

A Progress Report on the Northern Plains Nitrogen Fertilizer Production Facility

September 2014

Business Plan On Track

NPN continues to make progress toward its goal of opening a state-of-the-art facility in 2018. While the project remains challenging, important benchmarks are being met.

Most significantly, NPN has secured ownership of a site and the right of way for railroad interconnect. The site is 320 acres of prime industrial property in the northwest quadrant of Grand Forks. It is served by critical infrastructure, including Grand Forks centralized water treatment (WWTP). The WWTP will support our plan to reclaim water, ensuring an adequate supply of process and cooling water; conserving the region's supply of fresh water; reducing and preventing pollution; and, improving wetlands and stream habitats (a wetlands study has been completed and is being submitted to the US Army Corps of Engineers).

Other key accomplishments include the following:

- Project site plan design is complete. We are working with Grand Forks on platting and annexation.
- Air permitting work is moving forward. NPN expects to file for air permits this fall.
- The site includes a rail spur, assuring dependable delivery to our market. An operational plan has been submitted to BNSF Railroad.
- A Phase 1 Environmental Site Assessment has been completed with no concerns found.
- We are working with Grand Forks and other authorities on traffic and airport issues. No problems have been identified.

About "NPN's News and Notes"

We believe it's important for investors and others interested in Northern Plains Nitrogen to have regular updates. That's the goal of *News and Notes* – to keep you informed of the project's progress. We also want to hear from you. If you have questions, send them to don.pottinger@northernplainsnitrogen.com and we will try to answer them in a future issue of *News and Notes*.

From the President's Desk

We have known from the beginning of the project that our journey would be one with many twists and turns. There is much good news to report, but our challenges are clear.

On the positive front, "Green Markets," a Bloomberg Business News publication that tracks the fertilizer market, recently reported that in spite of lower prices for wheat and corn, nitrogen prices are up. According to the authoritative publication, prices for anhydrous ammonia have increased 17-to-20% and 9-to-15% for urea since last year. Integer Research, a world class fertilizer market research and consulting firm, has been commissioned to conduct a comprehensive analysis of global nitrogen markets and long-term price forecasts. This study is expected to be completed this fall and will be an important part of our long-term business planning.

Certainly, there are challenges ahead. As we note in this report, we continue to seek additional equity partners and we anticipate marketplace competition (a reality we built into our initial projections). But the fundamentals of our project remain solid and NPN is on track to serve the growing marketplace demand.

On a personal note, I'm honored to serve as president of the NPN board. We have a great team of leaders who bring a deep commitment to the success of NPN.

Sincerely,
Darin Anderson

Darin Anderson
President, NPN Board

Investor Update

NPN's initial seed capital offering raised more than \$4.7 million, well above the \$3 million minimum established in the Private Placement Memorandum (PPM). The funds have been used to develop and implement NPN's business plan, with many of the positive outcomes reflected in this newsletter. We are pleased that an overwhelming majority of our initial seed capital investors remained with us even though we did offer an opportunity for investors to opt out. It is reassuring that fewer than 20 seed capital investors requested a full or partial refund of their investments; 10 people increased their investments.

NPN is achieving key business benchmarks and running a very lean and tight operation. Even with all that has been accomplished, NPN has approximately half of the funds remaining from the initial offering

However, there is an enormous amount of work that goes into this kind of project, from engineering and site development to financing and regulatory approvals. The marketplace for nitrogen fertilizer continues to be strong – as articles elsewhere in this newsletter point out – and we continue to have confidence in the opportunity and in the project return on investment for our investors.

Still, the realities of building a facility that now is projected to cost more than \$2 billion will require additional investors. As we have made clear in other communications, we cannot complete the project without significant new financial partners. Board members are reaching out to their extensive networks of potential financial partners. NPN also has engaged a group of investment banks and financiers to provide advisory services and to use their respective networks to secure major investment capital. Collectively, our advisors have secured capital for numerous projects globally and are well situated to bring equity to NPN. Securing major strategic and/or financial equity investors continues to be NPN's highest priority. While NPN remains optimistic, it is a difficult and highly competitive market.

North Dakota Independence?

After several starts and stops, CHS recently announced that it will go forward with its plans for a fertilizer plant in Spiritwood, N.D.

The CHS plant has been included in NPN's planning since the initial offering was launched. It is a reflection of the strength of the market and the growing demand for nitrogen fertilizer.

According to an article in the *Bismarck Tribune* earlier this year, North Dakota imports most of the urea used by state's farmers from outside the state. Supply is dependent on transportation systems – including barge and rail – that sometimes can come up short in delivering the product when and where it's needed.

"We can keep our (urea) tanks full now but when the tractors start rolling, we can empty the plant in three or four days," Joe Brinks, manager of Alliance Ag in Bismarck-Mandan, told the *Bismarck newspaper*.

The development of the Northern Plains Nitrogen plant and other facilities will make North Dakota a self-sufficient producer of fertilizer. As Brinks told the *Bismarck Tribune*, "It's just going to change the logistics of it."

Notes

- Chengda Engineering Co., Ltd., a recognized global expert in nitrogen plants, will be coming to Grand Forks from Chengdu, China in mid-September to finalize completion of the Preliminary Front-end Engineering Design (Pre-FEED). The Chengda team will meet with numerous North American technical teams on issues ranging from permitting and electrical power details to heat and material balance and construction costs.
- The recognized investment forum, Motley Fool, reported on the volatility in global markets this spring (especially the troubles in Ukraine) and concluded, "...with the most recent developments in the global fertilizer industry taken into consideration, North American producers should see favorable conditions moving forward." (Shamus Funk, Motley Fool, March 25, 2014)