

BUSINESS

Mining giant Glencore gains majority control of PolyMet

The Switzerland mining giant has been a PolyMet partner since 2008.

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Glencore will own 72% of PolyMet Mining after the completion of a stock offering, gaining majority control of what could be Minnesota's first copper-nickel mine.

Glencore's stake in PolyMet went from 29% to 71.7% after a shareholder rights offering. PolyMet released the results of the offering Thursday.

Switzerland-based Glencore, a global mining giant, has been a partner in PolyMet since 2008, and has largely financed the company's efforts.

PolyMet held the shareholder rights offering to raise \$265 million, mostly to pay off loans from Glencore.

"This has been a great success," said Bruce Richardson, a PolyMet spokesman. "We are able to clear our balance sheet of debt and will get on with our construction financing."

But Paula Maccabee, the lawyer for Minnesota-based WaterLegacy, called Glencore's majority role a "debacle."

She said she's concerned that Glencore is not on any of the PolyMet permits, nor does the name "Glencore" appear in the financial assurance deal the state signed with PolyMet in its permit to mine.

"Glencore is not responsible for any (of PolyMet's) mine treatment, financial assurance or any liability for mine toxic pollution or a catastrophic dam failure at the tailings waste disposal facility," Maccabee said.

WaterLegacy asked the state Department of Natural Resources early last year for a hearing to put Glencore on the permit to mine, but that didn't happen, she said.

"We don't know why state agencies didn't look beyond PolyMet's shell company to the multinational corporation — Glencore — putting in the money and calling the shots for the mine project," she said.

PolyMet, which is based in Toronto but run from St. Paul, has gotten its environmental permits and is now looking to raise nearly \$1 billion to construct a mine near Babbitt and refurbish a derelict taconite processing plant near Hoyt Lakes.

PolyMet's CEO Jon Cherry previously told the Star Tribune that the greater Glencore's ownership of the company, the more debt financing PolyMet should be able to secure. Mining analysts say Glencore's heavy participation will be crucial in raising money for the mine.

PolyMet would employ 360 and could have a significant economic effect on the Iron Range. But it has been controversial, as environmentalists fear the effects of sulfide mining for copper and nickel, a different process than that used by the state's historic iron mining industry.

A new issue has surfaced in the past two weeks, with environmental advocates saying recently released records show the U.S. Environmental Protection Agency and the Minnesota Pollution Control Agency suppressed some regulators' concerns over the mine's pollution risks.



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The Minnesota Court of Appeals on Tuesday ordered a review of the state's handling of a key water quality permit for PolyMet Mining.

Finding "substantial evidence of procedural irregularities," the Minnesota Court of Appeals earlier this week ordered that a district court review the state's handling of a key water quality permit for PolyMet Mining. The EPA's inspector general is also investigating the agency's handling of the permit.

PolyMet has said the issue doesn't affect the standing of its permits. Assuming it gets financing, the company hopes to start construction next year, with the mine being operational by sometime in 2023.

Glencore itself has had its share of controversy in recent years, under scrutiny in some countries in connection with corruption allegations. In the United States, Glencore is being investigated by two agencies, including the U.S. Justice Department, regarding its operations in Nigeria, Venezuela and the Democratic Republic of the Congo.

Environmentalists have criticized Glencore's mining practices. Chris Knopf, executive director of Friends of the Boundary Waters Wilderness, called the company's global labor and environmental track record "deplorable."

"Glencore is the type of bad actor that we do not need here in Minnesota," he said.

Glencore could not be immediately reached for comment.

The shareholder rights offering concluded Wednesday gave existing PolyMet shareholders the right to buy 2.1 new shares, each at 39 cents a piece. Glencore had agreed to backstop the offering, meaning it would buy stock left unsold from shareholders who didn't exercise their rights.

Since a lot of stockholders didn't exercise their rights, Glencore bought 431 million shares, greatly increasing its ownership stake. Glencore was paid a "standby fee" of \$7.7 million from the proceeds of the rights offering for backstopping it, according to a Canadian securities filing.

PolyMet's stock has hit 14-year lows this spring, particularly in the wake of the rights offering as the issuance of more shares could dilute current stockholders' ownership. PolyMet, whose sole mission has been to develop the Iron Range mine, has about 13,000 to 14,000 share holders in Minnesota.

Essentially, PolyMet's stock price drifted down to the price of the rights offering. In Thursday morning trading, PolyMet's stock was trading at 41.5 cents, up 5%. Its 52-week high is around \$1.

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