



December 7, 2018

Tom Collier, CEO
Pebble Limited Partnership
3201 C Street, Suite 505
Anchorage, AK 99503

Dear Tom,

Thank you for your letter of November 28 regarding the Pebble permitting process. Below I address some of the issues raised in your letter, your presentation to the Downtown Rotary Club on November 27, and the brochure PLP recently mailed to many Alaskans.

BBNC supports responsible resource development in Alaska. We have significant investments in Alaska's oil and gas industry through subsidiaries that provide oil and gas support services across the North Slope, own petroleum distribution operations in Bristol Bay and the Pacific Northwest, and previously authorized mineral exploration companies to study our lands so that we would better understand the mineral resources we own. Nevertheless, Pebble is an investment we would not make or support because it threatens the culture, way of life, and sustainable salmon economy of Bristol Bay, as well as the Fish First priority that defines BBNC's corporate identity and mission.

I. Permitting Timeline

BBNC and other Bristol Bay advocates have a very different view of the process the Corps of Engineers is implementing to review and evaluate PLP's mine proposal. We communicated our concerns to the Corps of Engineers in an October 4, 2018 letter to Principal Deputy Assistant Secretary of the Army Ryan Fisher. A copy of that letter accompanies this one.

We believe that the Corps' permitting timeline is wholly unrealistic. PLP has yet to apply for any of the various state permits that would help inform both federal and state permitting decisions. By way of example, information related to the construction and operation of a tailings dam that normally would be provided to the Alaska Department of Natural Resources (DNR) as part of a dam safety permit application is also critical to understanding the potential impact of the placement of dredge and fill materials into waters of the U.S., the focal issue of the Corps' current review. DNR also has a large mine project permitting team in place to facilitate a holistic and efficient consideration of such proposed mines that PLP has yet to trigger with a state permit application. As it currently stands, it is impossible for the Corps to take into account information

from state permitting processes and meet its proposed schedule. For this and other reasons detailed in the attached letter, we object to that schedule.

PLP's NEPA contractor AECOM is pushing the Corps of Engineers to finish its review of PLP's proposal by April 2020, a permitting timeline of slightly longer than two years. That is an incredibly fast permitting timeline, a fact you conceded during your Rotary presentation. You stated that the typical permitting timeline for comparable Alaska projects is three to five years. So why the relative rush for Pebble? Why the need to get through the permitting process in only two years? Shouldn't the Corps take its time in evaluating the potential impacts Pebble would have on the Bristol Bay region, its communities and fisheries? While you may believe that Pebble is a "typical" development project, a majority of Alaskans see it differently. Most Alaskans appropriately view Pebble as exceptionally risky and controversial.

Your current position regarding the Corps' review of PLP's mine proposal conflicts with your June 2016 testimony to the U.S. House of Representatives Committee on Natural Resources about NEPA. In your testimony, you called the Corps' NEPA review, "the gold standard for environmental protection," "a robust and intensive process that takes many years to complete," and "an open and transparent process in which all stakeholders can weigh in equally." These descriptions do not apply to what AECOM and the Corps are doing with Pebble.

Identifying just a few of the shortcomings engendered by the current permitting timeline, the Corps is not allowing tribes that are cooperating agencies sufficient time to review and comment on the information that is being incorporated into the Draft Environmental Impact Statement (DEIS); the Corps is moving ahead with preparing the DEIS despite the fact that AECOM has yet to answer or conduct the studies that would answer many of the Requests For Information (RFIs); and the Corps appears to be contemplating a short public comment period for the DEIS which is hardly sufficient considering the myriad of issues identified in the many hundreds of thousands of comments submitted during the scoping period.

Ron Thiessen, President and CEO of your parent company Northern Dynasty Minerals (NDM), provided a more honest assessment of the current permitting timeline this past summer when, in talking to investors, he described the current timeline with a Record of Decision (ROD) to issue by early 2020 as comfortably cushioned within President Trump's current term in office. It therefore appears that the real reason PLP and its contractor AECOM are pushing for a two-year permitting timeline is that it aligns with what you believe is a more favorable political environment for the permitting effort. Getting a permit before political winds shift is taking precedence over an intensive and transparent dialogue about the merits and demerits of PLP's proposal.

There is an additional important aspect to the permitting timeline that you should disclose in any permitting statements. Your employment contract guarantees you an "extraordinary bonus" of \$12.5 million if PLP obtains a "positive ROD" from the Corps of Engineers within four years of the date of PLP's application. This is a significant fact regarding your personal stake in a speedy

permitting timeline that you should more openly disclose to Alaskans. I directly asked you about this during the Q & A following your Rotary presentation and you failed to address it.

II. Unsubstantiated Statements and Omissions

There are a few other representations about Pebble either made in your Rotary presentation or in PLP's recent mailer that I want to address.

A. Smaller Mine Plan

The basic premise of the current publicity campaign – PLP is pursuing a smaller mine plan – is disingenuous. I understand why PLP would make this claim: to allay concerns. However, what PLP is telling Alaskans and the Corps of Engineers about the size of its proposed project is much different than what Mr. Thiessen is telling potential investors. To those audiences, Mr. Thiessen describes, “the largest greenfield mineral resource in the world,” that would provide investors with a “generational opportunity” that could operate for 70-80 years and mine more than 11 billion tons of ore. Clearly investors are being led to believe the entire Pebble deposit would or could be mined.

The geology of the deposit also dictates that the ultimate owner or operator would want to continue mining well beyond the first 20 years. The highest concentrations of gold, copper and molybdenum are in the areas of the deposit that would not be mined during that initial phase. Any owner will want to continue to mine well beyond the time period your presentation and PLP's mailer represents.

The reality is that whoever constructs and operates Pebble (be it PLP, NDM or another mining company), that owner will seek to continue operating the mine for many more decades after the initial phase of development is complete. PLP's 2011 Preliminary Economic Assessment (PEA) for Pebble pegged the capital investment required to construct the mine at \$6 billion (while PLP has distanced itself from that PEA, it is one Thiessen continues to use as a benchmark). With that much money invested and a great deal of resource buried ever deeper in the ground, there will always be an impetus to keep mining. In other words, there will always be a push to make your small footprint bigger and bigger.

B. Water

Your presentation to Rotary and PLP's mailer contain several representations about water, fish and Bristol Bay that are false.

First, you assert that there are 50,000+ tributaries in the drainage and the mine footprint would only affect three of them. The implication is that Pebble will have only a negligible impact on the region's waters. The problem with this claim is that it assumes the surface and ground waters of the affected watersheds are independent and unconnected. The assumption is false. The waters are connected. This is a fact PLP's own science documents. The Ground Water Hydrology chapter of PLP's Environmental Baseline Document (EBD) opines multiple times that there are

groundwater pathways between the drainage's rivers and streams. Any impacts that affect one stream or water can thus impact many other rivers and streams.

A second example is the assertion that water from the mine footprint will equal 0.01% of the water that enters Bristol Bay. A primary concern about water from the mine is not the impact it will have downstream on the Bay, but on the impact it will have on the freshwater rivers and streams where salmon are born, develop and, later, return to spawn. Discharges from Pebble have the potential to disrupt all of those critical salmon life stages. Your assertion and brochure graphic inappropriately focus attention on the interactions far downstream.

C. State Revenues

A further detail from the Rotary presentation and PLP's mailer that cannot be verified and, I believe, is entirely suspect is the assertion that Pebble will provide the State of Alaska with \$60-\$80 million in annual royalty, mining license tax and corporate income tax revenues. For months, critics of the Pebble project (including the Walker administration) have asked PLP to produce a feasibility study that demonstrates the economic viability of the mine proposal. You have refused. Your response is that PLP would not do an economic analysis until after the Corps determines which project alternative it would evaluate as the preferred alternative. Taking your representations about the lack of an economic feasibility study at face value, PLP cannot have reliable estimates for what its construction and operational costs might be and both of those costs are inputs necessary to determine the mine's eventual net income, the starting point for these royalty and tax calculations. The upshot is that any representations about potential state revenues without a firm mining plan and without an economic feasibility study are guesses. It is misleading for your presentation and PLP's mailer not to include a disclosure that the revenue figures are based on a host of assumptions. More fundamentally, without an economic feasibility study there can be no assurances that PLP's proposed mine is economically feasible at all. If Pebble as proposed is not economically feasible, then promises about state revenues are entirely apocryphal.

The statements about potential State revenues also fail to include anything about the timing of potential payments. Alaska's royalty, license tax and corporate income tax regimes are structured to delay the required payments until after production is underway. The mining license tax in particular contains a further delay that forestalls any payments for several years past the start of production. This means, PLP will not be required to make any significant royalty or tax payments to the State of Alaska for many years. At best, and for the sake of discussion, any State revenues from a fully permitted Pebble mine will not occur for a decade or longer. Meanwhile, the value and benefits of Bristol Bay's wild salmon would be vulnerable from day one.

D. Unenforceable Promises

PLP is keen to promise Alaskans many things – it won't use cyanide, it will hire Alaskans, it will share revenues, etc. The problem is that these are largely unenforceable commitments. You

and Mr. Thiessen have discussed on more than one occasion that, should the Corps releases a DEIS, a major mining company could make an offer to buy out NDM. Should that come to pass, the new owner may have an entirely different vision for the project, one that ignores your prior promises. Alaskans deserve to know this and you should be explicit about it in your presentations and materials.

Pebble is a controversial project and many Alaskans have very strong feelings about it. It is incredibly disappointing that PLP is seeking to change public perceptions about its project through unsubstantiated or exaggerated statements or by ignoring other salient facts. Alaskans deserve better. Be assured that anytime PLP or its representatives make misleading statements, Bristol Bay's stakeholders will call them out.

III. BBNC's Subsurface

It appears that PLP is still considering several transportation corridors for Pebble. There are potential corridors along the north side, south side and around the west end of Lake Iliamna. What all these routes have in common is that they traverse Alaska Native corporation split-estate lands where BBNC is the subsurface landowner. PLP does not have BBNC's permission to trespass our subsurface or to utilize any of our subsurface resources.

Thank you again for the correspondence of November 28. I am always available to talk should doing so help you further understand BBNC's opposition to Pebble.

Sincerely,



Daniel L. Cheyette

Vice President, Lands and Natural Resources

Cc: Governor Mike Dunleavy
U.S. Senator Lisa Murkowski
U.S. Senator Dan Sullivan
U.S. Representative Don Young
State of Alaska Senator Lyman Hoffman
State of Alaska Representative Bryce Edgmon
Principal Deputy Assistant Secretary of the Army Ryan Fisher
Colonel Philip Borders, Army Corps of Engineers
Andrew Wheeler, Acting Administrator EPA
Lee Forsgren, Deputy Assistant Administrator EPA
Chris Hladick, Region X Administrator EPA
Corri Feige, Commissioner Alaska DNR
Douglas Vincent-Lang, Acting Commissioner ADFG
Jason Brune, Commissioner Alaska DEC
Bruce Tangeman, Commissioner Alaska DOR

Trefon Angasan, Alaska Peninsula Corporation
Ventura Samaniego, Kijik Corporation
Rayn Aaberg, Pedro Bay Corporation
Sue Anelon, Iliamna Natives Limited
Julia Salmon, Igiugig Native Corporation