USX lease payments in accordance with the following schedule:

Lease Payments	Payable on or Before
$10,000	On signature of lease
$10,000	First anniversary date of lease
$25,000	Second and third anniversary dates of lease
$40,000	Fourth and fifth anniversary dates of lease
$50,000	Sixth thru ninth anniversary dates of lease
$75,000	Tenth anniversary date of lease and a like amount on each succeeding anniversary date thereafter.

6.2 The lease payments payable to USX pursuant to paragraph 6.1 above shall be considered advance royalty and shall be credited to and recoverable from production royalties as provided in Section 7 below. Said right of recovery shall apply to the first such production royalties and shall continue thereafter until Lessee has recovered the full amount of previously paid lease payments; provided, however, that USX shall not in any lease year be paid less than the amount of lease payment for that year as provided in Section 6.1 above, and also provided that in no event shall USX be liable to refund to Lessee any such advance royalty. All dollar amounts herein are expressed in U.S. dollars.

Section 7 - Production Royalty

Lessee, upon attaining commercial production, shall pay USX on or before the 30th day of April, July, October, and January (hereinafter

referred to as "quarter days") a production royalty based on the Net Smelter Returns paid or payable to Lessee for such production derived from ores from the Premises that will have been sold by Lessee during the three (3) calendar months preceding the first day of the month in which such royalty will be paid. Commercial production shall be deemed to have commenced on the day the first one thousand (1,000) tons of concentrates produced from the Premises is sold or delivered for further processing thereof to a smelter or other processing facility owned, operated, or controlled by Lessee or by a corporaton or partnership affiliated with Lessee. The production royalty shall be as follows:

a) If the net smelter return received by Lessee per ton of ore mined is less than $30.00, the production royalty shall be three percent (3%) of the revenue received.

b) If the net smelter return received by Lessee per ton of ore mined is $30.00 but less than $35.00, the production royalty shall be four percent (4%) of the revenue received.

c) If the net smelter return received by Lessee per ton of ore mined is $35.00 or more, the production royalty shall be five percent (5%) of the revenue received.

7.1 Net Smelter Returns shall mean the actual net proceeds received by Lessee from production sold by Lessee to a purchaser who deals at arm's length with Lessee, after deducting all treatment, processing, smelting, refining and other costs and penalties deducted or charged by the purchaser and all direct costs and expenses incurred by Lessee for transporting production from the Premises to the purchaser.

Whenever production is sold, or delivered for further processing thereof, to a smelter or other processing facility owned, operated or controlled by Lessee, or by a corporation or partnership affiliated with Lessee, such production shall be deemed sold when so delivered and the Net Smelter Return from such sale shall be computed from the metallic content of all salable metals in the production and the published wholesale price of such metals. Such prices shall be based on the average price for each such metal computed from the weekly prices published in Metals Week, published by McGraw-Hill, or any successor publication, as follows:

(a) Taconite pellets - Lower Lake Port prices;

(b) Copper - United States Producer price, f.o.b. refinery;

(c) Lead - United States Producer price;

(d) Zinc - United States Prime Western;

(e) Silver - Handy & Harman, NY, cents per troy ounce;

(f) Gold - Handy & Harman, NY;

(g) Platinum-group metals - Handy & Harman, NY;

(h) Other metals - price most representative of market in area of smelter or processing facility where Product is delivered. If such prices are not available, the prices shall be based on the average price for such metal based on the weekly prices published in Metals Week as aforesaid, less the customary toll charges for smelting and refining Product of the composition and quality sold or delivered and less the costs of transporting such Product to the smelter or other processing facility. USX shall have no right to object to any computation of Net Smelter Return after twelve months from the date of payment of the respective royalty based thereon.

7.2 The production royalty to be paid as provided in this Section 7 is the total royalty in payment for all ores and production mined, extracted, removed or produced from the Premises and sold during the term of this lease, and is subject to all the provisions of this lease, including, without limitation, the lesser interest provisions in paragraph 4.3.

7.3 All ore mined, extracted or recovered from the Premises remains owned by USX until royalty shall accrue thereon as provided in this Section 7.

7.4 Lessee shall keep complete records of all matters affecting the computation of royalties. USX shall always have the right to inspect and audit the books and accounts of Lessee used for the computation of said royalties, which right may be exercised at any reasonable time during a period of one (1) year from and after the date on which a payment of production royalty was made or a report thereon was delivered to USX.

Section 8 - Manner of Payment of Royalty

The several payments to be made to USX shall be made in lawful money of the United States of America or by checks delivered in the usual course of business to USX at such address, or at and to such bank, as USX may from time to time designate by written notice to Lessee. Any bank or banks so designated shall be deemed the agent of USX for the purpose of receiving, collecting, and receipting for such payments.

Section 9 - Quarterly Royalty Reports

At the time of making each quarterly payment of royalty pursuant to Section 7 of this lease, Lessee shall furnish to USX a written report, with respect to the period of three calendar months for which such royalty is being paid, that shall set forth in reasonable detail (a) all sales of production on which royalty is being paid, (b) the basis or respective bases upon which such royalty was computed for each such sale pursuant to Section 7, and (c) the amount of royalty being paid. Such report shall be certified by a representative of Lessee having knowledge of the facts stated therein.

Section 10 - Conduct of Operations - Restrictions and Requirements

In exercising the rights and privileges USX has granted to Lessee by this lease, exploration, development, mining, extracting, processing and other operations or activities hereunder shall be performed only to the extent Lessee in its sole discretion deems desirable, and at such times and location, and by or with such methods, as Lessee may deem desirable in its sole discretion, subject, however, to any duties provided in Section 5 and otherwise specifically provided in this lease and also to the following conditions which Lessee shall observe and comply with:

10.1 Placing of Stockpiles and Waste Dumps on Premises - Ores and waste materials produced by Lessee in its operations hereunder may be deposited upon mutually agreed-upon areas of the Premises in such manner only as not unreasonably to interfere with reasonably foreseeable operation of any mine or mines thereon, provided such future operations will be conducted in accordance with mining practice that was usual and customary at the time such ores or waste materials were deposited upon the Premises.

10.2 Treatment of Ores - Ores produced by Lessee in its operations hereunder may be concentrated or otherwise beneficiated or processed in preparation for sale at a concentration or processing plant on or off the Premises. Such concentration, beneficiation or processing shall be done with suitable and proper machinery and appliances and in a careful, good and workmanlike manner, according to good engineering and metallurgical practices and so as not to cause any greater waste of such ores than is necessary in order to produce salable production.

10.3 Residue - The tailings or residue material remaining after the processing of any ores produced by Lessee in its operations hereunder

shall belong to Lessee.

10.4 Commingling - Lessee may mix or commingle ore from the Premises with ores, materials or production from other lands provided such ore from the Premises has been sampled, analyzed, weighed and measured, in accordance with Lessee's usual and customary practice established for ores produced from the mine including the Premises, as necessary to ascertain within reasonable limits of error the allocation of production to ore from the Premises.

10.5 Use of Other Lands for Cross-Mining - Lessee may mine and remove all ores and other materials from the Premises over or across other lands or through a shaft, incline, openings, or pits sunk, driven, or made in or through other lands, and may stockpile any ores, and unsold concentrated products from ores, from the Premises upon stockpile grounds situated upon other lands. The respective rights and interests of USX and Lessee in and to any ores, and unsold concentrated products from ores, from the Premises so stockpiled upon other lands shall not be divested by the removal thereof from the Premises, and unless such other lands are owned by USX, Lessee shall first secure from the owner or owners of such other lands a written agreement properly recognizing and fully protecting and preserving the rights and interests of USX in and to such ores and unsold concentrated products; provided, that if Lessee is the owner of such other lands, such written agreement shall be granted by Lessee upon the termination, in any manner, of this lease as to such ores and unsold concentrated products then in stockpile on such other lands.

It is understood that the removal of any ores or unsold concentrated products from the Premises to other lands for stockpiling under the provisions of this paragraph 10.5 shall not be treated as a sale thereof so as to require the payment of royalty thereon, but royalty upon such ores and unsold concentrated products shall become payable only if and when the same will be sold.

Section 11 - Reports and Other Information

With respect to Lessee's exploration, mining, and processing operations in the Premises, Lessee shall furnish to USX the following periodic reports and other information:

11.1 Monthly Reports - On or before the 30th day of each calendar month, a report showing for the preceding calendar month the following, to

wit: (a) the estimated quantity and quality of all ore removed from and/or allocated to the Premises and fed directly to beneficiation or processing (separated as to respective quantities thereof for each plant and for each source of ore); (b) the estimated quantity and quality of all ore removed from and/or allocated to the Premises and placed in stockpile and not beneficiated or processed during said month (separated as to the respective quantities thereof for each stockpile); (c) the analyses and quantities of concentrate or production produced from and/or allocated to the Premises which is placed into stockpile and not sold therefrom during said month (separated as to the respective quantities thereof for each stockpile); and (d) the analyses of any tailings or residue materials resulting from the beneficiation or processing of ore (separated as to the respective quantities thereof for each place of deposition or stockpile), in accordance with Lessee's usual and customary practice for the mine and/or processing facility in question.

The monthly reports herein specified shall be required of Lessee only as to such items, if any, active during each calendar month.

In the event of commingling in accordance with the provisions hereinabove contained, such monthly reports shall reasonably disclose all relevant facts in connection with each such mixture and the determinations and allocations based thereon.

11.2 Other Information to be Furnished by Lessee - On or before the first day of March in each year, Lessee shall furnish (1) copies of Lessee's open pit and underground maps and sections (with results of any drilling shown) prepared with respect to the Premises as of the first of January in such year; and (2) a summary report of all exploration work done within the Premises by or for Lessee and such other information bearing upon the quality and quantity of the ores mined from the Premises or remaining therein.

11.3 Notwithstanding the foregoing requirements, prior to actual mining Lessee shall only be required to submit an annual report presenting a summary of exploration carried out on the Premises during the preceding year.

Section 12 - USX's Right to Enter and Inspect

USX shall be entitled through its authorized representative, duly authorized in writing, to inspect at reasonable times after reasonable prior notice and at its own risk and expense Lessee's exploration, mining and

metallurgical operations on or in the Premises, and off the Premises where involving ores mined from the Premises, and shall be entitled through such duly authorized representative to be satisfied in a reasonable manner that the obligations of Lessee are being complied with; provided, however, that the exercise of such right by USX shall not unreasonably delay or interfere with the normal progress of Lessee's mining or other operations.

Section 13 - Confidentiality of Information

Lessee shall not be required to disclose or to deliver to USX information concerning, or which might tend to reveal, processes, techniques or equipment that Lessee is under obligation to any other person not to reveal, or that is undergoing research investigation at Lessee's sole expense and risk.

USX shall maintain as confidential the information furnished USX by Lessee, or obtained by USX through inspection, relating to this lease, provided USX may disclose such information to USX's consultant and when required, in USX's opinion, by law or governmental regulations or rule; provided, however, that at least 30 days or such lesser notice if USX is required to respond in a shorter time prior to any such disclosure by USX, USX shall give notice to Lessee of the fact of the proposed disclosure and the content of the proposed disclosure.

Section 14 - Use of Premises for Cross Mining

To the extent owned by USX, Lessee is hereby granted, subject to all the terms and provisions of this lease, the rights and privileges during the continuance of this lease to use the Premises for any purpose auxiliary to Lessee's carrying on of any mining operations in any other lands and for the enjoyment of such other cross-mining rights and privileges as may be necessary or convenient from time to time in the conduct of any such mining operations; provided, that such use by Lessee of the Premises shall not, in Lessee's sole discretion, unreasonably interfere with the then reasonably foreseeable future operation of any mine or mines.

Without limiting the generality of the foregoing, it is understood that (a) any and all ore and waste materials from other lands may be mined, removed, and hoisted over or across the Premises or through a shaft, incline, openings, or pits in or upon the Premises, by any means whatsoever; (b) Lessee may construct and use in and upon the Premises all

such roads, railroad tracks, plants, structures, buildings, power lines, pipe lines, and other facilities and improvements and make all such excavations, pits, shafts, and openings therein as may be necessary or convenient for use in the conduct of any such mining operations; (c) ore and concentrates from other lands may be stockpiled upon the Premises, provided they are properly identified as to the owner thereof and provided that the same shall be removed from the Premises on or before the termination in any manner of this lease, USX hereby agreeing to recognize the rights and interests of the owners of such other lands in and to any such ore mined therefrom and concentrates derived therefrom and stockpiled upon the Premises.

Section 15 - Environmental Requirements

Lessee shall do and perform, or refrain from doing, with respect to the Premises, whatever may be reasonably required for compliance with all valid laws, ordinances, regulations, rules, orders, and requirements (now existing or hereafter enacted, adopted, or made) of any and all federal, state, county and municipal authorities having jurisdiction over the manner in which Lessee conducts its mining operations in, or use of, the Premises (including the use of other lands in connection therewith), including specifically, but not exclusively, mine land reclamation; control of stockpiling of surface overburden or ore, and of tailings basins (location, erosion, vegetation, terracing or other practical controls); stabilization of open pit embankments; solid waste disposal; and air and water pollution; and Lessee agrees to defend and save harmless USX from any cost, expense or liability arising out of the acts or omissions of Lessee regarding the same; provided, however, that Lessee shall not be required to indemnify nor defend USX for the acts or omissions of USX or its predecessors in interest, and Lessee shall not be required to perform any acts required for compliance with laws, ordinances, regulations, rules, orders and requirements of any and all federal, state, county and municipal authorities due to acts or omissions of USX or its predecessors in interest.

These obligations of Lessee shall continue indefinitely if the law so requires, shall commence when the law so requires even if it does not now do so, shall resume if the law so requires but did not do so at one time or from time to time. These obligations shall in any event continue

for so long as an uncorrected environmental condition exists after the termination of this lease up to a period of twenty-one (21) years except to the extent that USX may contribute to any environmental condition or alter the circumstances thereof by USX's mining operations on the Premises or by USX's actions in connection with any stockpiles or tailings basins on the Premises.

Section 16 - Protect Openings

Lessee shall at all times comply with all legal requirements for the fencing and other protection of pits or other excavations made by it in the conduct of its operations hereunder; and shall, upon the termination of this lease, release and surrender the Premises to USX with all pits, excavations or other openings made by Lessee thereon duly fenced and protected in such manner as will at the time fully comply with all statutory or legal requirements then in force and effect with respect thereto. Lessee's obligation to maintain fencing and other protection of pits or other excavations made by it in the conduct of its operations shall continue, commence or resume after termination of this lease if and whenever at any time or from time to time the laws impose such an obligation arising out of or resulting from activities conducted by Lessee under this lease.

Section 17 - Lessee Liability

In conducting its operations, Lessee shall fully comply with the terms and provisions of any applicable Workmen's Compensation and similar laws of the State of Minnesota and shall hold USX harmless against and from any and all loss, damage, or claims for death, personal injury, or property damage occasioned by or arising out of its operations under the terms and provisions of this lease unless same arises as a result of the gross negligence of USX committed during the term of this lease.

Section 18 - Lessee to Protect Title

Lessee shall at Lessee's sole expense protect USX's and Lessee's title to the Premises and to all buildings, equipment, improvements and other personal property placed by USX on the Premises and to all ores mined from the Premises or concentrates or unsold production derived therefrom against foreclosure of mechanics', materialmen's, laborers', or other similar liens and encumbrances arising in any manner whatsoever from or on account of Lessee's activities or operations under this lease.

Section 19 - Taxes

During the term of this lease, Lessee shall pay all taxes, assessments, fees, charges and impositions including, but not limited to, ad valorem taxes, occupation taxes, production taxes, severance taxes, franchise taxes or income taxes, levied on, assessed on, imposed on, or measured by, the minerals and ores and stockpiles of the same, concentrates derived from the minerals or ores and waste products or combinations of one or more of the foregoing in, on, under and within the Premises whether based on their value or otherwise; Lessee's improvements on the Premises; Lessee's mining, severance or production of the minerals or ores in, on, under and within the Premises and other activities or operations in or on the Premises; income resulting from mining, severing, or production of said minerals or ores; the existence of this lease or the rights and/or interests granted by this lease.

Lessee shall pay the royalty taxes assessed under the laws of the State of Minnesota against or on account of the amounts payable to USX under this lease; but Lessee shall not be required to pay any income or other taxes imposed on USX by reason of the receipt of such royalty, and Lessee shall have the right to deduct the amount of any such payments from production royalty owed to USX.

USX shall notify Lessee of, and provide Lessee with copies of, all notices of taxes, assessments, fees, charges and impositions for which Lessee shall be liable under this Section 19.

Section 20 - Default

If any taxes, assessments, rent, or royalty herein agreed to be paid by Lessee, or any part thereof, will remain unpaid after the times herein specified for the payment thereof (subject to Lessee's right to contest the validity or amount of such taxes and assessments or to take steps to secure a cancellation, reduction, readjustment, or equalization thereof), or if Lessee will fail to keep, observe, and perform any of the other covenants, agreements, and conditions in this lease expressed to be kept and performed by Lessee, and if such nonpayment or other default shall continue for thirty (30) days after receipt by Lessee of written notice from USX specifying the default complained of, then, unless the subject matter of the alleged default has been referred to arbitration as provided for in Section 31 of this lease or unless Lessee has undertaken to cure a

default which cannot reasonably be corrected within thirty (30) days and Lessee has begun correction within such thirty (30) days and continues corrective efforts with reasonable diligence until a cure is attained, then USX shall have the right, at its election, at any time thereafter while such default will continue, to declare this lease terminated and the rights and privileges of Lessee hereunder forfeited, and thereupon to take possession of the Premises, or any part thereof in the name of the whole, and without any process whatever to re-enter and repossess the same, as well as USX's and Lessee's interest in all unsold ore, concentrates, and production, and wholly to exclude from the Premises Lessee and all persons claiming under it, and all rights of Lessee in the Premises shall thereupon be terminated, subject, however, to the provisions of Section 23 hereof; and any such re-entry on the part of USX shall be without prejudice to any other remedy or proceedings that USX might have in law, equity, or otherwise by reason of any such default of Lessee for the recovery of damages, or for the recovery of possession of the Premises. Provided, however, that if Lessee will deny the default alleged by USX and will institute arbitration proceedings in the manner herein provided, the period required for the hearing and determination of such matters by arbitration shall not be deemed a part of said thirty (30) days hereinabove referred to; and if the contention of USX is sustained by the arbitration, Lessee shall have thirty (30) days after the final determination in which to correct the default so found.

The receipt by USX of any payment shall not be deemed a waiver of any of the obligations of Lessee under this Agreement.

Section 21 - Disputes or Differences Not to Interrupt Performance of Lease

Any such disagreement or controversy shall not interrupt the performance of this lease nor the continuation of operations hereunder; but such operations may be continued and settlements and payments may be made hereunder in the same manner as prior to the arising of such disagreement or controversy, until the matters in dispute will be finally determined by arbitration in the manner herein provided, and thereupon such payments or restitutions shall be made as may be required.

Section 22 - Termination by Lessee

22.1 Termination - Lessee shall have the right to terminate this

lease at any time by delivering or mailing to the address specified in accordance with Section 25 of this Agreement to USX written notice of such termination not less than ninety (90) days prior to the effective date thereof stating such intention to terminate. The termination shall take effect upon the date specified in such notice. Upon such termination, all right, title, interest and obligations of Lessee hereunder in and to the Premises shall terminate, except obligations which then have accrued under the express provisions of this lease and which then have not been paid or performed. Forthwith after delivery of the notice of termination, Lessee shall execute and record, or deliver to USX for recording, a formal release of this lease.

22.2 Delivery of Data - If Lessee terminates this lease, Lessee shall within 90 days after termination provide USX with detailed non-interpretative records of all geologic, geochemical, geophysical and drilling data collected during the course of its exploration of the Premises.

Section 23 - Lessee's Right to Remove Equipment Upon Termination of Lease - Lessee to Surrender Possession

Lessee shall have twelve (12) months after the termination of this lease during which to remove all pumps, engines, tools, machinery, rails, railway tracks, shaft headframes, structures of every kind and all other property, of every nature and description, erected or placed by Lessee in or upon the Premises, provided all taxes then due and payable and all royalties and other monies due to USX will have been paid and all other conditions, covenants, and agreements obligatory upon Lessee have been as fully performed; and on failure within said twelve (12) months to remove such property, all of the same not removed shall either (a) belong to and become the property of USX or its successors in interest, or (b) be removed by USX, in which event the cost of such removal shall be charged to Lessee and Lessee agrees to pay said cost. But Lessee shall not remove nor impair any supports placed in any underground mine in the Premises or any timber or framework necessary to the use or maintenance of any shaft or other approach to such mines or of any tramways therein; and Lessee shall not remove any fences then existing upon the Premises. Upon termination of this lease, Lessee shall not leave the Premises, as the result of its operations or business, in such condition as to constitute a continuing

menace to the lateral support of adjacent property that is not part of the Premises.

On or before the expiration of said period of twelve (12) months, Lessee shall quietly and peaceably surrender possession of the Premises to USX or its successors in interest.

Section 24 - Force Majeure

Lessee shall not be deemed to have been in default hereunder during any period of time during which mineral production is prevented by any cause reasonably beyond Lessee's control, each of which causes is called "force majeure." Force majeure shall include, without limitation, fire, flood, windstorms, other damage from the elements, strikes, labor disputes, war, insurrection, riot, plant breakdown or any other disabling cause, new statutes or new regulations or actions of government authority, court injunctions, acts of God, and acts of the public enemy. Force majeure shall not include economic factors such as loss of market or unprofitability. All periods of force majeure shall be deemed to begin at the time Lessee ceases mineral production hereunder by reason of force majeure, and Lessee shall notify USX of the beginning and ending of each such period.

Nothing in this section shall limit or defer Lessee's obligation to make payments to USX as provided in this lease.

Section 25 - Addresses

For the purposes hereof, the address of Lessee shall be:

Fleck Resources Ltd.
800-543 Granville Street
Vancouver, B.C.
Canada V6C 1X8

or such other place as Lessee will have last designated in writing to USX; and the address of USX shall be:

USX Corporation
600 Grant Street
Pittsburgh, Pennsylvania 15230
Attention: Director, Resource Management

and

USX Corporation
P. O. Box 510, M.S. 34
Provo, Utah 84603
Attention: Manager - Geology & Western Lands

or such other place as USX will have last designated in writing to Lessee.

Section 26 - Mailing of Payments, Reports, and Notices

Payments by check and routine or regular periodical reports and statements hereunder may be sent by regular mail so addressed; and if so addressed and mailed in due season, then if any of the same will not be received when due, the addressee shall notify the addressor of such failure of receipt and give the addressor a reasonable time to follow up and secure the delivery of the payment, report, or statement, or to send a duplicate thereof, before claiming any default on account of such failure of delivery. But as to any formal notices of cancellation, default, or termination, or as otherwise provided herein, the same shall be delivered to the party notified either personally or by certified mail to be effective hereunder and shall be effective upon receipt thereof by the addressee.

Section 27 - Assignment or Sublease

Lessee shall have the right to contract with others to mine the ore and to concentrate or beneficiate the ore from the Premises. Any subcontractor shall comply with all the terms and conditions of the Agreement. Lessee shall have the right to assign this lease or to sublease the same in whole or in part only with the written consent of USX, such consent wil not unreasonably be withheld. Any such contract or assignment or sublease of this lease shall not release or discharge Lessee from its obligations under this lease until and unless USX will in writing consent to such release or discharge; USX shall have the unilateral right to withhold its consent to such release or discharge. Lessee shall have the right without obtaining USX's prior written consent at any time or times to assign all or any part of its respective rights and interests hereunder to a wholly owned subsidiary or wholly owned affiliate of Lessee. Any such assignment shall not relieve or discharge Lessee from any of its obligations under this Agreement.

Section 28 - Construction

28.1 Governing Law - This lease shall be construed by the internal laws but not the conflict of laws of the State of Minnesota.

28.2 Headings - The headings used in this lease are for convenience only and shall not be deemed to be a part of this lease for purposes of construction.

28.3 Entire Agreement - All of the agreements and understandings

of the parties with reference to the Premises are embodied in this lease, and this lease supersedes all prior agreements or understandings between the parties.

28.4 Rule Against Perpetuities - Any right to acquire any interest in real or personal property under this lease must be exercised, if at all, so as to vest such interest in the acquirer within twenty-one (21) years after the effective date of this lease.

28.5 Interpretation - If any provision of this lease is determined by a court of competent jurisdiction to be in violation of law or public policy, such determination shall not affect the validity of this lease and such provision shall be interpreted or limited in such a way as to satisfy the applicable provisions of law or public policy.

Section 29 - Lease Runs With the Land and Binds Assignees

All of the covenants, conditions, and provisions of this lease shall run with the land and inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

Section 30 - Recording

Whenever requested to do so by the other party, each party during the term of this lease shall execute counterparts or a memorandum of this lease in order to place of record USX's and Lessee's rights and interests in the Premises hereunder. The recording counterparts or memorandum shall be prepared by the party making the request and shall contain or describe those terms and provisions of this lease that the party making the request deems necessary in order to comply with the applicable recording laws of the State of Minnesota. All statutory recording fees for recording the counterparts or memorandum shall be paid by the party making the request and recording the counterparts or memorandum.

Section 31 - Arbitration

Any controversy or claim arising out of or relating to this lease or the breach thereof shall be resolved in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect at the time of the arbitration. Each Party shall be responsible for its own costs, including attorney's fees, incurred in connection with the arbitration proceedings and shall share equally administrative fees and arbitrator's fees. The award shall be final and binding on the parties. Judgment or any award rendered pursuant to the arbitration proceedings may

be entered in any court with jurisdiction, on application made to any such court for judicial acceptance of the award and an order of enforcement.

WITNESS the due execution.

USX CORPORATION

ATTEST:

by _____

Assistant Secretary

Title General Manager-Administration and Group Comptroller

FLECK RESOURCES LTD.

ATTEST:

by _____

Title PRESIDENT

STATE OF PENNSYLVANIA)
) ss.
COUNTY OF ALLEGHENY)

The foregoing instrument was acknowledged before me this 17th day of January, 19 89, by E. F. Guna, General Manager-Administration and Group Comptroller of USX Corporation, a Delaware corporation, on behalf of the corporation.

_____
Notary Public

My commission expires: _____

NOTARIAL SEAL
LOIS A. WITT, Notary Public
Pittsburgh, Allegheny County, PA
My Commission Expires October 18,1990

PROVINCE OF BRITISH COLUMBIA)
CITY OF VANCOUVER) ss.
COUNTY OF VANCOUVER)

The foregoing instrument was acknowledged before me this 4th day of JANUARY, 1989, by RICHARD PYKE, of Fleck Resources Ltd., a Canadian corporation, on behalf of the corporation.

_____
A Notary Public in and for the Province of British Columbia

My commission expires: DOES NOT EXPIRE

EXHIBIT A

FLECK RESOURCES LEASE
St. Louis County, Minnesota

DESCRIPTION	ACREAGE	OWNERSHIP
T59N, R13W		
Sec. 1 - Lot 1 (NE1/4 NE1/4)	34.63	100% Minerals (RR)
Lot 2 (NW1/4 NE1/4)	34.86	100% Minerals (RR)
SW1/4 NE1/4	40.00	100% Minerals (RR)
SE1/4 NE1/4	40.00	100% Minerals (RR)
Lot 3 (NE1/4 NW1/4)	35.09	100% Minerals (RR)
Lot 4 (NW1/4 NW1/4)	35.32	100% Minerals (RR)
SW1/4 NW1/4	40.00	100% Minerals (RR)
SE1/4 NW1/4	40.00	100% Minerals (RR)
NE1/4 SW1/4	40.00	100% Minerals (RR)
NW1/4 SW1/4	40.00	100% Minerals (RR)
SW1/4 SW1/4	40.00	100% Minerals (RR)
SE1/4 SW1/4	40.00	100% Minerals (RR)
NE1/4 SE1/4	40.00	100% Minerals (RR)
NW1/4 SE1/4	40.00	100% Minerals (RR)
SW1/4 SE1/4	40.00	100% Minerals (RR)
Sec. 2 - Lot 1 (NE1/4 NE1/4)	37.48	100% Minerals (RR)
Lot 2 (NW1/4 NE1/4)	37.57	100% Minerals (RR)
SW1/4 NE1/4	40.00	100% Minerals (RR)
SE1/4 NE1/4	40.00	100% Minerals (RR)
Lot 3 (NE1/4 NW1/4)	37.66	100% Minerals (RR)
Lot 4 (NW1/4 NW1/4)	37.75	100% Minerals (RR)
SW1/4 NW1/4	40.00	100% Minerals (RR)
SE1/4 NW1/4	40.00	100% Minerals (RR)
NE1/4 SW1/4	40.00	100% Minerals (RR)
NW1/4 SW1/4	40.00	100% Minerals (RR)
SW1/4 SW1/4	40.00	100% Minerals (RR)
SE1/4 SW1/4	40.00	100% Minerals (RR)
NE1/4 SE1/4	40.00	100% Minerals (RR)
NW1/4 SE1/4	40.00	100% Minerals (RR)
SW1/4 SE1/4	40.00	100% Minerals (RR)
SE1/4 SE1/4	40.00	100% Minerals (RR)
Sec. 3 - Lot 1 (NE1/4 NE1/4)	37.85	100% Minerals (RR)
Lot 2 (NW1/4 NE1/4)	37.95	100% Minerals (RR)
SW1/4 NE1/4	40.00	100% Minerals (RR)
SE1/4 NE1/4	40.00	100% Minerals (RR)
Lot 3 (NE1/4 NW1/4)	38.07	100% Minerals (RR)
Lot 4 (NW1/4 NW1/4)	38.18	100% Minerals (RR)
SW1/4 NW1/4	40.00	100% Minerals (RR)
SE1/4 NW1/4	40.00	100% Minerals (RR)
NE1/4 SW1/4	40.00	100% Minerals (RR)
NW1/4 SW1/4	40.00	100% Minerals (RR)
SW1/4 SW1/4	40.00	100% Minerals (RR)
SE1/4 SW1/4	40.00	100% Minerals (RR)
NE1/4 SE1/4	40.00	100% Minerals (RR)
NW1/4 SE1/4	40.00	100% Minerals (RR)
SW1/4 SE1/4	40.00	100% Minerals (RR)
SE1/4 SE1/4	40.00	100% Minerals (RR)
Sec. 9 - NE1/4 NE1/4	40.00	100% Minerals (RR)
NW1/4 NE1/4	40.00	100% Minerals (RR)
SW1/4 NE1/4	40.00	100% Minerals (RR)
SE1/4 NE1/4	40.00	100% Minerals (RR)
NE1/4 NW1/4	40.00	100% Minerals (RR)
NW1/4 NW1/4	40.00	100% Minerals (RR)
SW1/4 NW1/4	40.00	100% Minerals (RR)
SE1/4 NW1/4	40.00	100% Minerals (RR)
NE1/4 SW1/4	40.00	100% Minerals (RR)
NW1/4 SW1/4	40.00	100% Minerals (RR)
SW1/4 SW1/4	40.00	100% Minerals (RR)
SE1/4 SW1/4	40.00	100% Minerals (RR)

DESCRIPTION		ACREAGE	OWNERSHIP
(Sec. 9)	NE1/4 SE1/4	40.00	100% Minerals (RR)
	NW1/4 SE1/4	40.00	100% Minerals (RR)
	SE1/4 SE1/4	40.00	100% Minerals (RR)
Sec. 10 -	NE1/4 NE1/4	40.00	100% Minerals (RR)
	NW1/4 NE1/4	40.00	100% Minerals (RR)
	SW1/4 NE1/4	40.00	100% Minerals (RR)
	SE1/4 NE1/4	40.00	100% Minerals (RR)
	NE1/4 NW1/4	40.00	100% Minerals (RR)
	NW1/4 NW1/4	40.00	100% Minerals (RR)
	SW1/4 NW1/4	40.00	100% Minerals (RR)
	SE1/4 NW1/4	40.00	100% Minerals (RR)
	NE1/4 SW1/4	40.00	100% Minerals (RR)
	SE1/4 SW1/4	40.00	100% Minerals (RR)
	NE1/4 SE1/4	40.00	100% Minerals (RR)
	NW1/4 SE1/4	40.00	100% Minerals (RR)
Sec. 11 -	NE1/4 NE1/4	40.00	100% Minerals (RR)
	NW1/4 NE1/4	40.00	100% Minerals (RR)
	SW1/4 NE1/4	40.00	100% Minerals (RR)
	SE1/4 NE1/4	40.00	100% Minerals (RR)
	NE1/4 NW1/4	40.00	100% Minerals (RR)
	NW1/4 NW1/4	40.00	100% Minerals (RR)
	SW1/4 NW1/4	40.00	100% Minerals (RR)
	SE1/4 NW1/4	40.00	100% Minerals (RR)
	NE1/4 SW1/4	40.00	100% Minerals (RR)
	NW1/4 SW1/4	40.00	100% Minerals (RR)
	SW1/4 SW1/4	40.00	100% Minerals (RR)
	SE1/4 SW1/4	40.00	100% Minerals (RR)
	NE1/4 SE1/4	40.00	100% Minerals (RR)
	NW1/4 SE1/4	40.00	100% Minerals (RR)
	SW1/4 SE1/4	40.00	100% Minerals (RR)
	SE1/4 SE1/4	40.00	100% Minerals (RR)
Sec. 12 -	NE1/4 NE1/4	40.00	100% Minerals (RR)
	SW1/4 NE1/4	40.00	100% Minerals (RR)
	SE1/4 NE1/4	40.00	100% Minerals (RR)
	NE1/4 NW1/4	40.00	100% Minerals (RR)
	NW1/4 NW1/4	40.00	100% Minerals (RR)
	SW1/4 NW1/4	40.00	100% Minerals (RR)
	SE1/4 NW1/4	40.00	100% Minerals (RR)
	NE1/4 SW1/4	40.00	100% Minerals (RR)
	NW1/4 SW1/4	40.00	100% Minerals (RR)
	SW1/4 SW1/4	40.00	100% Minerals (RR)
	SE1/4 SW1/4	40.00	100% Minerals (RR)
	NE1/4 SE1/4	40.00	100% Minerals (RR)
	NW1/4 SE1/4	40.00	100% Minerals (RR)
	SW1/4 SE1/4	40.00	100% Minerals (RR)
	SE1/4 SE1/4	40.00	100% Minerals (RR)
		4162.42	

USS Real Estate
600 Grant Street
Pittsburgh, PA 15219-2800

February 26, 2004

Letter in Lieu of Transfer Order

To the person(s) and/or firm(s) addressed on Exhibit A

This letter is to notify you that United States Steel Corporation (USS), has transferred, sold and assigned all of its interest in the lands covered by the Agreement(s), as amended, described on Exhibit A to RGGS Land & Minerals, Ltd. L.P.

Future correspondence should be directed to the assignee at:

RGGS Land & Minerals, Ltd., L.P.
909 Fannin Street, Suite 2600
Houston, Texas 77010
Telephone: (713) 951-0100
Fax: (713) 951-0191
Attention: Daniel Clark

Copies to:
Mr. Peter A. Heltunen
P.O. Box 535
Mt. Iron, MN 55768
Telephone: (218) 749-1291
Fax: (218) 749-1294

Future payments and reports should be directed to the assignee at:

RGGS Land & Minerals, Ltd., L.P.
P. O. Box 4667
Houston, Texas 77210
Telephone: (713) 951-0100
Fax: (713) 951-0191
Attention: Tom Speck

Copies to:
Mr. Peter A. Heltunen
P.O. Box 535
Mt. Iron, MN 55768
Telephone: (218) 749-1291
Fax: (218) 749-1294

This letter is being furnished to you in lieu of a transfer order with respect to the properties under the Agreement(s). Upon request, we will send you a copy of the recorded assignment.

RGGS Land & Minerals, Ltd., L.P.
By: Gordy Oil Company, a Texas corporation,
Its: General Partner

By: _____
Russell D. Gordy, President

UNITED STATES STEEL CORPORATION

By: _____
Garrett F. Hurley
Title: President
USS Real Estate, a division of
United States Steel Corporation

Exhibit A

Polymet Mining Corporation
Mr. William Murray, President
925 West Georgia Street
Suite 1116
Vancouver BC V6C 3L2

Contract: Agreement
Dated: 7/11/2001

POLYMET MINING CORP.
(the "Company")

NOMINATING COMMITTEE CHARTER

Purpose

The function of the Nominating Committee (the "Committee") is to identify individuals qualified to become board members and to select, or to recommend that the Board of Directors select, the director nominees for the next annual meeting of stockholders, to oversee the selection and composition of committees of the Board of Directors and to oversee management continuity planning processes.

Composition

The Committee shall consist of two or more members of the Board of Directors, each of whom is determined by the Board of Directors to be "independent" in accordance with the various rules of the Toronto Stock Exchange, the B.C. and Ontario Securities Commissions, the American Stock Exchange and the U.S. Securities and Exchange Commission.

Appointment and Removal

The members of the Committee shall be appointed by the Board of Directors and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.

Chairperson

Unless a Chairperson is elected by the full Board of Directors, the members of the Committee shall designate a Chairperson by majority vote of the full Committee membership. The Chairperson will chair all regular sessions of the Committee and set the agendas for Committee meetings.

Meetings

The Committee shall meet as frequently as circumstances dictate, but not less than once every fiscal quarter. The Chairman of the Board or any member of the Committee may call meetings of the Committee. The Committee may invite to its meetings any director, member of management of the Company, and such other persons as it deems appropriate in order to carry out its responsibilities.

Duties and Responsibilities

The Committee shall have the following duties and responsibilities:

- To establish criteria for the selection of new directors to serve on the Board of Directors, taking into account at a minimum all applicable laws, rules, regulations and listing standards, a potential candidate's experience, age, areas of expertise and other factors relative to the overall composition of the Board of Directors.

- To identify individuals believed to be qualified as candidates to serve on the Board of Directors and to select, or recommend that a majority of independent members of the Board of Directors select, the candidates for all directorships to be filled by the Board of Directors or by the shareholders at an annual or special meeting.

- To monitor the orientation and continuing education program for directors.

- To oversee and approve the management continuity planning process. Annually to review and evaluate the succession plans relating to the Chief Executive Officer and other executive officer positions and to make recommendations to the Board of Directors with respect to the selection of individuals to occupy these positions.

- Develop and recommend to the Board of Directors for its approval an annual self-evaluation process of the Board of Directors and its committees. Based on the results of the annual evaluation, as well as on any other matters the Committee shall deem relevant, the Committee shall make such recommendations to the Board of Directors regarding board processes and other items deemed appropriate to improve or ensure the effective functioning of the Board of Directors as the Committee shall from time to time deem advisable or appropriate.

- Perform any other activities consistent with this Charter, the Company's charter documents and governing law as the Committee or the Board of Directors deem appropriate.

Advisors

The Committee shall have the authority to retain a search firm to assist in identifying director candidates, and to retain outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.

Reports and Performance Review

The Committee shall report its actions and any recommendations to the Board of Directors after each Committee meeting and shall conduct and present to the Board of Directors an annual performance evaluation of the Committee. The Committee shall review at least annually the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.

Disclosure of Charter

This Charter will be made available in accordance with applicable rules and regulations.

Adopted by Resolution of the Board of Directors
June 21, 2006

Staley, Okada & Partners
CHARTERED ACCOUNTANTS

Suite 400 - 889 West Pender Street
Vancouver, BC Canada V6C 3B2
Tel 604 694-6070
Fax 604 585-8377
info@staleyokada.com
www.staleyokada.com

July 31, 2006

Board of Directors
PolyMet Mining Corp.
Vancouver, BC

CONSENT OF CERTIFIED PUBLIC ACCOUNTANTS

We consent to the use of our audit report dated April 4, 2006, on the financial statements of PolyMet Mining Corp., for the filing with and attachment to the Form 20-F for the year ending January 31, 2006.

Yours truly,

Staley, Okada & Partners

STALEY, OKADA & PARTNERS
Chartered Accountants