

NORTHERN DYNASTY MINERALS LTD.

Positive Draft EIS Filed by the U.S. Army Corps of Engineers

EVENT

Yesterday afternoon, the U.S. Army Corps of Engineers (“USACOE”) filed the draft EIS for Northern Dynasty’s Pebble project in Alaska.

BOTTOM LINE

Positive – Northern Dynasty continues to de-risk via advancing Pebble through the Federal permitting process under well-established North America Policy Act (“NEPA”) guidelines with the USACOE acting as lead agency. We are maintaining our Speculative Buy rating and increasing our target price to \$1.40/C\$1.75/share from \$1.10/C\$1.35/share previously.

FOCUS POINTS

- **Draft EIS Looks Very Solid** – The Draft EIS in its entirety can be accessed via www.pebbleprojecteis.com. We reviewed the 80-page Executive Summary, and in our view, believe it concludes that the Pebble project as designed by Northern Dynasty, can and should receive all necessary Federal permits required to build and ultimately operate the mine.
- **Major De-risking Event** – With the filing of the positive Draft EIS, *the Pebble project has never been more de-risked or advanced than it is today*. The positive Draft EIS may also support the removal of the pre-emptive 404(c) veto with the U.S. Environmental Protection Agency (“EPA”) which would be another highly positive milestone event.
- **Next Steps** – The USACOE will now hold a series of public hearings and address all comments received during the official public comment period (March 1-May 31, 2019). Comments will be compiled and addressed in the Final EIS, scheduled for completion in H1/2020.

Recommendation:

Speculative BUY

Symbol/Exchange: NAK/NYSE, NDM/TSX
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: \$1.00; C\$1.30
One-year target: \$1.40, C\$1.75↑
Return to Target: 40.0%
Cash on hand: C\$21.4 MM

Financial summary

Shares O/S (M)	313.4	52-week range	\$0.43 - \$1.13		
Market cap (\$M)	\$320	Avg. weekly vol. (MM)	45.50		
Market float (\$M)	\$295	Fiscal year-end	31-Dec		
Pebble	MMt	% Cu	g/T Au	BBlb 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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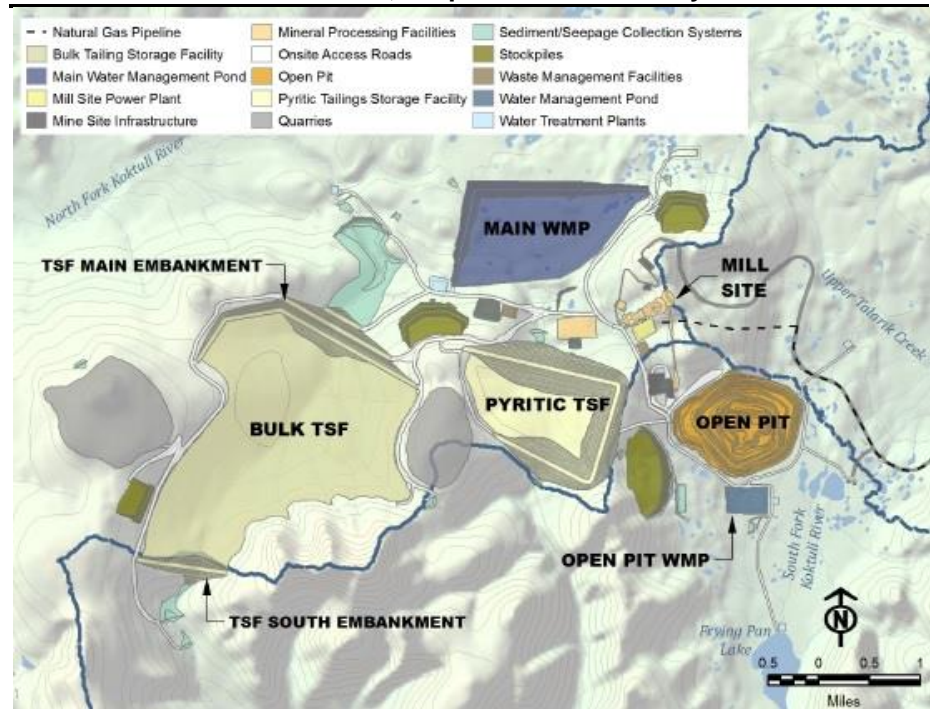
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See disclosure and a description of our recommendation structure at the end of this report.

DRAFT EIS LOOKS VERY SOLID

The Draft EIS in its entirety can be accessed via www.pebbleprojecteis.com. For the purpose of this report, we reviewed the 80-page Executive Summary. In our initial read-through, we were unable to find anything in the Draft EIS that would impede Federal permitting of the project, or any design alternatives proposed by the USACOE that would render the project sub-economic. Effectively, we believe the Draft EIS concludes that the Pebble project as designed by Northern Dynasty can and should receive all necessary Federal permits required to build and ultimately operate what will be an incredibly economic, and important mine for the State of Alaska.

Exhibit 1. Action Alternative 1, Proposed Mine Site Layout



Source: U.S. Army Corps. of Engineers (<https://pebbleprojecteis.com>)

MAJOR DE-RISKING EVENT

With the filing of the positive Draft EIS, *the Pebble project has never been more de-risked or advanced than it is today*. The positive Draft EIS may also support the removal of the pre-emptive 404(c) veto with the U.S. Environmental Protection Agency (“EPA”), although we have no insight on timing or likelihood of this positive milestone event, should it occur. That said, we note that seven other agencies were involved in the positive Draft EIS process (with USACOE acting as lead), *one of which was the EPA itself*, and as such, presumably the removal of the pre-emptive 404(c) veto is now justified. Most importantly, the filing of the Draft EIS, and the fact that it did not identify any new environmental concerns, or raise any new issues that cannot be mitigated, should provide added confidence to potential large-cap JV-partners for Northern Dynasty and Pebble.

NEXT STEPS

The USACOE will now hold a series of public hearings and address all comments received during the official public comment period (March 1-May 31, 2019).

Comments will be compiled and addressed in the Final EIS, scheduled for completion in H1/2020. A final Record of Decision (“ROD”) will then be filed, complete with a 404a permit (Wetlands permit under the Clean Water Act), anticipated in mid-2020.

THE TIMING OF RE-PARTNERING

The reality is that Pebble still needs a partner (or additional funding) to complete the Federal NEPA process, and will certainly need a partner to help fund construction. The goal of Northern Dynasty’s management is to re-partner in H1/19, and presumably, the positive Draft EIS filed by the USACOE yesterday, 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 Northern Dynasty and likely the largest positive catalyst for its share price.

Exhibit 2. NAVPS Breakdown

Asset		Value (\$MM)	\$ Per Share	% of NAV
Pebble - 50%	DCF-7.5%	\$1,425.3	\$1.23	68%
Other		\$0.0	\$0.00	0%
Total Mining Assets		\$1,425.3	\$1.23	68%
Total Mining Assets (C\$)		C\$1,781.7	C\$1.53	68%
Cash (exit 2018E)		\$15.4	\$0.01	1%
Cash from ITM options/warrants		\$25.8	\$0.02	1%
Cash fully financed		\$1,591.7	\$1.37	30%
Debt fully financed		(\$955.0)	(\$0.82)	0%
Debt (exit 2018E)		\$0.0	\$0.00	0%
Net Asset Value, fully diluted		\$1,425.3	\$1.81	100%
Net Asset Value, fully diluted		C\$2,629.1	C\$2.26	100%
P/NAV			0.56x	

Source: Cantor Fitzgerald

MAINTAINING SPEC. BUY, INCREASING TARGET

We are confident that Northern Dynasty will successfully navigate the Federal permitting process under NEPA with the USACOE, and receive a positive ROD on Pebble in mid-2020. While the company still has a long way to go as it pertains to public perception in Alaska on the Pebble project, the positive Draft EIS completed by the USACOE acting as the lead agency, is another large step in the right direction. Post completion of the Federal permitting process, Northern Dynasty will enter into permitting at the State level, and the more public support PLP has in Alaska and with the Regional Native Corporations, the better the company’s prospects will be. Based on a target multiple of 0.75x NAVPS (up from 0.6x NAVPS previously), we are maintaining our Speculative Buy rating and increasing our target to \$1.40/C\$1.75/share from \$1.10/C\$1.35/share previously. This target price level is our best estimate as to where the stock is likely to trade post the removal of the pre-emptive 404(c) veto with the EPA, which in our view, is likely the next catalyst (although a re-partnership event could potentially occur prior to this). If/when a re-partnership does occur, we would expect the stock to trade closer to intrinsic value (1.0x NAVPS) of \$1.81/C\$2.26/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.

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Cantor has provided investment banking services or received investment banking related compensation from Northern Dynasty Minerals Ltd. within the past 12 months.

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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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.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

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

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