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February 28, 2017

The Honorable Eddie Bernice Johnson
Ranking Member
Committee on Science, Space and Technology
United States House of Representatives
394 Ford House Office Building
Washington, DC 20515

Dear Representative Johnson:

I write with regard to your February 24, 2017, letter to EPA Administrator Scott Pruitt regarding the Pebble mine. In it, you referred to a purported "scathing economic analysis of the proposed mine" published by the investment firm Kerrisdale Capital Management, LLC ("Kerrisdale"). Far from an objective economic analysis, the Kerrisdale letter was written by unnamed individuals who are "short shares of Northern Dynasty," and, thus, stand to realize significant monetary gains if their false and misleading report causes an artificial drop in the price of NDM's stock.[1] This report is nothing more than a means to facilitate Kerrisdale's most recent unlawful "short and distort" scheme.[2]

We want to assure you that the misleading "short and distort" report issued by Kerrisdale is unfounded, contains numerous errors, relies on unnamed sources, and reflects a clear lack of understanding of the Company's business.[3] To begin with, any assertion that the Pebble Project is worthless or not commercially viable should be viewed with deep scepticism. Kerrisdale is not a mining company, nor does it even claim to have any expertise in mining valuation. By contrast, Northern Dynasty's Pebble team has extensive experience in mining and a formidable track record of success in developing and operating mines internationally. But even more importantly, Northern Dynasty publicly files technical reports that are certified by named, independent, experienced and reputable Qualified Persons (as defined by securities laws) who certify the accuracy and completeness of these reports.

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[1] Short selling is the practice of selling borrowed shares and subsequently repurchasing them. In the event of an interim price decline, the short seller will profit, since the cost of repurchase will be less than the proceeds which were received upon the initial short sale.

[2] A short and distort scheme is an illegal practice employed by unethical investors who short-sell a stock and then spread unsubstantiated rumors and other kinds of unverified bad news in an attempt to drive down the equity's price and realize a profit.

[3] *See* Feb. 17, 2017 Northern Dynasty Press Release, "Northern Dynasty Refutes Short Seller Claims," available at http://www.northerndynastyminerals.com/ndm/NewsReleases.asp?ReportID=778879.



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Thus, in 2011, Northern Dynasty published a Preliminary Economic Assessment, or "PEA," developed by an internationally recognized engineering firm. This PEA showed conclusively that the Pebble Project possesses significant value. Indeed, it concluded that the Pebble Project has a potential net present value measured in the billions of dollars and a mine life of 40 to 80 years. Contrary to Kerrisdale's unsubstantiated claims, no mine planning scenario with a $13 billion capital cost was ever approved or adopted for the Pebble Project. In fact, an independent engineering firm evaluated the draft study cited by Kerrisdale and identified savings that reduced the preliminary capital estimate by $4 billion.

The development of mine plans is an iterative process, with developers preparing many different analyses to evaluate various alternative mine design components under varying assumptions. Indeed, Pebble has considered hundreds of preliminary mine design scenarios with different design components, operating parameters and scales. No one study represents the "most likely outcome" for the project, as no mine design plan has been finalized yet. Thus, Kerrisdale's claims of huge capital expenditures are plainly false and misleading. Market analysts agree. For example, TD securities recently commented on the Kerrisdale report, highlighting that the report's statements about capital expenditures are made with "no context around the project's size and scale . . . , which we view as misleading."[4]

Kerrisdale's report does nothing to detract from the fact that the Pebble deposit is the world's largest undeveloped copper and gold resource in terms of contained metal. We believe that developing the Pebble Project will create over 15,000 U.S. jobs and contribute over $60 billion to the U.S. gross domestic product. Thus, we are entirely committed to advancing the political and public consensus necessary to support a positive permitting outcome. The Company believes it will have the opportunity to appropriately respond to concerns raised by regulators and to demonstrate that its final design will satisfy all federal and state environmental regulations and permitting requirements. We thought it important that you understand the truth about Pebble, and appreciate your interest in this issue.

Sincerely,

Thomas C. Collier

Thomas C. Collier
CEO

cc: The Honorable Lamar Smith
The Honorable Scott Pruitt

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4 Craig Hutchison, P. Eng, TD Securities Inc. February 16, 2017.



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