

THOMAS P. DiNAPOLI
STATE COMPTROLLER



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February 6, 2018

Philip K.R. Pascall, Chairman and CEO
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Clive Newall, President
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Dear Mr. Pascall and Mr. Newall:

I am writing as Trustee of the New York State Common Retirement Fund (Fund), the third-largest public pension fund in the United States, which holds and invests the assets of the New York State and Local Retirement System on behalf of its more than one million members, retirees and beneficiaries. The Fund's portfolio, valued at approximately \$209.1 billion, includes 161,407 shares of First Quantum Minerals Ltd.

Specifically, I am writing to express my concern about First Quantum Minerals' framework agreement with Northern Dynasty Minerals Ltd. ("Northern Dynasty") and the advancement of the Pebble Mine project ("Pebble Project") — a proposed gold and copper mine to be sited in the headwaters of Alaska's Bristol Bay in a seismically active region. The Pebble Project raises a host of financial, regulatory, operational, legal, and reputational risks for First Quantum Minerals, and implicates far-reaching and long-term economic and sustainability risks which may infringe on the rights of indigenous peoples.

The Pebble Project has been subject to significant media coverage, including reports of strong opposition from local tribal, economic, and political leaders due to significant economic and sustainability risks. Also, the region's commercial and sport fishing industries, environmental advocates, and conservation groups have all raised concerns regarding the negative effects the project could have on the Bristol Bay fisheries and the consequent effects on wildlife and the culture of indigenous peoples in the region. Given the high stakes of this project, opposition from the Bristol Bay Native Corporation, United Tribes of Bristol Bay, Katmai tourism providers, tribal governments, local corporations, and fishermen has been strong, steady, and public. They have long used political, legal, and regulatory mechanisms to fight the project. First Quantum Minerals could face substantial public criticism and customer and investor backlash due to its investment in the Pebble Project.

Not only has the Pebble Project been opposed by local leaders and key stakeholders, but government regulators have also raised concerns regarding its viability. In its 2014 "Bristol Bay Watershed Assessment," the U.S. Environmental Protection Agency (EPA) concluded that the Pebble Project would have "significant" impacts on fish populations and streams surrounding the mine site.¹ It also concluded that a tailings dam failure would have "catastrophic" effects on the region.² Just last month, EPA decided not to rescind Obama-era proposals to restrict mining in the Bristol Bay watershed, indicating potential issues with future EPA approvals for the Pebble Project. EPA Administrator Scott Pruitt said that Bristol Bay's environment "deserves the utmost protection" and that the proposed project may pose an "unacceptable" risk to the watershed.³ The EPA's concerns and subsequent court rulings — construing broadly that agency's authority to withdraw or restrict permits already granted — have jeopardized the project's permitting and led to greater risk and uncertainty.⁴

Further, since at least as early as 2004 Northern Dynasty has warned investors of the significant financial risks associated with the Pebble Project. In financial documents discussing the risks of the project, Northern Dynasty has stated, "[e]nvironmental concerns in general continue to be a significant challenge for Northern Dynasty... Unexpected environmental damage from spills, accidents and severe acts of nature such as earthquakes are risks which may not be fully insurable and if catastrophic could mean the total loss of shareholders' equity,"⁵ and "[i]t is possible that the costs and delays associated with compliance with such standards and regulations could become such that we would not proceed with the development or operation."⁶

¹ EPA, An Assessment of Potential Mining Impacts on Salmon Ecosystems of Bristol Bay, Alaska, 910-R- 14-001A (Jan. 2014), available at https://www.epa.gov/sites/production/files/2015-05/documents/bristol_bay_assessment_final_2014_vol1.pdf.

² Id.

³ <https://www.epa.gov/newsreleases/epa-administrator-scott-pruitt-suspends-withdrawal-proposed-determination-bristol-bay>

⁴ Mingo Logan Coal Co. v. EPA, 714 F.3d 608, 613-14 (D.C. Cir. 2013)

⁵ Northern Dynasty Minerals Ltd., Form 20-F, Securities and Exchange Commission, CIK Number 0001164771, for the fiscal year ended December 31, 2004, at 11.

⁶ Northern Dynasty Minerals Ltd., Management's Discussion and Analysis, Six Months Ended June 30, 2010, at 30

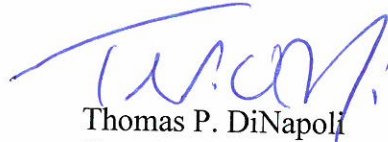
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As I understand the Pebble Project, I believe First Quantum Mineral's participation would pose significant financial risk to the company. In addition, based on the Fund's experience as a long-term investor, I believe that sustainable business practices — including responsible environmental, labor, and human rights practices — and the ability to mitigate reputational risk are hallmarks of a company with a sound, sustainable, and profitable long term strategy. In my view, participation in the Pebble Project would be the antithesis of sustainable business practices and could create undue risk to the long-term value of the Fund's investments in First Quantum Minerals and to the sustainability of the Bristol Bay region.

Due to the concerns raised above, I request that First Quantum Minerals inform its shareholders of the steps taken to comprehensively assess the financial, regulatory, operational, legal, and reputational risks of its Pebble Project investment, including the results of such assessment. As part of this assessment, shareholders should understand the extent to which First Quantum could be liable for environmental damages in the region as well as tortious damages to the regional economy in the event that some of the predicted effects of the Project come to pass. Further, I expect a corporate commitment that First Quantum Minerals will not proceed with its involvement in the Pebble Project in the absence of full consideration of regional economic and environmental impact and all required licensing.

Thank you for your attention to this important matter.

Sincerely,



Thomas P. DiNapoli
State Comptroller