

NORTHERN DYNASTY MINERALS LTD.

Permitting Continues to Advance at Pebble

EVENT

The U.S. Army Corps. of Engineers (“the Corps”) has selected AECOM, a U.S. based multi-national engineering firm, as the independent third party that will complete the Environmental Impact Statement (“EIS”) at Pebble.

BOTTOM LINE

Positive – Notwithstanding the unexpected EPA announcement last week, the reality is that permitting at Pebble under the well-established National Environmental Policy Act (“NEPA”) guidelines continues to advance. We maintain our Buy rating and \$2.50/C\$3.00/share price target.

FOCUS POINTS

- **Strong Experience in Alaska** – AECOM has a long and successful track record of providing NEPA compliance and environmental services for large mining projects in Alaska including Donlin Creek, Green’s Creek, and Red Dog.
- **The Next Steps** – Over the next several months the Corps will initiate the scoping process, which includes a public comment process whereby the project stakeholders will voice their questions/concerns. This input will then be incorporated into a draft EIS that will likely be completed in late 2019.
- **The Next De-Risking Event** – In our view, the execution of First Quantum’s option agreement is likely to occur in early Q2/18. This will be a significant de-risking event as it will provide the \$150 MM Northern Dynasty requires to complete the EIS-based permitting process over the upcoming several years.

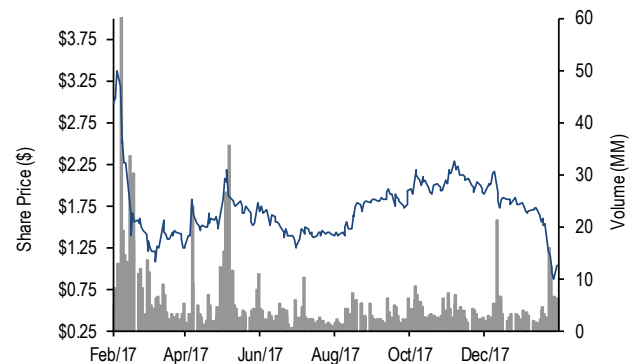
Recommendation:

BUY

Symbol/Exchange: NAK/NYSE, NDM/TSX
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: \$1.03; C\$1.28
One-year target: \$2.50, C\$3.00
Return to Target: 142.7%
Cash on hand: C\$84.5 MM

Financial summary

| | | | | | |
|-----------------------|---------------|-----------------------|-----------------|----------------|----------------|
| Shares O/S (M) | 308.2 | 52-week range | \$0.82 - \$3.41 | | |
| Market cap (\$M) | \$317 | Avg. weekly vol. (MM) | 45.50 | | |
| Market float (\$M) | \$293 | Fiscal year-end | 31-Dec | | |
| Pebble | MMt | % Cu | g/T Au | BBlb Cu | MMoz Au |
| P&P | - | - | - | - | - |
| M&I (incl. P&P) | 6,439 | 0.40% | 0.34 | 56.76 | 70.38 |
| Inferred | 4,460 | 0.25% | 0.26 | 24.55 | 37.25 |
| Total Resource | 10,899 | 0.34% | 0.31 | 81.31 | 107.63 |



Company profile: Northern Dynasty’s 100%-owned Pebble project in Alaska is the world’s largest undeveloped Cu-Au project. First Quantum is earning into an option to acquire 50% of the project.

Mike Kozak
mike.kozak@cantor.com
(416) 350-8152

Associate: Michael Wichterle, MBA, CAIA
mwichterle@cantor.com
(416) 849-5005

Sales/Trading — Toronto: (416) 363-5757, (866) 442-4485

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

AECOM SELECTED AS THIRD PARTY CONTRACTOR

Notwithstanding the unexpected EPA announcement last week, the reality is that permitting at Pebble under the well-established National Environmental Policy Act guidelines continues to advance. Yesterday evening the U.S. Army Corps of Engineers selected AECOM, a U.S. based multi-national engineering firm, as the independent third party contractor that will complete the Environmental Impact Statement at Pebble. The Corps, along with AECOM, will take an un-biased, objective approach when evaluating Pebble and advancing it through the EIS-permitting process. We are encouraged by both the selection of AECOM as the independent third party contractor, and the expediency in which the U.S. Army Corps of Engineers made the selection.

STRONG EXPERIENCE IN ALASKA

AECOM has a long and successful track record of providing NEPA compliance and environmental services for large mining projects in Alaska including the operating Green's Creek mine (Hecla Mining: HL-NYSE, Buy - \$5.00 target) and Red Dog mine (Teck Resources: TCK-NYSE, Not Covered). More importantly, AECOM is also the independent third party provider to the Corps on Donlin Creek (NOVAGOLD: NG-NYSE, Not Covered; Barrick Gold: ABX-NYSE, Not Covered), and as such, could presumably streamline certain aspects of the EIS timeline at Pebble via lessons learned permitting at Donlin.

THE NEXT STEPS

Over the next several months, the Corps will initiate the scoping process, which includes a public comment period wherein the project stakeholders will voice the questions/concerns they would like addressed over the course of permitting at Pebble. This input will then be incorporated into a draft EIS that will likely be completed in late 2019. Following completion of the draft EIS, another formal public consultation period will be facilitated by the Corps.

THE NEXT MAJOR DE-RISKING EVENT

As we noted in our report dated January 29, 2018, the announcement from the EPA last week was entirely unexpected and was certainly a negative event in the short term. That said, it has no fundamental impact on Northern Dynasty's ability to permit Pebble under the EIS-process, as evidenced and re-enforced by the Corps selection of AECOM as the independent third party contractor. We are of the view that First Quantum (FM-TSX, Not Covered) is more focused on the ability for Pebble to complete permitting under the EIS process with the Corps than it is with the comments from the EPA. On this basis, we expect First Quantum to follow-through and execute the option agreement, likely in early Q2/18. This will be the next major de-risking event for Northern Dynasty as it will secure the full \$150 MM in financing required to complete the EIS-process over the upcoming several years. Northern Dynasty has already received the first non-refundable \$37.5 MM payment from First Quantum.

THE DEEP VALUE PROPOSITION

As we noted in our report dated February 2, 2018, for long-term deep value or distressed asset investors, Northern Dynasty is likely nearing an attractive entry point. Should First Quantum execute the agreement, it would be entering into an option to, at some point in the future, acquire 50% of Pebble for total

consideration of \$1.5 BB. We note that Northern Dynasty's current enterprise value approximates \$250 MM. From a purely valuation only perspective, the more astute transaction would be for First Quantum (or a competitor) to outright acquire 100% of NAK/NDM via hostile takeover. Hypothetically, and on a purely valuation basis, even if a +200% premium was paid for Northern Dynasty, the transaction would still be materially more cost effective than the \$1.5 BB earn-in for 50%. While we believe that a hostile bid in the near-term is highly unlikely given renewed uncertainty with the EPA, Northern Dynasty's current valuation may begin to appeal to deep value, distressed asset investors.

MAINTAINING BUY RATING AND TARGET

We continue to believe that First Quantum will execute the option agreement in early Q2/18, and are encouraged by both the selection of AECOM as the independent third party contractor, and the expediency in which the U.S. Army Corps of Engineers made the selection. We maintain our Buy rating and \$2.50/C\$3.00/share price target based on 0.75x NAVPS_{7.5%}.

Disclaimers

The opinions, estimates and projections contained in this report are those of Cantor Fitzgerald Canada Corporation. ("CFCC") as of the date hereof and are subject to change without notice. Cantor makes every effort to ensure that the contents have been compiled or derived from sources believed to be reliable and that contain information and opinions that are accurate and complete; however, Cantor makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any loss arising from any use of or reliance on this report or its contents. Information may be available to Cantor that is not herein.

This report is provided, for informational purposes only, to institutional investor clients of Cantor Fitzgerald Canada Corporation, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This report is issued and approved for distribution in Canada, CFCC, a member of the Investment Industry Regulatory Organization of Canada ("IIROC"), the Toronto Stock Exchange, the TSX Venture Exchange and the CIPF. This report is has not been reviewed or approved by Cantor Fitzgerald & Co., a member of FINRA. This report is intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major Institutional Investors receiving this report should effect transactions in securities discussed in the report through Cantor Fitzgerald & Co.

Non US Broker Dealer 15a-6 disclosure: This report is being distributed by (CF Canada/CF Europe/CF Hong Kong) in the United States and is intended for distribution in the United States solely to "major U.S. institutional investors" (as such term is defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934 and applicable interpretations relating thereto) and is not intended for the use of any person or entity that is not a major institutional investor. This material is intended solely for institutional investors and investors who Cantor reasonably believes are institutional investors. It is prohibited for distribution to non-institutional clients including retail clients, private clients and individual investors. Major Institutional Investors receiving this report should effect transactions in securities discussed in this report through Cantor Fitzgerald & Co. This report has been prepared in whole or in part by research analysts employed by non-US affiliates of Cantor Fitzgerald & Co that are not registered as broker-dealers in the United States. These non-US research analysts are not registered as associated persons of Cantor Fitzgerald & Co. and are not licensed or qualified as research analysts with FINRA or any other US regulatory authority and, accordingly, may not be subject (among other things) to FINRA's restrictions regarding communications by a research analyst with a subject company, public appearances by research analysts, and trading securities held by a research analyst account.

Potential conflicts of interest

The author of this report is compensated based in part on the overall revenues of Cantor, a portion of which are generated by investment banking activities. Cantor may have had, or seek to have, an investment banking relationship with companies mentioned in this report. Cantor and/or its officers, directors and employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. Although Cantor makes every effort possible to avoid conflicts of interest, readers should assume that a conflict might exist, and therefore not rely solely on this report when evaluating whether or not to buy or sell the securities of subject companies.

Disclosures as of February 6, 2018

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.

Analyst certification

The research analyst whose name appears on this report hereby certifies that the opinions and recommendations expressed herein accurately reflect his personal views about the securities, issuers or industries discussed herein.

Definitions of recommendations

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.

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.

Member-Canadian Investor Protection Fund.

Customers' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request.