POLYMET MINING CORP
Form 20-F
April 25, 2014

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

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

For the fiscal year ended **January 31, 2014**

OR

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

OR

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

Commission file number **001-32929**

POLYMET MINING CORP.

(Exact name of Registrant as specified in its charter)

British Columbia, Canada
(Jurisdiction of incorporation or organization)

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

Douglas Newby
c/o Poly Met Mining Inc.
444 Cedar Street, Suite 2060
St Paul, Minnesota 55101
Tel: 651-389-4105
Fax: 651-389-4101

E-mail: dnewby@polymetmining.com
(Name, telephone, e-mail and/or facsimile number and address of Company contact person)

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

Name of each exchange on which registered

NYSE MKT
TSX

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
275,575,392

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

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

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

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

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP [ ] International Financial Reporting Standards as issued by the International Accounting Standards Board [X] Other [ ]
If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 [ ] Item 18 [ ]

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

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- completion of environmental review on the expected timeframe;
- obtaining permits on a timely basis;
- general economic and business conditions, including changes in interest rates and exchange rates;
- changes in the resources market, including prices of natural resources, costs associated with mineral exploration and development, and other economic conditions;
- natural phenomena;
- actions by government authorities, including changes in government regulation;
- uncertainties associated with legal proceedings;
- 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.

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

NOMENCLATURE

In this Annual Report, unless the context otherwise dictates, we , PolyMet or the Company refers to PolyMet Minin Corp. and its subsidiaries.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected financial data, as at January 31, 2014, 2013, 2012, and 2011, as at February 1, 2010, and for the years ended January 31, 2014, 2013, 2012, and 2011 are derived from our audited consolidated financial statements included herein and filed previously. The selected financial data should be read in conjunction with Item 5 - Operating and Financial Review and Prospects , the consolidated financial statements and related notes of the Company included under Item 18 Financial Statements" and other financial information included elsewhere in this Form 20-F.

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), effective with our transition to IFRS on February 1, 2010.

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

Selected Financial Data IFRS
($'000s, except loss per share and weighted average shares)

	Year Ended 1/31/2014	Year Ended 1/31/2013	Year Ended 1/31/2012	Year Ended 1/31/2011	Opening Balance Sheet 2/1/2010
Revenue	$	$	$	$	
Income (loss) from Operations	$	$	$	$	
Net Loss	$ (8,132)	$ (6,626)	$ (3,045)	$ (6,662)	
Loss Per Share	$ (0.04)	$ (0.04)	$ (0.02)	$ (0.04)	
Diluted Net Loss Per Share	$ (0.04)	$ (0.04)	$ (0.02)	$ (0.04)	
Dividends Per Share	$	$	$	$	
Weighted Average Shares	236,303,304	178,949,306	160,358,498	149,444,955	
Working Capital	$ (1,872)	$ 2,629	$ 16,375	$ 4,199	$ 16,313
Total Assets	$ 287,525	$ 236,127	$ 189,571	$ 156,736	$ 149,692

Long-Term and Convertible Debt	$	36,243	$	34,458	$	32,690	$	29,406	$	33,395
Shareholders Equity	$	196,332	$	142,912	$	132,366	$	102,417	$	97,645
Share Capital including Share Capital Premium	$	243,337	$	184,222	$	170,566	$	143,248	$	132,066

B. Capitalization and Indebtedness

Not Applicable

C. Reasons for the Offer and Use of Proceeds

Not Applicable

D. Risk Factors

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

RISKS RELATING TO OUR BUSINESS

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

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

- we may encounter delays or higher than expected costs completing the environmental review process necessary before construction and operating permits can be issued;
- delays in the issuance of permits after completion of the environmental review process;
- delays or higher than expected costs in obtaining the necessary equipment or services to build and operate our projects; and
- adverse mining conditions may delay and hamper our ability to produce the expected quantities of minerals.

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

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

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

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

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

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.

Because the price of metals fluctuate, if the prices of metals in our ore body decrease below a specified level, it may no longer be profitable to develop our NorthMet Project for those metals and we will cease operations.

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

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

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

We are dependent on our key personnel.

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

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

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

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

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

The development of mineral deposits involves uncertainties, which careful evaluation, experience, and knowledge cannot eliminate. Few properties explored are ultimately developed into producing mines. It is impossible to ensure that the current development program we have planned will result in a profitable commercial mining operation.

We are subject to all the risks inherent to the mining industry, which may have an adverse affect on our business operations.

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

- Success in discovering and developing commercially viable quantities of minerals is the result of a number of factors, including the quality of management, the interpretation of geological data, the level of geological and technical expertise and the quality of land available for exploration;
- 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 construct mining and processing facilities;
- Title to mining properties may be subject to other claims; and
- In the development stage of a mining operation, our mining activities could be subject to substantial operating risks and hazards, including metal bullion losses, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave- ins, pit-wall failures, flooding, rock falls, periodic interruptions due to inclement weather conditions or other unfavorable operating conditions and other acts of God. Some of these risks and hazards are not insurable or may be subject to exclusion or limitation in any coverage which we obtain or may not be insured due to economic considerations.

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

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

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

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

We have had no production history and we do not know if we will generate revenues in the future.

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

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

As a development stage company with no holdings in any producing mines, we continue to incur losses and expect to incur losses in the future. As at January 31, 2014, we had an accumulated deficit of $96.5 million. We may not be able to achieve or sustain profitability in the future. If we do not begin to generate revenues we may either have to suspend or cease operations.

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

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

Since transitioning to a development stage entity in September 2006, PolyMet has raised US$177 million in equity and US$25 million initial principal debt exchangeable into equity upon receipt of permits necessary to build and operate the NorthMet Project.

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

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

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

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

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

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

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

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

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

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

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions could impede our access to capital or increase the cost of capital. These unprecedented disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, including us. These disruptions could, among other things, make it more difficult for us to obtain, or increase our cost of obtaining capital and financing for our operations.

RISKS RELATED TO THE OWNERSHIP OF OUR COMMON SHARES

We may experience volatility in our share price.

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

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

Our shares that are eligible for future sale may have an adverse effect on the price of our common shares. As at January 31, 2014 there were 275,575,392 of our common shares outstanding. The average trading volume for the three months prior to January 31, 2014 was approximately 62,000 shares per day on the TSX and 430,000 shares per day on the NYSE MKT. Sales of substantial amounts of our common shares, or a perception that such sales could occur, and the existence of options or warrants to purchase common shares and debt convertible into common shares at prices that may be below the then current market price of our common shares, could adversely affect the market price of our common shares and could impair our ability to raise capital through the sale of our equity securities.

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

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

Under our 2007 Omnibus Share Compensation Plan, as amended and restated (Omnibus Plan), the aggregate number of our common shares that may be issuable pursuant to the Omnibus Plan may not at any time exceed 10% of our issued and outstanding common shares. As at January 31, 2014, the aggregate number of our common shares issuable pursuant to the Omnibus Plan was 19,655,981 shares. Our bonus share incentive plan, or the Bonus Plan, was established for our directors and key employees and was approved by the disinterested shareholders at the Company s shareholders meeting held on May 28, 2004. Under the Bonus Plan we may issue an additional 3,640,000 shares upon achieving certain milestones.

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 was approved in May 2004, modified and further ratified and reconfirmed by shareholders most recently in July 2013. Under the Shareholders Rights Plan, if a shareholder individually or in concert with other shareholders acquires 20% or more of our outstanding common shares without complying with the Shareholders Rights Plan or without the approval of our Board of Directors, all holders of record will have a right to one common share for each common share owned. We have also entered into agreements with certain key employees and officers that contain severance provisions in the event of a take-over bid. The Shareholders Rights Plan and the preceding agreements may make it more difficult for a third party to acquire control of us, even if such a change of control is more beneficial to shareholders.

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

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

Absence of Dividends.

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

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

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

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

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

During the years ended January 31, 2014, 2013, and 2012 we made net investments of $25.626 million, $18.404 million, and $16.137 million, respectively to acquire property, and advance the environmental review and permitting of our NorthMet Project.

All of these expenses were incurred at our NorthMet Project and were funded from the proceeds of equity and debenture financings. Since completion of the DFS in September 2006, these expenditures and the Erie Plant acquisition have been capitalized.

B. Business Overview

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

In the years ended January 31, 2014, 2013, and 2012, we conducted exploration, development and acquisition activities only and did not conduct any operations that generated revenues. Thus, we rely principally on equity or debt convertible into equity financings to fund our projects and expenditures.

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

<u>Acquisition of the Erie Plant.</u> The Erie Plant is a large processing facility and associated infrastructure located approximately six miles west of our NorthMet ore body. On November 15, 2005 and December 20, 2006, the Corporation entered into a total of three Contracts for Deed with Cliffs Erie LLC, a subsidiary of Cliffs Natural Resources Inc. (formerly Cleveland Cliffs, Inc.) (Cliffs), under which we now own a 100,000 ton-per-day crushing and milling facility, a railroad and railroad access rights connecting the Erie Plant to the NorthMet ore body, tailings facilities, 120 railcars, locomotive fueling and maintenance facilities, water rights and pipelines, large administrative offices on site and approximately 6,000 acres to the east and west of and contiguous to the existing tailing facilities.

As partial consideration, we have agreed to indemnify Cliffs for the liability related to final reclamation and closure of the acquired property. See additional discussion in section 4(D)(c)(ii).

Environmental Review and Permitting. To commence commercial production at our NorthMet Project, various regulatory approvals are needed. The environmental review process is very thorough:

In October 2005, the Minnesota Department of Natural Resources (MDNR) published its Environmental Assessment Worksheet Decision Document establishing the MDNR as the lead state agency and the United States Army Corps of Engineers (USACE) as the lead federal agency (together, the Co-lead Agencies) for preparation of an Environmental Impact Statement (EIS) for our NorthMet Project.

In November 2009, the Co-lead Agencies published the PolyMet draft EIS, which marked the start of a period for public review and comment including two public meetings. The United States Environmental Protection Agency (EPA) issued an extensive comment letter and rating of the project and the draft EIS in its role as reviewer of projects that could impact the environment.

In June 2010, the Co-lead Agencies announced that they intended to complete the EIS process by preparing a supplemental draft EIS that incorporates a proposed land exchange with the United States Forest Service (USFS) and expands government agency cooperation. The USFS joined the USACE as a federal Co-lead Agency through the completion of the EIS process.

In June 2011, the EPA joined as a Cooperating Agency.

• On December 6, 2013 the Co-lead Agencies published the supplemental draft EIS, which started a new period for public review and comment, including three public meetings, which ended on March 13, 2014. The EPA rated the supplemental draft EIS EC-2, EC being one of four possible ratings, with the highest LO (Lack of Objections) typically applied to non-industrial projects such as the Upper Mississippi National Wildlife and Fish Refuge Comprehensive Conservation Plan Implementation. The EC (Environmental Concerns) rating is the same as received by some other notable Minnesota projects including the Central Corridor Light Rail Project in the Twin Cities, the St. Croix River Crossing, and several other major highway improvement and bridge projects. The end of the public review and comment period and EPA rating marks important and necessary steps forward so the EIS can be finalized and we can permit and build the mine.

On December 16, 2013 the USACE published notice of our Section 404 Wetland Permit application, a key federal permit needed for construction and operation of the our NorthMet Project. The publication was subject to public review for 90 days, which ended March 13, 2014 and included a public meeting in Duluth, MN on January 16, 2014.

Completion of the final EIS, incorporating appropriate responses to public comments, and a subsequent adequacy decision by the MDNR and Record of Decision by the federal agencies are necessary before the land exchange can occur and various permits required to construct and operate the NorthMet Project can be issued. We anticipate the land exchange will occur and permits be issued during late first quarter of calendar 2015.

Prior to receipt of these permits, we will seek to secure production debt financing that would be available upon receipt of key permits, with construction anticipated through the middle of calendar year 2016.

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

Engineering and feasibility. We retained Bateman Engineering Pty Ltd of Brisbane, Australia (Bateman) as the coordinating consultant to prepare a Definitive Feasibility Study (the 2006 DFS). In September 2006 we reported that the DFS confirmed the economic and technical viability of our NorthMet Project.

Bateman was responsible for completing the process design and detail engineering and cost estimates for the plant and infrastructure. This work was supported by other firms that provided geo-statistical reviews of the ore body, mine planning and scheduling of ore and waste, and assessment of the market for the metals and intermediate products planned to be produced.

Between September 2006 and October 2007 we completed additional drilling and expanded the reserves. In May 2008 we completed an internal update of the DFS (the 2008 DFS Update), which contemplates an initial stage in which we would sell concentrate during completion of construction and commissioning of the hydrometallurgical plant that was contemplated in the 2006 DFS. This approach has the advantage of staging capital costs so that the hydrometallurgical plant can be funded in part from cash flow from sales of concentrate, and it reduces our reliance on delivery of long lead-time equipment before we start commercial production.

In February 2011, we announced that we anticipate building the NorthMet Project in two phases, the first to produce and market concentrates containing copper, nickel, cobalt and precious metals, and the second to process the nickel concentrate through a single autoclave, resulting in production and sale of high grade copper concentrate, value added nickel-cobalt hydroxide, and precious metals precipitate products.

The results of the 2007 drill program, the 2008 DFS Update and the February 2011 revisions are described in the technical report under NI 43-101 as amended, filed on EDGAR on April 5, 2013 and on SEDAR on January 23, 2013 (the Technical Report).

In February 2013, we announced further improvements to the NorthMet Project that we anticipate will reduce the NorthMet Project s environmental impacts. The reduced environmental impacts include: reductions in sulfur dioxide, mercury and greenhouse gas emissions at the plant site, capture of groundwater and surface seepage with the construction of an in ground containment system to the north and west of the existing tailings basin, and all contact water discharged from the NorthMet Project will be treated through reverse osmosis plants.

With project design locked down in the supplemental draft EIS, we are undertaking a complete review of capital and operating costs based on detailed project plans. We anticipate issuing an updated Technical Report under National Instrument 43-101 in the second calendar quarter of 2014 (the 2014 Project Update).

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

Financing and corporate development. Since transitioning to a development stage entity in September 2006 we have raised US$177 million in equity and US$25 million initial principal debt exchangeable into equity upon receipt of permits necessary to build and operate the NorthMet Project. We also have a loan of $4 million secured by land acquired with proceeds from the loan.

See additional discussion in section 5(b).

C. Organizational Structure

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

D. Property, Plant and Equipment

Mineral Property - NorthMet Project, Minnesota, USA

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

In the years ended January 31, 2014, 2013, and 2012, we conducted exploration, development and acquisition activities only and did not conduct any operations.

(a) History

The NorthMet ore body is located immediately south of the eastern end of the historic Mesabi Iron Range in northeastern Minnesota. Mining in the Iron Range dates back to the 1880 s when high grade iron ore known as hematite was first mined commercially. During the 1940 s and 1950 s, with reserves of hematite dwindling, the iron industry began to focus on taconite, a lower-grade iron ore. Eight large crushing, grinding, milling and pelletizing facilities were built by various iron and steel companies to process the taconite, including the Erie Plant that we acquired in November 2005.

In the 1940s, copper and nickel were discovered nearby, following which, in the 1960s, United States Steel Corporation (US Steel) drilled what is now our NorthMet ore body. 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 addition, prior to the development of the autocatalyst market in the 1970s, there was little market for platinum group metals (PGMs) and there was no economic and reliable method to assay for low grades of these metals.

In 1987, the Minnesota Natural Resources Research Institute (NRRI) published data suggesting the possibility of a large resource of PGMs in the base of the Duluth Complex. In 1989, we acquired a 20-year renewable mining lease over the property from US Steel and commenced an investigation into the potential for mining and recovery of copper, nickel, and PGMs. We re-assayed pulps and rejects from the previous US Steel drilling to obtain data on the PGMs. Sequentially 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 alternative metallurgical processes, including bio-leaching and pressure oxidation. In 1998 we focused on a hydrometallurgical technology that uses autoclaves, which are vessels operating at high temperature, high pressure, and in an oxygen-enriched environment, to oxidize the sulfidic ores and leach the metals therein. This technology was developed in the 1950s and has been used commercially in the copper, nickel, cobalt, and gold mining 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 (which did not include the Erie Plant at that time) to commercial production. Under the joint venture arrangement, North had the opportunity to earn an 87.5% interest in the NorthMet 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) acquired 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. As a result, we regained a 100% interest in the NorthMet Project.

Following completion of 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 contemplated a 50,000 metric tonne-per-day (55,000 short tpd) operation and anticipated the construction of a new, stand-alone processing plant 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 2003, when a new management team took over our Company and commenced a detailed review of the project.

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

By a Memorandum of Understanding dated December 5, 2003 and an option agreement dated February 14, 2004, we obtained an option (the Cliffs Option) to acquire certain property, plant, and equipment located near our NorthMet ore body from Cliffs. As consideration for the Cliffs Option, we paid $500,000 prior to January 31, 2004 and issued to Cliffs 1,000,000 of our common shares on March 30, 2004, valued at $229,320 to maintain our exclusive rights until June 30, 2006. On September 15, 2005 we reached agreement with Cliffs on the terms for the early exercise of our option and expansion of the assets to be acquired to include 100% ownership of the Erie Plant (the Asset Purchase Agreement). Under this agreement we agreed to pay Cliffs $1 million in cash, 6,200,547 million of our common shares valued at $7.564 million, and commence quarterly payments of $250,000 starting on March 31, 2006 for a total of $2.4 million plus interest at 4% per annum on the outstanding balance. On November 15, 2005, we consummated the Asset Purchase Agreement and completed the acquisition thereunder. The final payment was made on June 30, 2008.

On September 14, 2006, we entered into an agreement through two separate contracts for deed with Cliffs whereby we would acquire property and associated rights (Cliffs II.) for 2,000,000 of our common shares valued at $6.16 million and $15.0 million payable in cash and two notes, each for $7 million. We closed the transaction on December 20, 2006 and repaid the outstanding balance of the two $7 million notes plus accrued interest on December 21, 2011.

The Erie Plant facility includes land, crushing and milling equipment, extensive spare parts, plant site buildings, real estate, tailings impoundments and workshops, access to extensive mining infrastructure, a railroad connection to the site of the NorthMet ore body, a 120-railcar fleet, locomotive fueling and maintenance facilities, water rights and pipelines, large administrative offices on site and approximately 6,000 acres to the east and west of and contiguous to our existing tailings facilities. We also assumed certain liabilities associated with the property purchased above. See additional discussion in section 4D(c)(ii).

Since inception, we have a cumulative deficit of $96.5 million, much of which has been incurred directly and indirectly in connection with our NorthMet Project. These expenditures supported drilling, sampling, assaying, environmental, metallurgical testing, and the pre-feasibility studies.

The following diagram illustrates the location of the NorthMet Project.

Figure No. 1
NorthMet Project Map

(b) Location / Access / Climate

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

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

(c) Claims and ownership

(i) NorthMet Leases

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

Pursuant to an agreement dated January 4, 1989, subsequently amended and assigned, we lease 4,162 acres from RGGS Land & Minerals Ltd., L.P (RGGS). The initial term of the renewable lease was 20 years and called for total lease payments of $1.475 million. We can, at our option, terminate the lease at any time by giving written notice to the lessor not less than 90 days prior to the effective termination date or can indefinitely extend the 20-year term by continuing to make $150,000 annual lease payments on each successive anniversary date. All lease payments have been paid or accrued to January 31, 2014. The next payment is due in January 2015.

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 that we receive. Our recovery of $2.225 million in advance royalty payments is subject to the lessor receiving an amount not less than the amount of the annual lease payment due for that year.

Pursuant to an agreement effective December 1, 2008, we lease 120 acres from LMC Minerals. The initial term of the renewable lease is 20 years and calls for minimum annual lease payments of $3,000 for the first four years after which the minimum annual lease payment increases to $30,000. The initial term may be extended for up to four additional five-year periods on the same terms. All lease payments have been paid or accrued to January 31, 2014. The next payment is due in November 2014.

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 $0.069 million in advance royalty payments is subject to the lessor receiving an amount not less than the amount of the annual lease payment due for that year.

Pursuant to leases, we hold mineral rights and the right to mine upon receiving the required permits. We have proposed to acquire surface rights through a land exchange with the USFS.

(ii) The Erie Plant

The Erie Plant comprises a large crushing, grinding and milling facility that was built by a consortium of steel companies in the mid-1950s and processed low grade iron ore known as taconite that was transported to the facility by railroad from nearby mines. In the mid-1980 s, the consortium was consolidated into a single owner LTV Steel. Pickands-Mather and its successor Cliffs operated the plant on behalf of the owners, processing approximately 100,000 tons per day of taconite ore. The plant was shut down in 2001 when LTV Steel filed for bankruptcy protection. Since then it has been maintained initially by Cliffs and, since November 15, 2005, by us. The plant did not operate during the 12 months ended January 31, 2014.

The plant is located approximately six miles west of our NorthMet ore body, about five miles north-northwest of the town of Hoyt Lakes, itself located about 25 miles west of Virginia, Minnesota. The plant site covers approximately 12,400 acres, or 19.4 square miles, and is powered by electricity from local power lines.

The plant facilities include two rail dump pockets, two primary 60 gyratory crushers, eight secondary 36 gyratory crushers, seven tertiary seven-foot standard cone crushers, 14 seven-foot short-head crushers, 30 mill circuits each comprising one 12 x 14' rod mill and one 12 x 14' ball mill, three 12'x 24' regrind mills, maintenance facilities and spare parts, extensive conveyors, feeders, bins, auxiliary facilities and offices, established infrastructure including a 225 MVA high voltage electrical substation, water supply, roads, tailings basins and rail facilities.

With the completion of Cliffs II, we also own a 120-railcar fleet, locomotive fueling and maintenance facilities, water rights and pipelines, and large administrative offices on site.

Until the plant was closed in 2001, Cliffs had undertaken numerous programs to update and modernize control systems. The plant is generally in good physical condition and was operating at or near full capacity prior to its closure. We are not yet utilizing the Erie Plant but we have examined the plant in detail and have restarted certain pieces of equipment and believe it to be serviceable.

We plan to use approximately 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 hydroxides, and precious metal precipitates.

The cost of acquisition of the Erie Plant and associated infrastructure was $18.9 million in cash and 9,200,547 shares at a fair value of $13.953 million. 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 ourselves 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 Regulated Party for such obligations although, as part of the Asset Purchase Agreement, we have indemnified Cliffs for such costs.

On January 28, 2010, Cliffs received a notice of intent to sue pursuant to Section 505 of the Clean Water Act on behalf of the Center for Biological Diversity, Save Lake Superior Association and the Indigenous Environmental Network. Pursuant to the notice, these environmental groups intended to file a lawsuit in Federal court for alleged violations by Cliffs Erie of National Pollutant Discharge Elimination System ("NPDES") permits at three separate locations on the Cliffs Erie property.

On April 6, 2010 Cliffs entered a consent decree with the Minnesota Pollution Control Agency (MPCA) under which it is obligated to proceed with both short and long-term mitigation of the alleged violations. As the indemnifying party, we are working closely with Cliffs on fulfillment of Cliff s obligations under the consent decree. Field study activities were completed in 2010 and 2011 and short-term mitigations were initiated in 2011 as outlined in the plans and approved by the MPCA. Long-term mitigation plans were submitted to the MPCA in April of 2012. In October 2012, a response was received from the MPCA approving plans for pilot tests of various treatment options to determine the best course of action.

As at January 31, 2014 we estimate the total indemnification liability (including the additional liabilities associated with the consent decree) to be approximately $60.4 million in present day costs and, based on the expected timing of such payments, our cost of capital, and anticipated inflation rates, we made a provision of $51.1 million in our financial statements at that date.

This is our best estimate of the future liability. However, there is substantial uncertainty related to the long-term mitigation plan implementation cost as a result of uncertainty about applicable water quality standards, engineering scope, and responsibility for the financial liability. Outcomes that are unfavorable to us could result in material additional liability.

(d) Environmental Review and Permitting

We commenced the environmental review and permitting process in early 2004. In October 2005, the MDNR published its Environmental Assessment Worksheet Decision Document establishing the MDNR as the lead state agency and the USACE as the lead federal agency for preparation of an EIS for the project. In 2006 the Co-lead Agencies selected Environmental Resources Management (ERM) as the independent environmental contractor (the EIS Contractor) to prepare the EIS. ERM is a leading global provider of environmental, health and safety, risk, and social consulting services. The EIS Contractor team includes members with expertise and experience in mining non-ferrous ores. Several other government agencies (including the USFS, the Bois Forte Band of Chippewa and the Fond Du Lac Band of Lake Superior Chippewa) joined the EIS preparation team as Cooperating Agencies, which brought their special expertise to the process.

In January 2007, we submitted a Detailed Project Description (DPD) to state and federal regulators. The DPD laid out our development plans and proposed environmental safeguards including a mine plan, a wetland mitigation plan, air and water quality monitoring plans and a closure plan with closure estimate. Since then, we have submitted a supplemental DPD as well as more than 100 supporting research studies, including comprehensive mine waste characterization studies, water quality modeling and air quality modeling.

Under state and federal guidelines and regulations, a Draft EIS identifies the environmental impact of a proposed project as well as evaluating alternatives and ways to mitigate potential impacts. We were involved in the process of alternative/mitigation development and had input into the technical and economic feasibility of potential alternatives and mitigations. The EIS Contractor prepared a series of preliminary versions of the Draft EIS that were reviewed and commented on by the Lead Agencies, other governmental agencies, and PolyMet.

In November 2009, the Co-lead Agencies published the PolyMet Draft EIS with formal notification of publication in the Minnesota Environmental Quality Board (EQB) Monitor and the Federal Register, which started a 90-day period for public review and comment, which ended on February 3, 2010. During this period, the lead Agencies held two public meetings one in the town of Aurora, MN near the project location and one in Blaine, MN in the metropolitan Minneapolis-St. Paul area.

The Lead Agencies received more than 3,700 comment letters, including an extensive comment letter from the EPA in its role as reviewer of projects that could impact the environment.

In June 2010 the Co-lead Agencies announced that they intended to complete the EIS process by preparing a Supplemental Draft EIS ("SDEIS) that incorporates a proposed land exchange with the USFS Superior National Forest and expands government agency cooperation. The USFS joined the USACE as a federal Co-lead Agency through the completion of the EIS process. In addition, in June 2011 the EPA joined as a Cooperating Agency.

In October 2010 the USACE and the USFS published a Notice of Intent to complete the SDEIS to supplement and supersede the Draft EIS and respond to concerns identified by the EPA and other comments on the Draft EIS and Incorporate potential effects from the proposed land exchange between the USFS Superior National Forest and us.

On December 6, 2013 the Co-lead Agencies published the SDEIS, which started a new period for public review and comment, including three public meetings, which ended on March 13, 2014. The EPA rated the supplemental draft EIS EC-2, EC being one of four possible ratings, with the highest LO (Lack of Objections) typically applied to non-industrial projects such as the Upper Mississippi National Wildlife and Fish Refuge Comprehensive Conservation Plan Implementation. The EC (Environmental Concerns) rating is the same as received by some other notable Minnesota projects including the Central Corridor Light Rail Project in the Twin Cities, the St. Croix River Crossing, and several other major highway improvement and bridge projects. The EC (Environmental Concerns) rating is the same as received by some other notable Minnesota projects including the Central Corridor Light Rail Project in the Twin Cities, the St. Croix River Crossing, and several other major highway improvement and bridge projects. The end of the public review and comment period and EPA rating marks important and necessary steps forward so the EIS can be finalized and we can permit and build the mine.

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Completion of the final EIS, incorporating appropriate responses to public comments, and a subsequent adequacy decision by the MDNR and Record of Decision by the federal agencies are necessary before the land exchange can occur and various permits required to construct and operate the NorthMet Project can be issued. We anticipate the land exchange will occur and permits be issued during late first quarter of calendar 2015.

The major permits are:

U.S. Army Corps of Engineers

- Section 404 Individual Permit for Impacted Wetlands

Minnesota Department of Natural Resources

- Permit to Mine
- Water Appropriations Permit
- Dam Safety Permit
- Wetland Replacement Plan

Minnesota Pollution Control Agency

- National Pollutant Discharge Elimination System (NPDES) Permit (storm water)
- State Disposal System (SDS) Permit
- Air Emissions Permit

Prior to receipt of the permits, the Company will seek to secure construction financing that would be available upon receipt of key permits, with construction anticipated through the middle of calendar year 2016.

As at January 31, 2014, we had spent approximately $68.4 million on environmental review and permitting activities comprising $6.5 million expensed prior to October 2006 and $61.9 million since October 2006.

See discussion of development plans in section 4(D)(g).

(e) History of Exploration

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 NI- 43-101), 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 NI 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.**

Important Notes and Assumptions Throughout.

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

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

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

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

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

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

Prospectors first discovered copper and nickel near Ely, Minnesota about 20 miles north of NorthMet in the 1940s. Subsequently, the Bear Creek Mining Company conducted a regional exploration program resulting in the discovery of the Babbitt deposit (northeast of NorthMet). US Steel began 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) to an average depth of 1,200 feet. In 1991, Nerco drilled an additional 2 shallow holes.

Since 1998 we have conducted a series of drilling programs totaling 323 holes for approximately 172,000 feet of core and reverse circulation drilling. These holes, combined with recompilation of all prior work, for a total of 437 diamond and reverse circulation holes aggregating to approximately 306,000 feet, were the basis of our December 2007 resource and reserve estimates in our most recent Technical Report under NI 43-101 as amended, filed on April 5, 2013.

The historic drilling was conducted using industry standard procedures of the time. The core was retained and has been resampled by PolyMet. More recent work by PolyMet has been conducted using standard industry protocols, including Quality Assurance/Quality Control procedures under the supervision of Qualified Persons. We believe that the resulting drill hole database is reliable and can be confidently used in the estimation of the NorthMet resource and reserves.

Mineral Resources and Mineral Reserves

Within the overall mineralized envelope defined by these exploration programs, the 2006 DFS defined measured and indicated mineral resources above the 500-foot elevation (approximately 1,120 feet below surface.) The results of additional drilling through October 2007 resulted in a further increase in measured and indicated mineral resources to 694 million short tons from the 422 million short tons reported in the 2006 DFS. The 2008 updated mineral resource estimates are based on the same cut-off grades used in the 2006 DFS namely a Net Metal Value (NMV) of $7.42 per ton, reflecting mine planning at a copper price of $1.25 per pound and a nickel price of $5.60 per pound see notes to the following table.

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

2008 Updated Mineral Resources compared with 2006 DFS Mineral Resources

	Short Tons	Copper	Nickel	Cobalt	Precious Metals	
	(million)	(%)	(%)	(%)	(oz/st)	(g/mt)
2008 Updated Mineral Resource Estimate						
Measured (M)	202.5	0.29	0.08	0.01	0.010	0.359
Indicated (I)	491.7	0.26	0.08	0.01	0.009	0.325
Measured & Indicated (M&I)	694.2	0.27	0.08	0.01	0.010	0.334
Inferred	229.7	0.27	0.08	0.01	0.011	0.385
2006 DFS Mineral Resource Estimate						
Measured (M)	133.7	0.30	0.09	0.01	0.011	0.371
Indicated (I)	288.4	0.27	0.08	0.01	0.010	0.330
Measured & Indicated (M&I)	422.1	0.28	0.08	0.01	0.010	0.343
Inferred	120.6	0.25	0.07	0.01	0.009	0.315

The increase in mineral resources reflects two changes:

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

The mineral resource estimate update was completed by Pierre Desautels of AGP Mining Consultants in Toronto working closely with PolyMet s chief geologist, at the time, Richard Patelke. A NI 43-101 compliant report describing this increase filed on EDGAR on April 5, 2013 and on SEDAR on January 23, 2013.

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

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

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

Updated Mineral Reserves compared with DFS Mineral Reserves

	Short Tons (millions)	**Copper** (%)	**Nickel** (%)	**Cobalt** (%)	**Precious Metals** (oz/st)	(g/mt)
2008 Updated Reserves						
Proven	118.1	0.30	0.09	0.008	0.011	0.368
Probable	156.5	0.27	0.08	0.008	0.010	0.327
Proven and Probable	274.7	0.28	0.08	0.008	0.010	0.337
Waste	401.2					
Strip Ratio	1.46					
2006 DFS Reserves						
Proven	80.4	0.32	0.09	0.008	0.012	0.406
Probable	101.3	0.30	0.08	0.007	0.011	0.385
Proven and Probable	181.7	0.31	0.08	0.008	0.012	0.395
Waste	302.3					
Strip Ratio	1.66					

The reserve estimate update was completed by Gordon Zurowski of AGP Mining Consultants (formerly Wardrop) in Toronto working closely with our then team of Don Hunter and Richard Patelke. Gordon Zurowski of AGP Mining Consultants and Don Hunter of PolyMet were the Qualified Persons.

(f) Geology and Mineralization

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

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

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

Unit 7 and Unit 6 texturally homogeneous plagioclase-rich troctolite, each with a persistent ultramafic base. Units 6 and 7 are each about 400 ft. thick.

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

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

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

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

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. Unit 1 mineralization is found throughout the deposit. A shallow dipping, near surface though less extensive mineralized zone is found in Units 4, 5, and 6 in the western part of the deposit, it is copper-rich relative to sulfur, and moderately enriched in PGMs.

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 and has been found to a depth of more than 2,600 feet. It is covered by a thin layer of glacial till but otherwise reaches to the surface at the northern edge.

(g) Development Plans

The 2006 DFS prepared by Bateman contemplated the development of a new open pit mine at our NorthMet ore body, using rail infrastructure we acquired as part of Cliffs II to transport approximately 32,000 tons of ore per day from the mine site to our Erie Plant, where we would use our existing facilities to crush and mill the rock. The finely ground material would then pass to a new flotation circuit with waste material sent to existing waste tailings facilities and the concentrate being passed to a new hydrometallurgical plant that we plan to build at the Erie Plant site.

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. Since publication of the 2006 DFS, we have recognized the commercial potential to sell concentrates during the construction and commissioning of the new hydrometallurgical facilities.

In May 2008 we reported revised plans that included the sale of concentrate during the construction and commissioning of new metallurgical facilities resulting in a shorter pre-production construction period and reduced estimates of capital costs prior to first revenues, with the new metallurgical facilities to be constructed during initial production and sales of concentrate and funded from cash flow from initial operations.

In February 2011 we announced that we had further simplified the proposed metallurgical process and planned to build the project in two phases:

- Phase I: produce and market concentrates containing copper, nickel, cobalt and precious metals; and
- Phase II: process the nickel concentrate through a single autoclave, resulting in production and sale of high grade copper concentrate, value added nickel-cobalt hydroxide, and precious metals precipitate products.

We plan to complete the 2014 DFS Update during the second calendar quarter of 2014 now that the project development plans analyzed in the SDEIS have been finalized, which will include process and project improvements, and will incorporate the environmental controls agreed with the Co-lead Agencies and the EPA.

Saleable Products

The DFS describes three products from NorthMet. During construction and commissioning of the hydrometallurgical plant, we anticipate that we will sell separate copper and nickel concentrates. Once the smaller-scale hydrometallurgical plant is operational, our long term products will comprise copper concentrate, a mixed hydroxide of nickel and cobalt that will be shipped to a third-party processor to produce nickel and cobalt metals, and a precious metals precipitate that will be shipped to a third-party refiner for production of palladium, platinum and gold.

In October 2008 we entered into an agreement with Glencore AG, a wholly owned subsidiary of Glencore Xstrata plc (together "Glencore") whereby Glencore will purchase our production of concentrates, metals, or intermediate products at prevailing market terms at the time of delivery for at least the first 5 years of production.

Capital Costs

Our 2008 DFS Update set out total capital cost of $601.9 million, reflecting both cost inflation and design scope changes since the 2006 DFS, including facilities needed to ship concentrate during the construction and commissioning of the new hydrometallurgical plant. This staged approach shortened the initial construction period, makes the project less sensitive to the delivery schedule for long lead time equipment such as autoclave vessels, and means that we can commence operations of the mine, the existing crushing and milling plant, the existing tailings disposal facilities, and the new flotation circuit, before starting the new hydrometallurgical plant.

2008 DFS Update Capital Costs
(US dollars, millions)

	Full Project	*Change from 2006 DFS*	Initial Concentrate Sales
2006 DFS	379.8		138.7
Escalation and other scope changes	137.0	*36%*	108.9
Environmental measures	85.1		64.7
Total Change	222.1	*58%*	173.6
TOTAL	601.9		312.3

Further simplification of the metallurgical process reported in 2011 eliminated the planned copper solvent-extraction/electro-winning circuit, representing approximately $127 million of the total $602 million capital costs, but had no effect on the capital cost for the concentrates-only phase of the project.

2008 DFS Update Operating Plans and Costs

The overall mining and operating plan remained the same as that defined in the 2006 DFS and which forms the basis of the plan being analyzed in the environmental impact statement. We intend to mine 32,000 tons of ore per day for an operating life of twenty years, processing a total of 224 million tons of ore. The mine plan continues to be based on the following metal prices: copper - $1.25/lb, nickel - $5.60 per pound, cobalt - $15.25/lb, palladium - $210 per ounce, platinum - $800 per ounce, and gold - $400 per ounce.

Operating costs per ton of ore processed increased to $13.33 from $11.02 in the 2006 DFS reflecting higher fuel, mine equipment, and other consumable costs, as well as general inflation. The cost of mining and delivering ore to the plant was estimated at $4.31 per ton compared with $3.80 per ton in the 2006 DFS. The increase in mining costs was partially offset by the lower strip ratio, larger mining equipment, and owner versus contractor operation.

The economic analysis is based on SEC-reserve standards using prices at the time, namely the three-year trailing average at April 30, 2008. This price deck is: copper - $2.90/lb, nickel - $12.20/lb, cobalt - $23.50/lb, palladium - $320/oz, platinum - $1,230/oz, and gold - $635/oz. While these prices are somewhat higher than those used on the economic analysis in the DFS, the price are slightly below the three-year average at the end of our fiscal 2009 year, namely: copper - $3.13/lb, nickel - $12.45/lb, cobalt - $27.34/lb, palladium - $342/oz, platinum - $1,343/oz, and gold - $733/oz.

The 2008 DFS Update prices translate into copper cash costs of $1.05 per pound using a co-product basis to calculate costs, compared with the 2006 DFS estimate of $0.81 per pound. Taking revenues from the other metals as a deduction against costs, the co-product basis shows a cost of $(0.28) per pound compared with $0.06 per pound in the 2006 DFS.

We plan to complete the 2014 Project Update during the course of our current fiscal year to reflect all project changes that were incorporated into the SDEIS.

(h) Regulations and Government Rules

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

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

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRA), effective August 10, 2012, added a new subsection (r) to Section 13 of the Exchange Act, which requires issuers that file annual or quarterly reports with the SEC (including Form 20-F annual reports) to disclose in these reports whether, during the reporting period, they or any of their affiliates (as defined in Rule 12b-2 under the Exchange Act) have knowingly engaged in specified activities or transactions relating to Iran, including activities not prohibited by U.S. law and conducted outside the U.S. by non-U.S. affiliates in compliance with applicable laws. Issuers must also file a notice with the SEC if any disclosable activities under ITRA have been included in an annual or quarterly report.

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

During the period from February 1, 2013 until January 31, 2014, non-U.S. affiliates of the largest shareholder of the Company (non-U.S. Shareholder Affiliates) entered into sales contracts for agricultural products as well as sale and purchase contracts for metal oxides and metals with Iranian entities, wholly or majority owned by the GOI. All contracts were conducted in compliance with applicable sanction laws and, where required, with the necessary prior approvals by the relevant governmental authorities.

The gross revenue of the non-U.S Shareholder Affiliates related to these contracts did not exceed the value of $206 million for the twelve months ended January 31, 2014. This figure includes the gross revenue of goods sold in the period but purchased in previous periods. The non-U.S. Shareholder Affiliates do not allocate net profit on a country-by-country or activity-by-activity basis, but estimate the net profit attributable to the contracts with the GOI would not exceed a small fraction of the gross revenue from such contracts. It is not possible to determine accurately the precise net profit attributable to these contracts.

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

In compliance with applicable economic sanctions and in conformity with U.S. secondary sanctions, the non-U.S. Shareholder Affiliates expect to continue to engage in similar activities in the future relating to agricultural products.

Neither the Company nor any of its subsidiaries (i) engaged in any transactions or activities requiring disclosure under ITRA nor (ii) were involved in the transactions described in this section. As of the date of this report, the Company is not aware of any other activity, transaction or dealing by us or any of its affiliates during the fiscal year ended January 31, 2014 that requires disclosure in this report under Section 13(r) of the Exchange Act.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

(a) Operating Results

This discussion and analysis should be read in conjunction with our consolidated financial statements and related notes for the years ended January 2014, 2013, and 2012 appearing under Item 18 Financial Statements and listed under Item 19 Exhibits.

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

Summary of Key Developments During the Fiscal Year Ended January 31, 2014

During the year ended January 31, 2014, and through the date of the filing of this Annual Report, we continued to advance our NorthMet Project including the activities noted below.

Key Developments Environmental Review

On December 6, 2013 the Co-lead Agencies published the supplemental draft EIS, which started a new period for public review and comment, including three public meetings, which ended on March 13, 2014. The EPA rated the supplemental draft EIS EC-2, EC being one of four possible ratings, with the highest LO (Lack of Objections) typically applied to non-industrial projects such as the Upper Mississippi National Wildlife and Fish Refuge Comprehensive Conservation Plan Implementation. The EC (Environmental Concerns) rating is the same as received by some other notable Minnesota projects including the Central Corridor Light Rail Project in the Twin Cities, the St. Croix River Crossing, and several other major highway improvement and bridge projects. The end of the public review and comment period and EPA rating marks important and necessary steps forward so the EIS can be finalized and we can permit and build the mine.

On December 16, 2013 the USACE published notice of our Section 404 Wetland Permit application, a key federal permit needed for construction and operation of the our NorthMet Project. The publication was subject to public review for 90 days, which ended March 13, 2014 and included a public meeting in Duluth, MN on January 16, 2014.

Other Key Developments

On May 14, 2013, the Company exercised its Option to Purchase and Agreement for Development of Wetland Credit Acres with Burns Enterprises, LLC for lands located in St. Louis County, Minnesota. The transaction closed on June 19, 2013 with the final land purchase payment made February 14, 2014. The Company is committed to pay $0.242 million over the next several years for development of wetland credits.

On May 24, 2013, the Company filed the final prospectus for an offering of rights ("Rights") to holders of common shares of the Company to raise up to $60.480 million in gross proceeds (the "Rights Offering"). Every shareholder received one Right for each common share owned on June 4, 2013, the Record Date, and two Rights entitled the holder to acquire one new common share of the Company at $0.66 per share. The Rights expired on July 3, 2013.

Under the terms of a Standby Purchase Agreement, Glencore agreed to purchase any common shares not subscribed for by holders of Rights, subject to certain conditions and limitations guaranteeing a minimum of $53.0 million in gross proceeds. Because the Rights Offering was oversubscribed, Glencore did not purchase any shares under its standby commitment.

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

See discussion of subsequent event in section 8(B).

Summary of Operating Results

(All figures in Thousands of U.S. dollar except Loss per share)

	Year Ended January 31,		
	2014	2013	2012
Revenue	-	-	-
Loss for the Year	(8,132)	(6,626)	(3,045)
Loss per Share	(0.04)	(0.04)	(0.02)
Total Assets	287,525	236,127	189,571
Long-Term and Convertible Debt	36,243	34,458	32,690
Total Shareholders Equity	196,332	142,912	132,366

Year ended January 31, 2014 compared with the year ended January 31, 2013

Overall: Our focus for the fiscal year ended January 31, 2014 was to provide the Lead Agencies with input into the SDEIS and permit work at our NorthMet Project, and obtain additional financing.

Loss for the year: During the year ended January 31, 2014, we incurred a loss of $8.132 million ($0.04 loss per share) compared to a loss of $6.626 million ($0.04 loss per share) during the year ended January 31, 2013. The increase in the net loss for the year was primarily attributable to the following:

- an increase in shareholder, investor, and public relations in the current year period to $2.075 million (prior year period - $0.571 million) relating to public relations campaigns in advance of SDEIS public comment period and investor relations campaigns in advance of the Rights Offering; and
- an increase in finance income and costs in the current year to $1.465 million (prior year - $0.821 million) primarily due to an increase in the accretion of the environmental rehabilitation provision as a result of the increased liability and increase in the discount rate.

These items were partially offset by the following:

- a decrease in share-based compensation in the current year to $1.697 million (prior year - $2.255 million) primarily due to a shareholder approved modification of the expiry dates of outstanding share options in the prior year.

Year ended January 31, 2013 compared with the year ended January 31, 2012

Overall: Our focus for the fiscal year ended January 31, 2013 was to provide the Lead Agencies with input into the SDEIS and permit work at our NorthMet Project, and obtain additional financing.

Loss for the year: During the year ended January 31, 2013, we incurred a loss of $6.626 million ($0.04 loss per share) compared to a loss of $3.045 million ($0.02 loss per share) during the year ended January 31, 2012. The increase in the net loss for the year was primarily attributable to the following:

- an increase in share-based compensation in the year ended January 31, 2013 to $2.255 million (year ended January 31, 2012 - $0.625 million) relating to grants of options, restricted shares, and restricted share units, amortization of previously issued options, bonus shares, restricted shares, and restricted share units, and a shareholder approved modification of the expiry dates of outstanding share options;

- an increase in salaries and benefits in the year ended January 31, 2013 to $1.394 million (prior year ended January 31, 2012 - $0.664 million) relating to restructuring and termination benefits incurred;
- an increase in filing and regulatory fees in the year ended January 31, 2013 to $0.281 million (year ended January 31, 2012 - $0.099 million) related to renewal of the universal shelf registration;
- a decrease in the non-cash future income tax recovery in the year to $nil (year ended January 31, 2012 - $0.657 million) relating to prior year expiration of share purchase warrants; and
- an increase in finance income and costs in the year ended January 31, 2013 to $0.821 million (year ended January 31, 2012 - $0.351 million) primarily due to an increase in the accretion of the environmental rehabilitation provision as a result of the increased liability and increase in the discount rate.

These items were partially offset by the following:

- a decrease in professional fees in the year ended January 31, 2013 to $0.374 million (year ended January 31, 2012 - $0.740 million) primarily due to transition to IFRS in the prior year.

(b) Liquidity and Capital Resources

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

Substantially all cash and cash equivalents are held in United States currency. Our cash is primarily held in deposits and bearer deposits of a major Canadian bank and does not include any exposure to asset-backed commercial paper.

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

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

Although we plan to have the resources to carry out our plans and operations through January 31, 2015, we do not currently have sufficient capital to meet our estimated project capital expenditure requirements and are currently in discussions to arrange sufficient capital to meet these requirements. During the upcoming fiscal year, our objective is to identify the source or sources from which we will obtain the capital required to complete the Project. See additional discussion of environmental review and permitting in section 4(D)(d) and development plans in section 4(D)(g).

Year Ended January 31, 2014 compared with the year ended January 31, 2013

As at January 31, 2014 we had a working capital deficiency of $1.872 million compared with working capital of $2.629 million as at January 31, 2013 consisting primarily of cash and cash equivalents of $32.790 million (January 31, 2013 - $8.088 million), amounts receivable of $1.420 million (January 31, 2013 - $0.830 million), prepaid expenses of $1.195 million (January 31, 2013 - $0.771 million), accounts payable and accrued liabilities of $3.806 million (January 31, 2013 - $5.269 million), convertible debt of $31.967 million (January 31, 2013 - $nil) and the current portion of environmental rehabilitation provision of $1.504 million (January 31, 2013 - $1.808 million).

Cash used in operating activities in the year ended January 31, 2014 was $8.034 million compared to cash used in the year ended January 31, 2013 of $1.116 million. The variance in cash is primarily due to changes in non-cash working capital balances and the above noted operating variances.

Cash provided by financing activities for the year ended January 31, 2014 was $58.372 million compared to cash provided in the year ended January 31, 2013 of $10.130 million. The current year includes funding from the Rights Offering. The prior year includes exercise of share options and funding from share issuances to Glencore.

Cash used in investing activities for the year ended January 31, 2014 was $25.626 million compared to cash used in the year ended January 31, 2013 of $18.404 million. The increase was primarily due to increased spending on permitting prior to publication of the supplement draft EIS in December 2013.

Total cash for the year ended January 31, 2014 increased by $24.702 million for a balance of $32.790 million compared to the year ended January 31, 2013 where cash decreased $9.390 million to a balance of $8.088 million.

Year Ended January 31, 2013 compared with the year ended January 31, 2012

As at January 31, 2013 we had working capital of $2.629 million compared with working capital of $16.375 million as at January 31, 2012 consisting primarily of cash of $8.088 million (January 31, 2012 - $17.478 million), amounts receivable of $0.830 million (January 31, 2012 - $0.440 million), prepaid expenses of $0.771 million (January 31, 2012 - $0.934 million), accounts payable and accrued liabilities of 5.269 million (January 31, 2012 - $1.679 million), and the current portion of environmental rehabilitation provision of $1.808 million (January 31, 2012 - $0.828 million).

Cash used in operating activities in the year ended January 31, 2013 was $1.116 million compared to cash used in the year ended January 31, 2012 of $2.955 million. The variance in cash is primarily due to changes in non-cash working capital balances and the above noted operating variances.

Cash provided by financing activities for the year ended January 31, 2013 was $10.130 million compared to cash provided in the year ended January 31, 2012 of $26.209 million. The current year includes funding of the 2010 Glencore financing Tranche 3 and exercise of share options. The prior year includes funding of the 2010 Glencore financing Tranche 2, the 2011 Glencore financing, the IRRRB loan, and exercise of share options, partially offset by the repayment of the Cliffs loan.

Cash used in investing activities for the year ended January 31, 2013 was $18.404 million compared to cash used in the year ended January 31, 2012 of $16.137 million. The increase was primarily due to cash consideration paid to enter into wetland credit options and development agreements. See further discussion in the Other Key Developments section above.

Total cash for the year ended January 31, 2013 decreased by $9.390 million for a balance of $8.088 million compared to the year ended January 31, 2012 where cash increased $7.117 million to a balance of $17.478 million.

Financing Activities

The universal shelf registration on Form F-3 and short form base shelf prospectus were renewed in January 2013 for the same offering limit and covering the same securities. These documents allow us an option to offer and sell, from time to time in one or more offerings, up to $500 million of our debt securities, common shares, warrants and units in the United States and Canada. Unless otherwise specified the net proceeds from the offering of the securities will be used for construction finance for our copper, nickel, precious metals development project located in Minnesota and for working capital. There were no issuances of securities under these registrations during the years ended January 31, 2014 or 2013.

Glencore Financing

Since October 31, 2008 Glencore has entered into a series of financing agreements with us and a marketing agreement with us whereby Glencore committed to purchase all of our production of concentrates, metal, or intermediate products on market terms at the time of delivery, for at least the first five years of production. As part of the 2013 financing agreement, we entered into a Corporate Governance Agreement whereby from January 1, 2014, as long as Glencore holds 10% or more of our shares (on a fully diluted basis), Glencore shall have the right, but not obligation to designate at least one director and not more than the number of directors proportionate to Glencore's fully diluted ownership of us, rounded down to the nearest whole number, such number to not exceed 49% of the total board. We previously appointed a senior member of Glencore's technical team to our Technical Steering Committee.

The financing agreements comprise $25.0 million initial principal Series A-D debentures in calendar 2008 drawn in four tranches, $25.0 million placement of our common shares in calendar 2009 in two tranches, $30.0 million placement of our common shares in calendar 2010 in three tranches, $20.0 million placement of our common shares in calendar 2011 in one tranche, and $20.960 million purchase of our common shares in the Rights Offering (the Rights Offering). As a result of the series of financing transactions and the purchase by Glencore of our common shares previously owned by Cliffs, Glencore's current and potential ownership of us comprises:

78,724,821 shares representing 28.6% of our issued and outstanding common shares;

$25.0 million initial principal floating rate secured debentures due September 30, 2014. Including capitalized and accrued interest as at January 31, 2014, these debentures are exchangeable at $1.2920 per share into 24,741,611 of our common shares upon us giving Glencore notice that we have received permits necessary to start construction of NorthMet and availability of senior construction finance in a form reasonably acceptable to Glencore or are repayable on September 30, 2014. Subsequent to January 31, 2014, the Company obtained an extension of the due date to the earlier of (i) PolyMet giving Glencore ten days notice that PolyMet has received permits necessary to start construction of NorthMet and availability of senior construction finance, in a form reasonably acceptable to Glencore (the "Early Maturity Event"), and (ii) September 30, 2015. The exercise price of the exchange warrants and the number of warrants are subject to conventional anti-dilution provisions which were triggered upon close of the Rights Offering; and

Glencore holds warrants to purchase 6,458,001 common shares at $1.3007 per share at any time until December 31, 2015, subject to mandatory exercise if the 20-day Value Weighted Average Price (VWAP) of our common shares is equal to or greater than 150% of the exercise price and we provides notice to Glencore that we have received permits necessary to start construction of NorthMet and availability of senior construction finance, in a form reasonably acceptable to Glencore. The exercise price of the purchase warrants and the number of warrants are subject to conventional anti-dilution provisions which were triggered upon close of the Rights Offering.

If Glencore were to exercise all of its rights and obligations under these agreements, it would own 109,924,433 of our common shares, representing 35.8% on a partially diluted basis, that is, if no other options or warrants were exercised or 33.5% on a fully diluted basis.

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On April 10, 2013, we amended our previous financing arrangement and issued a new Tranche E debenture (2013 Debenture) with the principal amount of $20.0 million to Glencore and Glencore agreed to a Standby Purchase Agreement (Standby) related to a proposed $60.480 million Rights Offering by the Company. Under the Standby, Glencore agreed to purchase any common shares offered under the Rights Offering that were not subscribed for by holders of the rights, subject to certain conditions and limitations. The 2013 Debenture carried a fixed interest rate of 4.721% per annum payable in cash monthly and matured on the earlier of (i) closing of the Rights Offering by us or (ii) May 1, 2014. We provided security by way of a guarantee and by our assets and our wholly-owned subsidiary. The sale of the 2013 Debenture was consummated on April 11, 2013. We accounted for the 2013 Debenture issued initially at fair value and subsequently at its amortized cost. Transaction costs for the financing were $0.103 million. The 2013 Debenture was repaid upon the closing of the Rights Offering on July 5, 2013.

Glencore purchased PolyMet common shares for $20.960 million in the Rights Offering, which closed on July 5, 2013.

On April 25, 2014 PolyMet and Glencore extended the term of the Series A-D debentures and the expiration date of the associated Exchange Warrants to the earlier of the Early Maturity Event (as defined above) or September 30, 2015. All other terms of both the debentures and the warrants described above are unchanged.

Iron Range Resources & Rehabilitation Board ("IRRRB")

On June 30, 2011 we closed a $4.000 million loan from the IRRRB, a development agency created by the State of Minnesota to stabilize and enhance the economy of northeastern Minnesota. At the same time, we exercised our options to acquire two tracts of land as part of the proposed land exchange with the USFS. The loan is secured by the land acquired, carries a fixed interest rate of 5% per annum, compounded annually if not paid, and is repayable on the earlier of June 30, 2016 or the date which the related land is exchanged with the USFS (not expected to occur within 12 months from January 31, 2014). We issued warrants giving the IRRRB the right to purchase 400,000 of our common shares at $2.50 per share at any time until the earlier of June 30, 2016, the date the land is exchanged with the USFS or an alternative date as determined between the parties as the due date of the loan. Effective July 5, 2013, we increased the number of common shares issuable to 461,286 and reduced the exercise price to $2.1678, to reflect the dilutive effect of the 91.6 million common shares that were issued at $0.66 per share in connection with the Rights Offering.

AG for Waterfowl, LLP ("AG") Financing

On March 9, 2012 we acquired a secured interest in land (AG Land) owned by AG that is permitted for restoration to wetland. AG was subsequently acquired by Environmental Investment Partners (EIP) and we consented to the assignment of the agreement to EIP on September 7, 2012. EIP will restore the wetlands and, upon completion, wetland credits are to be issued by the proper governmental authorities. We plan to use the wetland credits to offset wetlands disturbed during construction and operation of the NorthMet Project. We hold a first mortgage on the AG land, which will be proportionately released as wetland credits are transferred to us. We have the option to exercise five separate phases of wetland credit development. Any option not exercised by February 28, 2017 will expire and the remaining mortgage, if any, will be released. As at January 31, 2014, we had exercised the option on phase 1.

We paid initial consideration of $2.0 million cash and issued 2,788,902 of our common shares valued at $3.375 million (of which 371,854 held in escrow pending completion of construction of the first phase) and a warrant to purchase 1,083,333 of our common shares at $1.50 per share at any time until December 31, 2015 as consideration for a $5.9 million mortgage to secure performance by EIP. The exercise price of the exchange warrants and the number of warrants are subject to conventional anti-dilution provisions. Effective July 5, 2013, we increased the number of common shares issuable to 1,249,315 and reduced the exercise price to $1.3007, to reflect the dilutive effect of the 91.6 million common shares that were issued at $0.66 per share in connection with the Rights Offering.

In addition to the initial consideration, performance commitments for phase 1 totaling $0.68 million will be due over the seven years following wetland construction completion for ongoing maintenance by AG. Performance payments totaling $1.063 million per phase for completion and maintenance of phase 2 through 5 will only be incurred if and when we exercise our option on those phases, and will be due over the seven years following completion of each phase. If wetland credits are issued by the proper governmental authorities before the seven-year anniversary, any unpaid amounts are due upon issuance of the wetland credits.

Rights Offering

On May 24, 2013, we filed the final prospectus for an offering of rights ("Rights") to holders of our common shares to raise up to $60.480 million in gross proceeds (the "Rights Offering"). Every shareholder received one Right for each common share owned on June 4, 2013, the Record Date, and two Rights entitled the holder to acquire one new common share at $0.66 per share. The Rights expired on July 3, 2013.

Under the terms of a Standby Purchase Agreement, Glencore agreed to purchase any common shares not subscribed for by holders of Rights, subject to certain conditions and limitations guaranteeing a minimum of $53.0 million in gross proceeds. Because the Rights Offering was oversubscribed, Glencore did not purchase any shares under its standby commitment.

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

Other Financings

During the year ended January 31, 2014 we issued no shares (prior year period 185,000) upon exercise of options for proceeds of $nil (prior year period - $148,000).

During the year ended January 31, 2014, we also issued 140,123 shares (prior year period 87,174) as partial payment for options to purchase land.

Escrowed Securities

As at January 31, 2014, we had the following outstanding securities held in escrow:

Designation of Class	Number of Securities held in Escrow	Percentage of Class
Common shares (1)	371,854	0.01%
Common shares (2)	618,529	0.02%

(1) Common shares held by Andersen & Butterworth, P.A. and were issued in connection with purchase of the Wetland Credit Intangible.

(2) Common shares held by Farris, Vaughan, Wills & Murphy LLP and were issued as restricted shares to U.S. employees.

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

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

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

(d) Trend Information

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

(e) Off-Balance Sheet Arrangements

None.

(f) Tabular Disclosure of Contractual Obligations

The following table lists as at January 31, 2014 information with respect to our known contractual obligations:

Contractual Obligations (in 000 s)	Total	Less than 1 year	1 3 years	4 5 years	After 5 years
Accounts payable and accrued liabilities	$ 3,806	$ 3,806	$ -	$ -	$ -
Long-term debt	5,110	-	5,110	-	-
Convertible debt	33,019	33,019	-	-	-
Environmental rehabilitation provision	60,448	1,504	28,070	917	29,957
Firm Commitments	3,300	2,506	594	168	32
Total	$ 105,683	$ 40,835	$ 33,774	$ 1,085	$ 29,989

(g) Critical Accounting Policies

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

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

(i) Determination of mineral reserves

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

(ii) Impairment of non-financial assets

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

For its mineral property interest the Company considers both external and internal sources of information in assessing whether there are any indications of impairment. External sources of information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of mineral property interests. Internal sources of information the Company considers include indications of economic performance of the asset. No impairment loss for its mineral property interests was recorded for the year ended January 31, 2014 or 2013.

(iii) Provisions for Environmental Rehabilitation Costs

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

Upon initial recognition of provisions for environmental rehabilitation costs, a corresponding increase to the carrying amount of the related asset is recorded and amortized over the life of the asset. The estimates are based principally on legal and regulatory requirements. Following initial recognition of the environmental rehabilitation provision, the carrying amount of the liability is accreted to its future value over the life of the asset, reduced for actual reclamation payments incurred, adjusted for changes to the current market-based discount rate, and adjusted for changes in the amount and timing of the underlying cash flows needed to settle the obligation.

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

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Each Director serves until the next annual general meeting of shareholders or until his/her successor is duly elected, unless his/her office is vacated in accordance with our Articles of Incorporation.

Vacancies on the Board of Directors are filled by election from nominees chosen by the remaining Directors and the persons filling those vacancies will hold office until the next annual general meeting of shareholders, at which time they may be re-elected or replaced.

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

Name	Age	Position
W. Ian L. Forrest	75	Chairman, Independent Director
Jonathan Cherry	44	Director, President, and Chief Executive Officer
David Dreisinger	56	Independent Director
Alan R. Hodnik	54	Independent Director
William Murray	65	Director
Stephen Rowland	52	Independent Director
Michael M. Sill	52	Independent Director
Frank L. Sims	63	Independent Director
Douglas J. Newby	55	Chief Financial Officer
Joseph Scipioni	60	Chief Operating Officer
Bradley Moore	53	Executive Vice President, Environmental & Governmental Affairs
Ryan Vogt	36	Corporate Controller
Stephanie Hunter	43	Corporate Secretary

W. Ian L. Forrest has served as a member of our board of directors since October 2003, as our Co-Chair since January 2011 and our Chairman since July 2012. Mr. Forrest previously served as Chairman of our board until February 2008. He also serves as the Chair on our business development and risk management committee and also serves on our audit, compensation, capital finance and nominating and corporate governance committees. Having played an important role in our revival in 2003, he was appointed Chairman in May 2004. 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 more than 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 served as a director of Tanager Energy Inc. (formerly MGold Resources Inc.) until October, 2011 and Belmore Resources (Holdings) plc until July, 2011 when it was acquired by Lundin Mining Ltd. He currently serves on the boards of Georex SA and Poros SAS. Mr. Forrest was a director of Viatrade plc, which was put into receivership in August 2009. Mr. Forrest currently resides in Vaud, Switzerland.

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

Dr. David Dreisinger has served as a member of our board of directors since October 2003. He serves on our safety, health and environmental, audit, technical steering and on our nominating and corporate governance committees. Since 1988, Dr. Dreisinger has been a member of the faculty at the University of British Columbia in the Department of Materials Engineering and is currently Professor and Chairholder of the Industrial Research and Chair in Hydrometallurgy. He has published over 200 papers and has been extensively involved as a process consultant in industrial research programs with metallurgical companies. Dr. Dreisinger has participated in 16 U.S. patents for work in areas such as pressure leaching, ion exchange removal of impurities from process solutions, use of thiosulfate as an alternative to cyanide in gold leaching, and leach-electrolysis treatment of copper recovery from sulfide ores, and the Sepon Copper Process for copper recovery from sulfidic-clayey ores. Dr. Dreisinger serves as a director of Search Minerals, Inc. and as Vice President – Metallurgy for each of Baja Mining Corp, Clifton Star Resources and South American Silver Corp. Dr. Dreisinger currently resides in British Columbia, Canada.

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

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

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

Michael M. Sill has served as a member of our board of directors since March 2011. He also serves as the chair of our audit committee and also serves on our capital finance and safety, health and environmental committees. Mr. Sill has served as President and CEO of Road Machinery & Supplies Co. since 1994, having joined the company in 1988. Road Machinery is a distributor of construction, mining and forestry equipment. Educated at Dartmouth College and J.L. Kellogg Graduate School of Management, Mr. Sill started his career as a financial analyst and commercial lending officer with The Northern Trust Company. He has served on the boards of the Associated Equipment Distributors, Associated General Contractors of Minnesota, the Twin Cities Regional Board of US Bank, and

Dunwoody College of Technology. Mr. Sill currently resides in Minnesota, United States.

Frank L. Sims has served as a member of our board of directors since February 2008 and as our Co-Chair from January 2011 to July 2012. He also serves as the chair of our nominating and corporate governance committee and also serves on both our compensation and capital finance committees. Mr. Sims has held a series of progressively senior positions with Cargill, Incorporated between 1972 and his retirement in December 2007. Most recently he served as Corporate Vice President. Minnesota-headquartered Cargill is an international provider of food, agricultural and risk management products and services. Mr. Sims currently serves on the board of Piper Jaffray Companies and South Jersey Industries. Mr. Sims has previously served on the board of Tennant Company, as Vice-Chair of the U.S. Marine Transportation System National Advisory Council, was a Chairman of the board of the North American Export Grain Association, and as Chairman of the Federal Reserve Bank of Minneapolis. Mr. Sims currently resides in Georgia, United States.

Douglas J. Newby has served as our Chief Financial Officer since November 2005. Mr. Newby has more than 30 years of experience in the evaluation and financing of mining companies and projects around the world. Before coming to PolyMet, Mr. Newby served variously as a Director, Executive Vice President, interim Chairman, President and Chief Executive Officer of Western Goldfields, Inc. (now New Gold, Inc.) a US-based gold mining company. Mr. Newby has also been President of Proteus Capital Corp., a corporate advisory firm that specializes in the natural resource industries, since July 2001. Mr. Newby served as Managing Director of Proteus Consultants Ltd. from January 1991 to July 2001 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 June 2011 Mr. Newby has served as a director of Coronet Metals, Inc., a Canadian company developing a gold mine in Peru. From January 2004 to March 2006, Mr. Newby served as Vice-President of Cadence Resources Corporation, an oil and gas exploration and development company. Prior to January 1991, Mr. Newby held senior positions with the investment banking firms of S.G. Warburg & Co., Inc., Morgan Grenfell & Co., and James Capel & Co. Mr. Newby currently resides in New York, United States.

Joseph Scipioni has served as our Chief Operating Officer since March 2007. Prior to July 2012, Mr. Scipioni also served as our President and Chief Executive Officer and as a member of our board of directors since February 2008 and as General Manager of our Minnesota operations since July 2006. Prior to June 2006, Mr. Scipioni's career spanned more than 30 years with United States Steel Corporation where he worked in a number of progressively senior positions in operations. His last position was Plant Manager at the Keewatin Taconite plant in Minnesota. Mr. Scipioni is an active advisor to the University of Minnesota Natural Resources Research Institute based in Duluth, Minnesota, is an officer of the Minnesota Section of the Society of Mining, Metallurgy and Exploration (SME), and serves as an executive officer of Mining Minnesota. Mr. Scipioni currently resides in Minnesota, United States.

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

Ryan Vogt has served as our Corporate Controller since July 2012. Mr. Vogt has over 13 years of experience with accounting, financial reporting, and internal controls. From April 2004 to April 2012, he was an assistant controller at World Data Products, Inc. and from April 2012 to present he has been with the Company. Prior to April 2004, Mr. Vogt was a financial statement auditor at KPMG LLP. Mr. Vogt is a Certified Public Accountant. Mr. Vogt currently resides in Minnesota, United States.

Stephanie Hunter has served as our Manager, Corporate Operations since April 2004 and as our Corporate Secretary since November 2012. Mrs. Hunter has over 20 years of legal experience with public companies and over 10 years within the mining sector. From January 1999 to March 2004, she was a senior legal administrator and corporate law clerk at Stikeman Elliott LLP and from April 2004 to present she has been with the Company. Prior to January 1999, Mrs. Hunter was a Corporate Records Clerk at Holmes Greenslade LLP. Mrs. Hunter has extensive experience in administration of public companies, statutory and regulatory compliance requirements and maintenance of company records. Mrs. Hunter currently resides in Ontario, Canada.

B. Statement of Executive Compensation

The following table sets forth the compensation paid to our Named Executive Officers for the fiscal year ended January 31, 2014:

Named Executive Officer	Salaries Commissions and Bonuses	Options / Restricted Share Units	Pension, Retirement and Similar Benefits[1]	Total Compensation
Jonathan Cherry, President and Chief Executive Officer	$459,600	$612,000	$15,300	$1,086,900
Douglas Newby, Chief Financial Officer	$292,800	$238,600	$7,500	$538,900
Joseph Scipioni, Chief Operating Officer	$200,000	$23,300	$12,000	$235,300
Bradley Moore, Executive Vice President, Environmental & Governmental Affairs	$216,200	$174,200	$11,100	$401,500

[1] Balances represent Company contributions under 401k pension plans.

During the fiscal year ended January 31, 2014, we had four Named Executive Officers (NEOs) (for the purposes of applicable securities legislation), namely:

(a) Jonathan Cherry, President and Chief Executive Officer;

(b) Douglas Newby, Chief Financial Officer;

(c) Joseph Scipioni, Chief Operating Officer; and

(d) Bradley Moore, Executive Vice President, Environmental & Governmental Affairs.

Other than the arrangements noted in the table below, during the fiscal year ended January 31, 2014, no compensation was paid or is payable by us to the directors of the Company, other than the Named Executive Officers (the Other Directors), or our subsidiaries, if any, for their services in their capacity as directors, including any amounts payable for committee participation or special assignments;

Director	Director s Fees	Options/Restricted Share Units	Total Compensation
W. Ian L. Forrest	$ 50,000	440,000	$ 490,000
David Dreisinger	40,000	116,000	156,000
Alan R. Hodnik	40,000	116,000	156,000
William Murray	40,000	116,000	156,000
Stephen Rowland	40,000	171,400	211,400
Michael M. Sill	40,000	116,000	156,000
Frank L. Sims	40,000	116,000	156,000

During the quarter ended January 31, 2012, we sold a used drill for $3.680 million. A company controlled by one of our Directors, Michael M. Sill, received a commission of $0.200 million related to this sale.

The Company has no pension plan or other arrangement for non-cash compensation to the Other Directors.

C. Board Practices

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

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

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

Our Compensation Committee consists of Alan R. Hodnik (Chair), W. Ian L. Forrest and Frank L. Sims. The function of the Compensation Committee is to administer the 2007 PolyMet Omnibus Share Compensation Plan and to have authority over the salaries, bonuses, and other compensation arrangements of our executive officers.

Our Nominating and Corporate Governance Committee consists of Frank L. Sims (Chair), W. Ian L. Forrest, Alan R. Hodnik, Stephen Rowland and David Dreisinger. The committee (1) identifies individuals qualified to become members of the Board, (2) selects, or recommends to the Board, the director nominees for the next annual shareholders meeting, (3) selects candidates to fill any vacancies on the Board, and (4) develops and recommends to the Board a set of corporate governance principles applicable to PolyMet.

D. Employees

As at January 31, 2014 we had 24 full-time employees, with 1 located in our Toronto office, 15 located in our Hoyt Lakes office, and 8 located in our St. Paul office. None of our employees are covered by a collective bargaining agreement. We believe that our relations with our employees are good.

As at January 31, 2014, we had 2 consultants working out of our Minnesota offices.

E. Share Ownership

See Item 7(A) for shareholdings of persons listed in Item 6(B).

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Officers, Directors and Major Shareholders

The following table sets forth certain information that has been provided to us regarding the beneficial ownership of our common shares as of April 21, 2014 by those known to our management to be (i) the beneficial owner of more than 5% of our outstanding common shares, (ii) our directors, (iii) our current officers identified under Item 6(A), and (iv) all officers and directors as a group.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (2)	Percent of Common Shares (3)
William Murray (4)	3,995,464	1.44%
W. Ian L. Forrest (5)	3,629,500	1.31%
Jonathan Cherry (6)	2,832,240	1.02%
Frank Sims (7)	2,455,595	*
David Dreisinger (8)	2,314,450	*
Douglas J. Newby (9)	1,798,286	*
Joseph Scipioni (10)	1,115,500	*
Michael M. Sill (11)	1,030,201	*
Stephen Rowland (12)	900,000	*
Alan R. Hodnik (13)	850,500	*
Bradley Moore (14)	580,794	*
Ryan Vogt (15)	305,774	*
Stephanie Hunter (16)	185,000	*
Total directors and officers as a group (17)	21,993,304	7.65%
* Less than 1.00%		
5% or more shareholders:		
Glencore (18)	110,112,039	35.86%
Baarermattstrasse 3		
CH-6341 Baar		
Switzerland		

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

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

(3) For each person and group included in the table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group as described above by the sum of the 275,650,392 common shares outstanding on April 21, 2014 and the number of common shares that such person or group had the right to acquire on or within 60 days of that date, including, but not limited to, upon the exercise of options and upon vesting and payment of restricted stock units.

(4) Includes 1,164,700 common shares directly owned by Mr. Murray and 1,430,764 common shares held in the name of Group 4 Ventures of which he is the sole shareholder, 300,000 common shares issuable upon exercise of options at an exercise price of CDN$1.1793 per share set to expire on September 19, 2015, 450,000 common shares issuable upon exercise of options at an exercise price of CDN$2.3932 per share set to expire on March 20, 2016, 200,000 common shares issuable upon exercise of options at an exercise price of $0.7110 per share set to expire on February 17, 2019, 150,000 common shares issuable upon exercise of options at an exercise price of $0.8237 per share set to expire July 11, 2022 and 300,000 common shares issuable upon exercise of options at an exercise price of $0.9520 per share set to expire December 16, 2023. In addition, Mr. Murray has the right, upon certain milestones, to receive 70,016 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.

(5) Includes 2,217,000 common shares owned in the name of Micor Trading SA of which Mr. Forrest is a director and has voting and dispositive control, 562,500 common shares owned in the name of Panares Resources Inc. of which he is a director and has voting and dispositive control, 150,000 common shares issuable upon exercise of options at an exercise price of CDN$1.1793 per share set to expire on September 19, 2015, 250,000 common shares issuable upon exercise of options at an exercise price of CDN$2.3932 per share set to expire on March 20, 2016, 150,000 common shares issuable upon exercise of options at an exercise price of $0.7110 per share set to expire on February 17, 2019 and 300,000 common shares issuable upon exercise of options at an exercise price of $0.9520 per share set to expire December 16, 2023. In addition, Mr. Forrest has the right, upon certain milestones, to receive 29,792 common shares issuable under Restricted Share Units for which he currently has neither voting nor dispositive rights.