

NORTHERN DYNASTY MINERALS LTD.

Final EIS Process Reaches Another Milestone

EVENT

This morning, Northern Dynasty announced that the US Army Corps of Engineers disseminated the preliminary Final Environmental Impact Statement (“EIS”) to cooperating agencies including federal, state and local authorities. The cooperating agencies will have 45 days to review the documents and provide feedback.

BOTTOM LINE

Positive – The Executive Summary for the preliminary Final EIS has been leaked to the media, as anticipated. According to Northern Dynasty, the Executive Summary (completed by the US Army Corps of Engineers), concludes that the Pebble Project can be executed without harming the Bristol Bay fishery and would provide lasting positive economic benefits to local communities. We expect the permitting process to continue on track with the current timeline. We maintain our Spec. BUY recommendation with a \$1.30/C\$1.60 target.

FOCUS POINTS

- **No Impact to Fish/Wildlife/Water** – The Executive Summary directly relieves the primary concerns related to impacts to surrounding ground/surface water and fish/wildlife populations.
- **Permitting Timeline** – The US Army Corps forecasts completion of the Final EIS and Record of Decision by mid-2020. The expected release date of the Final EIS is late June or early July 2020. The Record of Decision, which is typically released no sooner than 30 days after the final EIS, is expected in Q3/20.
- **Fully Funded through Final EIS** – Following the most recent equity raise (\$19.7 MM at \$0.37/share), we believe Northern Dynasty is fully funded through completion of the Final EIS.

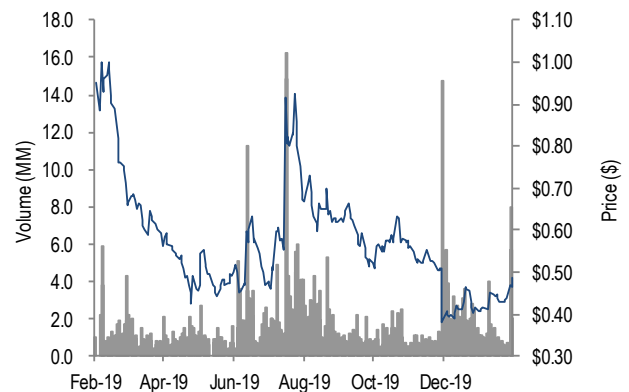
Recommendation:

Speculative BUY

Symbol/Exchange: NAK/NYSE, NDM/TSX
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: \$0.49; C\$0.65
One-year target: \$1.30, C\$1.60
Return to Target: 165.3%
Cash on hand: \$29.5 MM

Financial summary

Shares O/S (M)	434.3	52-week range	\$0.38 - \$1.07		
Market cap (\$M)	\$213	Avg. daily vol. (000)	1,935.7		
Market float (\$M)	\$192	Fiscal year-end	31-Dec		
Pebble	MMt	% Cu	g/T Au	BBib Cu	MMoz Au
P&P	-	-	-	-	-
M&I (incl. P&P)	6,456	0.40%	0.34	56.9	70.6
Inferred	4,454	0.25%	0.25	24.5	35.8
Total Resource	10,910	0.34%	0.30	81.5	106.4



Company profile: Northern Dynasty’s 100%-owned Pebble project in Alaska is the world’s largest undeveloped Cu-Au project. NAK/NDM is attempting to find a JV-partner and advance Pebble through permitting.

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See disclosure and a description of our recommendation structure at the end of this report.

DATA GAPS FILLED: NO IMPACT TO WILDLIFE/WATER

This morning, Northern Dynasty announced that the US Army Corps of Engineers has disseminated the preliminary Final Environmental Impact Statement (“EIS”) to cooperating agencies including federal, state and local authorities (all 11 agencies are listed below in Appendix 1). The cooperating agencies will have 45 days to review the documents and provide feedback. The Executive Summary for the preliminary Final EIS has been leaked to the media, as anticipated. We have received a copy of the 116-page Executive Summary and are in the process of reviewing it. At this time, we have identified no significant negative impacts from the various design alternatives proposed (relative to what was proposed in the Draft EIS). A summary of the proposed changes from the Draft EIS is outlined in Exhibit 1. Likewise, Northern Dynasty views the Executive Summary in the preliminary Final EIS as positive as it indicates that the US Army Corps of Engineers and cooperating agencies worked diligently to address all technical concerns raised during the recent public comment period (including an in-depth review of the proposed tailings storage facility design). According to the Executive Summary, “all data gaps” that were identified during the public comment period (after the Draft EIS) have been filled. The Executive Summary directly relieves the primary concerns related to impacts to surrounding ground/surface water and fish/wildlife populations. According to Northern Dynasty, the Executive Summary of the preliminary Final EIS states the following:

- There would be no effects on any community groundwater or surface water supplies from the changes in groundwater flows at the mine site.
- [T]he [Project] would not be expected to have a measurable effect on fish numbers and result in long-term changes to the health of the commercial fisheries in Bristol Bay.
- Overall, impacts to fish and wildlife would not be expected to impact harvest levels, because no population-level decrease in resources would be anticipated.

PERMITTING TIMELINE ON TRACK

Following the Company’s most recent equity raise (\$19.7 MM at \$0.37/share), we believe Northern Dynasty is now fully funded through completion of the Final EIS (provided the mid-2020 timeline is adhered to). The US Army Corps of Engineers, as outlined on the Pebble Project EIS website (link [here](#)), forecasts completion of the Final EIS and Record of Decision by mid-2020. The expected release date of the Final EIS is late June or early July 2020. The Record of Decision, which is typically released no sooner than 30 days after the Final EIS, is expected in Q3/20.

THE TIMING OF RE-PARTNERING

While the most recent secondary financing should be sufficient to carry Northern Dynasty through the Final EIS, the reality is that Pebble will likely need additional funding to achieve the ROD and will certainly need a large-tier partner to eventually help fund construction. The goal of the Company’s management is to re-partner in 2020 and, undoubtedly, a positive Final EIS (mid-2020) and ROD (Q3/20), along with EPA’s recent decision to withdraw the Proposed

Determination, will materially help the re-partnering process along. A re-partnering event if/when it occurs will be the single most important de-risking event for NAK and likely the largest positive catalyst for its share price.

Exhibit 1. Summary of Changes from the Draft EIS

SUMMARY OF CHANGES FROM THE DEIS

The Pebble Project Draft Environmental Impact Statement (DEIS) was posted for public comment from March 1 to July 1, 2019. The Final Environmental Impact Statement (FEIS) includes updates from the Applicant to optimize project design to avoid and minimize impacts, edits to address public comments, and additional data to fill gaps. Specifically, the FEIS includes an Applicant's Preferred Alternative and changes to environmental topic areas, as summarized below.

Applicant's Preferred Alternative

The Applicant's Preferred Alternative is a combination of portions of DEIS Alternative 1 and Alternative 2. It includes:

- The DEIS Alternative 1 natural gas pipeline between Anchor Point and Iliamna Lake, the Amakdedori port (with a caisson dock), the port access road, and the south ferry terminal
- An ice-breaking ferry route from the south ferry terminal to the DEIS Alternative 2 Eagle Bay ferry terminal and the mine access road
- The DEIS Alternative 1 Mine Site
- A natural gas pipeline crossing of Iliamna Lake from the south ferry terminal to Newhalen, where it would continue north to the mine access road and follow the road to the mine site.

The Applicant's Preferred Alternative avoids constructing the mine access road in Upper Talarik Creek (UTC), as proposed under Alternative 1. Concern was expressed during scoping and in comments on the DEIS about the fish, wildlife, and subsistence values in UTC, and commenters expressed support for combining Alternative 1 and Alternative 2 to avoid the area.

Additional avoidance and minimization proposed by the Applicant includes:

- The caisson dock design at Amakdedori, which would minimize in-water impacts when compared to the previously proposed solid fill dock.
- The natural gas pipeline alignment in Cook Inlet has been realigned for approximately 12 miles to avoid a shipwreck.
- The Applicant's Preferred Alternative includes a different crossing of the Newhalen River than originally considered under DEIS Alternative 2. The new preferred crossing avoids cultural resources discovered at the original crossing during field studies in 2019.
- Several optimizations of the project design have been proposed to avoid and minimize impacts to wetlands and waters of the US.

Source: U.S. Army Corps of Engineers, Northern Dynasty Minerals

Exhibit 2. NAVPS Breakdown

Asset		Value (\$MM)	\$ Per Share	% of NAV
Pebble - 50%	DCF-7.5%	\$1,425.3	\$1.15	68%
Other		\$0.0	\$0.00	0%
Total Mining Assets		\$1,425.3	\$1.15	68%
Total Mining Assets (C\$)		C\$1,781.7	C\$1.43	68%
Cash (current)		\$29.5	\$0.02	1%
Cash from ITM options/warrants		\$4.8	\$0.00	0%
Cash fully financed		\$1,591.7	\$1.28	30%
Debt fully financed		(\$955.0)	(\$0.77)	
Debt		\$0.0	\$0.00	0%
Net Asset Value, fully diluted		\$1,425.32	\$1.69	100%
Net Asset Value, fully diluted		C\$2,620.3	C\$2.11	100%
P/NAV			0.29x	

Source: Cantor Fitzgerald

MAINTAINING SPEC. BUY RATING AND TARGET

Based on a target multiple of 0.75x NAVPS (unchanged), we are maintaining our Speculative Buy rating and our target of \$1.30/C\$1.60/share. If/when a re-partnership does occur, we would expect the stock to trade closer to intrinsic value (1.0x NAVPS) of \$1.69/C\$2.11/share (Exhibit 2), and potentially significantly higher, depending on the partner, and the terms of the partnership. Over the longer-term, following the ROD at the Federal level, and should State permitting advance in an objective, apolitical, science-based manner, our target price has significant room to the upside.

APPENDIX 1. CO-OPERATING AGENCIES

Seven federal agencies, the State of Alaska, Lake and Peninsula Borough (LPB), and two tribal governments are serving as cooperating agencies with the USACE in developing the Final EIS. All co-operating agencies are listed below.

- Advisory Council on Historic Preservation
- US Department of Interior Bureau of Safety and Environmental Enforcement
- Curyung Tribal Council
- Lake and Peninsula Borough
- Nondalton Tribal Council
- US Department of Interior National Park Service
- US Department of Transportation Pipeline and Hazardous Materials Safety Administration
- State of Alaska
- US Coast Guard
- US Environmental Protection Agency
- US Department of Interior Fish and Wildlife Service

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The analysts responsible for this research report *do have*, either directly or indirectly, a long or short position in the shares or options of Northern Dynasty Minerals Ltd.

The analyst responsible for this report *has* visited the material operations (Pebble) of Northern Dynasty Minerals Ltd. No payment or reimbursement was received for the related travel costs.

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BUY: The stock is attractively priced relative to the company's fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

BUY (Speculative): The stock is attractively priced relative to the company's fundamentals, however investment in the security carries a higher degree of risk.

HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

SELL: The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

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UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.

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