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October 21, 2011

Mr. Dennis McLerran
Regional Administrator
U.S. Environmental Protection Agency
Region 10
1200 Sixth Avenue
140-RA
Seattle, WA

Dear Dennis:

I am writing to thank you and your staff for meeting with John Iani and me on October 12th. We discussed several items that I would like to confirm.

Finalizing the Environmental Baseline Document

First, I am sorry that we have been unable to transmit our environmental baseline document ("EBD") to you as soon as we had both hoped. It has taken much longer than we expected to complete our pre-release internal data quality review of this 20,000 page document. We will transmit the EBD to you as soon as we can complete this technical review: our current plans are to have the EBD ready for release on or about December 6.

Making PLP Consultants Available to EPA

In order to keep this process moving forward, , we have offered to make some of Pebble's scientific and technical consultants available to respond to any specific questions EPA has prior to the release of the EBD. Rick Parkin has contacted Ken Taylor, and we look forward to working out the details of that arrangement.

EPA-7609-0014741_00001

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Baseline Data Transmittal Format

We will be providing the baseline information in pdf format. We recognize EPA's desire to obtain the data in a manipulatable format. However, this data has great value to us (we have spent over $100 million on it), and EPA cannot guarantee that the data will not be made public.. Ordinarily this data and its interpretation would not be made public until we applied to begin the NEPA process. We offered to discuss providing the raw data to an agreed upon independent third-party contractor that could make analysis runs per EPA requests, but it is my understanding that this approach will not meet EPA's review standards for the watershed assessment.

EPA Review of the Baseline Data

EPA indicated that providing the EBD in December might mean that EPA would choose not to use some of the information contained in it. EPA has indicated in the past that that data was very important to your study. We agree that these data are important, thus, we believe that EPA should take the time and effort to review this information. We do not expect to begin applying for permits for our project until 2013, so we do not understand why EPA would feel the need to issue its assessment without considering the EBD data.

Mine Design Layout

As we stated at the meeting, we will be unable to comply with the request that Rick Parkin made for a current mine design layout of the Pebble Project that would be of any use to the Watershed Assessment process. As you are aware, we are currently in the pre-feasibility phase of developing a mine design layout which we hope to complete late in 2012. PLP and its predecessors have considered many options for all components of this project over the past several years, and we are still considering additional options.

The pre-feasibility study will result in a mine design layout that will supersede all previous designs. This study will include a comprehensive analysis of the geologic,

EPA-7609-0014741_00002

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mining engineering, and economic factors governing the project, as well as an evaluation of appropriate environmental mitigation alternatives. The environmental evaluation will include, among other things, subjects such as waste management, water treatment, reclamation practices and mine closure and reclamation. Until that study is completed, there will be no mine design for EPA to analyze that has taken all of these factors into account, so the request is premature.

It takes years of environmental studies, careful planning and design work to ensure that the plan we ultimately propose – which will be reviewed by numerous federal and state regulatory agencies – meets or exceeds the agency design requirements and environmental protection standards. The reviewing agencies will include the EPA, the U.S. Army Corps of engineers, the U.S. Fish and Wildlife Service, the National Marine Fisheries Service, as well as the Alaska Departments of Fish and Game, Natural Resources and Environmental Conservation and others. All of those agencies, as well as Native Alaskans and the public, ultimately will have the opportunity to participate in a thorough review of the Pebble Project as the Environmental Impact Statement is developed under the National Environmental Policy Act.

EPA has undertaken the unprecedented task of assessing the impacts of potential development of a mineral deposit before the project is designed and submitted for permitting. Using an outdated and merely conceptual plan such as the one submitted in 2006 to the Alaska Department of Natural Resources by Northern Dynasty Mines for water rights applications – or even the preliminary Waldrop plan of February 2011 – would be an inadequate basis for such an assessment. Any analysis of this design would lead to erroneous conclusions having little relevance to what may actually be submitted by PLP at some future date.

Relevant Data From Other Mining Operations

There are alternative and sources of information for the agency to tap in lieu of a conceptual Pebble mine design that will likely become irrelevant. hile all mine designs are location specific and must address local physiographic, environmental and social conditions, there are some examples of existing mines in somewhat similar ecological

EPA-7609-0014741_00003

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regions of North America that might provide you with a more accurate assessment of the effects of mining a copper/gold/molybdenum deposit on the surrounding environment. Analyzing these would provide EPA with real data rather than speculative results. The Gibraltar mine and Highland Valley Copper are two copper mines in British Columbia that have been constructed and have been in operation for a number years. Both of these operations are mining ore bodies similar to that of the Pebble deposit, and both are in the Fraser River Valley where they must co-exist with one of the largest sockeye salmon populations in the world.

The regulatory environment here in Alaska is at least as stringent as it is in Canada. An analysis of the impacts of either of these two mines on the surrounding environment would provide your agency with a far more solid basis for any conclusions in your assessment of the Nushagak and Kvichak watersheds than you will produce using a hypothetical mine plan, regardless of the source.

We will be providing information on these and other mines so that EPA has an opportunity to assess mitigation measures being used by 21st century mining operations.

Watershed Assessment Schedule

EPA's current schedule for the Watershed Assessment is too ambitious. Given the substantial amount of information that EPA will have to review, and given the area being studied is the size of New Jersey and Maryland combined, providing a quality science-based product of the quality requested by Sen. Cantwell (among many others) is not realistic. Either quality or schedule will have to be sacrificed. Of those two choices, we respectfully request that quality should be controlling here. Moreover, as noted above, extending the schedule will not pose any risk to the watershed because PLP does not plan to apply for any permits before 2013, and when it does, the project will undergo a thorough environmental review.

EPA-7609-0014741_00004

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Peer Review

We had a very healthy discussion about the approach EPA will use to have an independent contractor select members of the peer review panel. We support this approach and are pleased that all peer reviewers will have to be free from conflicts of

interest with PLP, our opposition and EPA itself. As we know, at least one of the contractors pick by EPA to assist with the Assessment was not free of such conflicts.

Tribal Consultation

Our discussion about Tribal consultation was quite useful. We understand that Region 10 solicited 31 tribal entities in the Bristol Bay region to determine which Tribes were interested in being consulted during the Assessment, and 14 of those entities responded positively. Rick Parkin has since provided us with the names of those Tribes.

We understand that EPA is still in the process of finalizing your consultation plan for the Tribes, and that EPA has been conducting some Tribal consultation since the study began. We will be interested in seeing the plan once it is complete.

Mitigation

Finally, one of the aspects of the Assessment which continues to concern us is the approach EPA will take to mitigation. As stated above, if attempting to predict what mine development plan fits anywhere in the two watersheds is at present an uninformative exercise, it, it is also too early to reliably predict what mitigation measures will be employed. This issue warrants further discussion.

* * *

In closing we sincerely appreciate the open communication we have enjoyed with you, Bob Sussman and the Regional Administrator's office. We also appreciate your

EPA-7609-0014741_00005

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commitment in visiting the site twice this year. We look forward to continuing our dialogue in the near future.

Sincerely yours,

John Shively
Chief Executive Officer

Robert Sussman
Rick Parkin
Allyn Stern
Cara Steiner-Riley