

INVESTMENTS

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Northern Dynasty Minerals Ltd. (NAK)

Cu at Zero



Disclosure

We are short shares of Northern Dynasty Minerals Ltd. Please click [here](#) to read full disclosures.

[Read Full Report](#)

Kerrisdale Capital will host a conference call today at 10:30am ET to discuss the Northern Dynasty report. To participate in the conference call, dial 888-567-1602 (US and Canada) or 862-255-5346 (international) and reference the Kerrisdale Capital call.

We are short shares of Northern Dynasty Minerals, a Canadian company that owns an undeveloped copper and gold resource in Alaska called the Pebble deposit. Discovered decades ago but never mined, the Pebble deposit has inspired intense controversy, as a broad and bipartisan coalition including environmentalists, Alaska Natives, and commercial fishermen fought its planned development, leading the Environmental Protection Agency in 2014 to stop the project in its tracks. The election of Donald Trump, however, has fueled hopes that a more mining-friendly EPA will allow the project to move forward. Since Election Day, Northern Dynasty's stock price has increased 326% amid a host of promotional campaigns. As one observer [put it](#) on January 20th, "This is getting a little ridiculous. I don't think I've ever seen a single mining stock as aggressively endorsed by investment newsletters as Northern Dynasty has been over the past few months."

All this enthusiasm is misplaced. We believe Northern Dynasty is **worthless**. Though the legal and regulatory problems that will continue to plague the Pebble project even under a Trump presidency are

enormous, the project's Achilles' heel is more fundamental: economics. Large players in the mining industry, including Teck, Mitsubishi, Rio Tinto, and Anglo American, invested in Pebble years ago; one by one, they all abandoned it. Northern Dynasty itself was [reportedly](#) "on an aggressive sales push" to rid itself of the asset back in 2011. Why?

Based on our discussions with multiple people directly involved in planning the Pebble project, we believe the answer is simple: the upfront capital costs necessary to build and operate the mine are so onerous that the mine isn't commercially viable. Indeed, Anglo American – Northern Dynasty's former partner on the Pebble project, before it exited in 2013 – concluded that, under a range of scenarios and despite years of attempted optimization, building the mine would **destroy** billions of dollars of value. (Moreover, Anglo drew this conclusion based on assumed selling prices for key metals that are significantly *higher* than such prices today.) According to our sources, Northern Dynasty knew about the negative results of Anglo's analysis but cut it short to avoid having to disclose it to the public – pursuing what one engineer described to us as "a hidden agenda of telling a good story." In the past decade, Northern Dynasty has hired at least two major engineering firms to prepare preliminary feasibility studies of Pebble laying out its economics in detail, yet it has failed to publish their findings – because they were damning.

Even if the Pebble project were commercially viable, it would still face daunting odds. A majority of Alaskans – Republicans, Democrats, and independents – oppose the project and recently voted 2-to-1 to give the state legislature an effective veto over its construction *even if* it ultimately receives federal and state permits. Moreover, the EPA has the power to shut down the mine at any time, even after permitting – a likely outcome under any future Democratic administration. With no economic value and huge political risks, Northern Dynasty is a zero.

Read the full report [here](#).

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