CEOCFO Interviews & News!

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With China and India driving the demand for metals, PolyMet Mining is well positioned as they are ready to move into production with their copper-nickel mine in Minnesota

POLYMET MINING

Basic Materials
Industrial Metals & Minerals
(PLM-AMEX, POM-TSX)

PolyMet Mining Corp.

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Douglas Newby
Chief Financial Officer

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

BIO:
Douglas Newby has 25 years of experience in the evaluation and financing of mining companies and projects around the world. He started his career with James Capel & Co. in London, where he was a top-ranked mining analyst. He subsequently worked with Morgan Grenfell & Co. in London and New York and S.G. Warburg & Co. in New York. Mr. Newby is also president of Proteus Capital Corp., a corporate advisory business based in New York that is focused on the natural resource industry, which he formed in the early 1990s.

Company Profile:
PolyMet Mining Corp. is a publicly-traded mine development company that owns 100% of the NorthMet copper-nickel-precious metals ore body and 100% of the Erie Plant, a large processing facility located approximately six miles from the ore body in the established mining district of the Mesabi Range in northeastern Minnesota. PolyMet has completed its Definitive Feasibility Study and is seeking environmental and operating permits in order to commence commercial production anticipated in late 2008 or early 2009. No additional equity is expected to be needed to support construction debt financing.

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CEOCFO: Mr. Newby, PolyMet lists itself as an achievement focused, mining and development company; what is the vision for the company and how do you get there?
Mr. Newby: "The vision is to build a mid-tier poly metallic, copper, nickel and precious metals mining company based in North America. How we get there is we own a large ore body deposit containing those metals in northern Minnesota. In the fall of 2003, just before metal prices started to take off, we were able to option a large piece of infrastructure, a crushing and grinding facility that had been operating in the iron/ore industry from Cleveland Cliffs Inc (CLF-NYSE). We exercised that option in late 2005, which gives us a lot of the infrastructure that we need to get into production. It turns the project from a Greenfields development to a Brownfields development, which is easier to get regulatory approvals to proceed with."

CEOCFO: Where are you in the process?
Mr. Newby: "We have completed the feasibility study which demonstrated the technical and economic liability of the project. We are more than three years into the formal permitting process. We believe we are about a year away from completion of that. The upcoming targets on that are that the state is expected to publish the draft environmental in that statement some time before early November. That will lead to some public comment periods and we are not anticipating major public comments or new input from that process in which case we expect formal permitting at the end of the 4th Quarter of this year."

CEOCFO: Is there a lot of mining in Minnesota and is the state friendly toward the mining industry?
Mr. Newby: "Minnesota is one of those hidden states in terms of mining and it is actually a very major mining district in iron ore. The Mesabi Iron Range has been the major iron ore producer in North America for the past 150 years. In terms of tonnage of rock mined, it is one of the largest mining states in the Union. We will be the first non-ferrous mine in the state. Minnesota certainly understands mining. It is supportive; there are clear

rules, the only challenge is that this will be the first non-ferrous and therefore there are some technical aspects being reviewed very carefully in the permitting process.”

CEOCFO: How are you funded toward getting into production?

Mr. Newby: “The company was relaunched in early 2003; new management came in and it was recapitalized at that point. Since then we have raised privately approximately $100 million U.S., of which we spent about half and half is in the bank. That combined with the acquisition of the plant and the collateral value of the plant, we expect will give us sufficient equity to support a construction debt financing package. We are looking at a total capital cost including some soft costs as well as the direct cost of $380 million U.S. We are anticipating being able to borrow at least $350 million off that requirement, the balance we have in the bank.”

CEOCFO: Are there new technologies in mining that you will be able to take advantage of?

Mr. Newby: “The mining industry generally, because it is capital intensive, tends to be conservative in terms of technology. The non-ferrous district in Minnesota was originally discovered in the fifties and there were three reasons why the district was not developed at that point. All of the ore body deposits are a mixture of copper, nickel and platinum group metals. At that point there was no market for platinum group metals, so that had a significant effect on the economics. In addition with metallurgical processes at that time it was difficult to get a clean split between copper and nickel and the value of the concentrate that could have been produced at that point was fairly low. Those two challenges have been ticked off first of all, platinum group metal market developed with the auto catalyst market in the 1970’s and 1980’s to clean up car exhaust emissions. The second big change were two parallel commercial technological developments in the past twenty or thirty years. One was the commercial application of hydrometallurgy, which basically oxidizes primary ores very rapidly and does in a chemical plant in an hour or so what takes millions of years in nature to do. There are some other more conventional technology changes that have made the Minnesota ores highly valuable now.”

CEOCFO: Please tell us about the management team and what stands out about your group?

Mr. Newby: “Over all, we have a lot of experience in large organizations, building, financing large scale corporations in north America and around the world. The president and CEO is Bill Murray. Bill is in his late fifties, he started his career with Anglo American in South Africa. He was then with Flour Corp.(FLR-NYSE) in North America. He has overseen the development with several large projects. Our chief operating officer Joe Sciponi is ex-U.S. Steel (X-NYSE), and he has spent his life operating in northern Minnesota. He had a lot of experience that is been very relevant to us. My background is in finance. I was with several large investment banks, initially in London and then New York, and have been very involved in arranging finance for large scale mining operations both in the US and internationally. We have a group supporting the “C” officers, who typically are in the mid to late fifties and have tremendous experience.”

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CEOCFO: PolyMet describes itself as an achievement focused mining development company; why is that?

Mr. Newby: “When you look at a lot of companies who are battling to develop mining projects in obscure parts of the world with major political risks and challenges that the typically mine development cycle drags over many years. Because many of the key pieces have been in place here and critically with the acquisition of the plant in 2005, they have really given us the framework to be able to execute a business plan. What is a little different is that we are viewing this more as a business to be developed. There is no real exploration angle here, it is not somebody’s dream of believing that “there is gold in them there hills.” The ore body is well defined, the pieces are well defined and we are executing a business plan.”

CEOCFO: Why should potential investors be interested and why is now a good time?

Mr. Newby: “There is a strong argument that we are in the relatively early stages of a major resource super cycle, whether we are looking at oil or metals, both commodities, basically driven by the industrialization of India and China. When you look back in history, you see periods where natural resource prices have risen over extended periods of time such as the industrial revolution in Europe and then North America. Given the size of the populations in Asia, it is obviously a huge driving force. That gives the twenty-year overview. The specific reasons why we believe PolyMet is interesting are because so many of the pieces are in place, we are not an exploration play, we are not battling with a lot of the challenges a lot of other companies face. We are looking at starting a full-scale construction of the additional bits we need to build starting in about a year from now and be in production by early 2009. Therefore, this is not a long-term dream that is going to take forever to realize. We are U.S. based; I think strategically that is going to be important. Certainly if anyone is a dollar bear, owning a business that sells its product in international currency terms and has US dollar costs, is obviously attractive. If there is any move towards protectionism we're on the right side of the border, there is obviously no political risk operating in the United States. In addition, because Minnesota is such a significant mining district we are not facing the same challenges in terms of getting good experienced people to come and work for us that much of the mining industry is facing worldwide."

CEOCFO: In closing, what should people remember most about PolyMet?

Mr. Newby: "The key point for PolyMet is that we have a lot of the pieces in place to be able to move into production very rapidly and having a suite of metals, copper metal and precious metals. We are not just held hostage by fortunes of one metal."

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