

1. PolyMet provided a table showing how many operations-phase workers could be hired locally. It would be helpful to get a similar estimate for the construction workforce. Also, we need their definition of "local," to see how it aligns with our 3-County study area.

Definition of local is on the spreadsheet. Construction is broken down by hours of work, based on Phase I (including mine development), and Phase 2. We have provided an estimate based on discussion with construction firms and what we know today for the status of work. See attached spreadsheet.

2. PolyMet provided information on commodity (e.g., copper) prices in a separate attachment. The copper, platinum, and gold prices used by BBER were all lower than the 3-year rolling average, and reasonable compared to the recession pricing from PolyMet. However, the nickel and cobalt price¹⁶s used by BBER were significantly (~25%) above the rolling average. This needs to be explained.

The numbers used by BBER were the numbers used in our financial disclosure in our DFS study.

May 20, 2008 PolyMet released to the public updated capital and operating costs.

"The economic analysis is based on SEC-reserve standards, namely the three-year trailing average, which we calculated at April 30, 2008 (the end of our first fiscal quarter.) 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." (This language was added to IMPLAN final report.)

The Summary Metal prices and PolyMet economics spreadsheet (the last row) shows what our operating cash flow would have been if the 08-09 recession lows all hit at the same time (which didn't actually occur). Operating cash flow margin ranged from 22 – 138% for all metals except Palladium (-39%). The CIBC consensus long-term price forecasts for all metals looking at average, high or low nearly all exceed the recession lows.

3. We would like to know if BBER or PolyMet have any general input on the elasticity of economic activity vs. commodity prices. For example, if commodity prices drop 10%, what is the likely impact on operations, employment, revenue, etc?

The summary metal prices and the CIBC should answer this question. If you look at CIBC long-term low price forecasts they are nearly double for

each metal compared to PolyMets operating costs for each metal. If prices drop 10% it will not necessarily result in a 10% reduction in operations, employment, revenue etc.

4. Regarding leakage and the share of employment that might come from outside the 3-County study area (and thus earnings/income that would accrue outside of the study area), BBER did not provide a list of regional purchase coefficients used in the model. This information would be very helpful. Also, it would be helpful to obtain some more general input from PolyMet about anticipated regional vs. non-regional purchasing.

Dr. Skurla to added a statement to report.

5. ERM would still like BBER to explicitly state that the cumulative impact projects were evaluated using previous versions of IMPLAN (i.e., not Version 3.0). They talk around it, but don't come out and say it.

Language added to report: "The cumulative impact projects used in this report were evaluated from data obtained from IMPLAN Version 3.0 for year 2009. These data updates 2006 data from the initial impact study using models run with IMPLAN Version 2.0."

6. ERM requests that PolyMet provide an estimate of the annual (typical year) taxes that they would pay during operations. This information was provided for the DEIS. Also, If there's any way to break that estimate down into components (state general fund, local school districts, etc.), that would be quite beneficial.

If PolyMet would have been in full operation over the last 5 years, state tax estimates range from \$8 million to \$16 million. Federal tax estimates over the same time period are estimated from \$29 million to \$64 million.

The following table is a breakdown of what PolyMet would have paid in State taxes if we had been in full operation in 2011.

MINNESOTA TAXES (Assumption-full operation 2011)	
Net Proceeds Tax	\$5.9 M
Occupation Tax	\$7.1 M
Ad Valorem Tax	\$0.2 M
Sales and Use Tax	\$2.4 M
TOTAL MINNESOTA TAXES	\$15.6 M

The distribution of the Net Proceeds and Occupation Taxes can be found in the Minnesota Department of Revenue's November 2011 Mining Tax Guide on pages 54, and 30 respectively. Web page for the guide:

http://taxes.state.mn.us/special/mineral/Documents/2011_mining_guide.pdf

Estimated Federal taxes are \$64 million, again based on if PolyMet would have been in operation in 2011.

7. Closure: From the Project Description, it appears that PolyMet anticipates about a 3-4 year closure process. Is that correct, or would it be longer?

The building demolition process is anticipated to be 3 to 4 years. But other closure activities are expected to take longer – reclamation and stabilization of Flotation Tailings Basin and Residue Facility – 7 years – post closure water treatment while West Pit flooding 50 years subject to final modeling.

8. Closure workforce: Can you give a rough estimate of the closure workforce? I understand that it would diminish over the course of the closure process, but some estimate would be helpful.

Reclamation designs and estimates are still being finalized and actual manpower would depend on if closure is planned (work done by PolyMet) or unplanned due to bankruptcy with State have contractors do the work). An estimate based on experience at closure of LTVSMC would be 30 to 50 FTEs (full time equivalents – including consultants, service providers, etc) for the first 7 years (period of demolition, remediation, reclamation construction, monitoring) and 5 to 10 FTEs for the next 30 years (period of monitoring, reporting, active water treatment).