UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washinton, D.C. 20549

FORM 40-F

[ ] **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

[X] **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2006**

Commission File Number: **001-32210**

NORTHERN DYNASTY MINERALS LTD.

(Exact name of Registrant as specified in its charter)

British Columbia Canada	**1040**	**Not Applicable**
(Province or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code)*	*(I.R.S. Employer Identification No.)*

Suite 1020, 800 West Pender Street
Vancouver, British Columbia
Canada V6C 2V8
(604) 684-6365
(Address and telephone number of Registrant's principal executive offices)

Corporation Service Company
Suite 400, 2711 Centerville Road
Wilmington, Delaware 19808
(800) 927-9800
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to section 12(b) of the Act:

Title Of Each Class	Name Of Each Exchange On Which Registered
Common Shares, no par value	American Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

[X] Annual Information Form [X] Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report: **91,685,519 Common Shares**

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.
Yes [ ] No [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

INTRODUCTORY INFORMATION

In this annual report, references to “we”, “our”, “us”, the “Company” or “Northern Dynasty”, mean Northern Dynasty Minerals Ltd. and its subsidiaries, unless the context suggests otherwise.

Unless otherwise indicated, all amounts in this annual report are in Canadian dollars and all references to “$” mean Canadian dollars.

PRINCIPAL DOCUMENTS

The following documents that are filed as exhibits to this annual report are incorporated by reference herein:

- our Annual Information Form for the year ended December 31, 2006;
- our Audited Consolidated Financial Statements as at and for the three years ended December 31, 2006, 2005 and 2004; and
- our Management Discussion and Analysis for the year ended December 31, 2006.

FORWARD-LOOKING STATEMENTS

This annual report includes or incorporates by reference certain statements that constitute “forward-looking statements” within the meaning of the United States *Private Securities Litigation Reform Act of 1995*. These statements appear in a number of places in this annual report and documents incorporated by reference herein and include statements regarding our intent, belief or current expectation and that of our officers and directors. These forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this annual report or in documents incorporated by reference in this annual report, words such as “believe,” “anticipate,” “estimate,” “project,” “intend,” “expect,” “may,” “will,” “plan,” “should,” “would,” “contemplate,” “possible,” “attempts,” “seeks” and similar expressions are intended to identify these forward-looking statements. These forward-looking statements are based on various factors and were derived utilizing numerous assumptions that could cause our actual results to differ materially from those in the forward-looking statements. Accordingly, you are cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements include, among others, statements regarding:

- our expected financial performance in future periods;
- our plan of operations, including our plans to carry out exploration and development activities;
- our ability to raise capital for exploration and development activities;
- our expectations regarding the exploration and development potential of our properties; and
- factors relating to our investment decisions.

Certain of the assumptions we have made include assumptions regarding, among other things:

- future commodity prices;
- the cost of carrying out exploration and development activities on our mineral properties;

- our ability to obtain the necessary expertise in order to carry out our exploration and development activities within the planned time periods; and
- our ability to obtain adequate financing on acceptable terms.

Some of the risks and uncertainties that could cause our actual results to differ materially from those expressed in our forward-looking statements include:

- the speculative nature of the mineral resource exploration business;
- the exploration stage of our mineral projects;
- the lack of known reserves on our mineral properties;
- our inability to establish that our Pebble Property contains commercially viable deposits of ore;
- loss of the services of any of our executive officers;
- our history of financial losses;
- our ability to continue on a going concern basis;
- the volatility of gold, copper and molybdenum prices;
- the inherent risk involved in the exploration, development and production of minerals;
- changes in, or the introduction of new, government regulations relating to mining, including laws and regulations relating to the protection of the environment;
- the presence of unknown environmental hazards on our mineral properties;
- our inability to insure our operations against all risks;
- the highly competitive nature of our business;
- the historical volatility in our share price;
- potential conflicts of interest relating to our directors and officers;
- our ability to obtain adequate financing for the further exploration and development of our mineral properties including our Pebble Property;
- the potential dilution to our shareholders from any future equity financings;
- the loss of services of our independent contractors; and
- the potential dilution to our shareholders from the exercise of outstanding options and warrants to purchase our shares.

We refer you to the section entitled “Risk Factors” in our Annual Information Form. We assume no obligation to update or to publicly announce the results of any change to any of the forward-looking statements contained or incorporated by reference herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

The documents that we have incorporated by reference into this annual report use the terms “measured resources”, “indicated resources” and “inferred resources”. These resource estimates have been prepared

in accordance with Canadian National Instrument 43-101 and the Canadian Institute of Mining and Metallurgy ("CIM") Classification System. These standards differ significantly from the requirements of the Securities and Exchange Commission. Accordingly, resource information incorporated by reference herein may not be comparable to similar information concerning U.S. companies.

We advise United States investors that while the terms "measured resources", "indicated resources" and "inferred resources" are recognized and required by Canadian regulations, including Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects, the Securities and Exchange Commission does not recognize them. **United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves.** In addition, "inferred resources" have a great amount of uncertainty as to their existence, and economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for a Preliminary Assessment as defined under 43-101. **United States investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.**

Our Annual Information Form, which is filed as an exhibit to this annual report, includes definitions of the terms "measured resources", "indicated resources" and "inferred resources" under CIM standards, and presents a summary of the differences between CIM and U.S. standards.

NOTE TO UNITED STATES READERS REGARDING DIFFERENCES BETWEEN UNITED STATES AND CANADIAN REPORTING PRACTICES

We are permitted to prepare this annual report in accordance with Canadian disclosure requirements, which are different from those of the United States. Our audited consolidated financial statements included in this annual report have been prepared in accordance with Canadian generally accepted accounting principles, which differ in certain material respects from United States generally accepted accounting principles. Note 11 to our audited consolidated financial statements included herein provides a reconciliation of the significant differences between Canadian and United States generally accepted accounting principles.

DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the *Securities Exchange Act of 1934* (the "Exchange Act")). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in reports that we file or submit under the Exchange Act.

It should be noted that while our Chief Executive Officer and our Chief Financial Officer believe that our disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met.

There were no changes in our internal control over financial reporting during the fiscal year ended December 31, 2006 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2006. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections, of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

AUDIT COMMITTEE

Our Board of Directors has established a separately-designated Audit Committee of the board in accordance with Section 3(a)(58)(A) of the Exchange Act for the purpose of overseeing our accounting and financial reporting processes and the audits of our annual financial statements. As at the date of this annual report, the Audit Committee was comprised of David Elliott, Wayne Kirk and Gordon Fretwell.

AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that David Elliott, a member of the Audit Committee of our board, is an audit committee financial expert (as that term is defined in Item 401 of Regulation S-K under the Exchange Act) and is an independent director under applicable laws and regulations and the requirements of the American Stock Exchange.

PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth information regarding amounts billed to us by our independent auditors for each of our last two fiscal years:

	Year Ended December 31,	
	2006	**2005**
Audit Fees	$ 40,000	$ 27,000
Audit Related Fees	–	-
Tax Fees	–	1,000
All Other Fees	–	-
Total	$ 40,000	$ 28,000

Audit Fees

Audit fees are the aggregate fees billed by our independent auditor for the audit of our annual consolidated financial statements, reviews of interim consolidated financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

Audit-related fees are fees charged by our independent auditor for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees.”

Tax Fees

Tax fees are fees for professional services rendered by our independent auditors for tax compliance and tax advice on actual or contemplated transactions.

All Other Fees

All other fees relate to services other than the audit fees, audit-related fees and tax fees described above.

Audit Committee Pre-Approval Policies

From time to time, our management requests approval from the Audit Committee of our board for non-audit services from our independent auditors. The Audit Committee pre-approves all such non-audit services with set maximum dollar limits. In considering these requests, the Audit Committee assesses, among other things, whether the services requested would be considered prohibited services as contemplated by the Securities and Exchange Commission, and whether the services requested and related fees could impair the independence of our auditors.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

CONTRACTUAL OBLIGATIONS

We did not have any contractual obligations as at December 31, 2006.

CODE OF ETHICS

We have adopted a Code of Ethics that applies to our officers, employees and directors and promotes, among other things, honest and ethical conduct. The code also promotes compliance by our Chief Executive Officer, Chief Financial Officer and other senior finance staff with the Sarbanes-Oxley Act of 2002. Investors may view our Code of Ethics on our web site at www.northerndynastyminerals.com.

AMEX CORPORATE GOVERNANCE

The Company's common shares are listed for trading on The American Stock Exchange ("AMEX"). Section 110 of the AMEX company guide permits AMEX to consider the laws, customs and practices of foreign issuers in relaxing certain AMEX listing criteria, and to grant exemptions from AMEX listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company's governance practices differ from those followed by domestic companies pursuant to AMEX standards is contained on the Company's website at www.northerndynastyminerals.com. Upon listing, the Company received an exemption from its quorum requirements. Under the AMEX listing standards, the quorum requirements is a minimum of one third of shareholders entitled to vote for U.S. domestic companies. The Company does not meet this requirement and has been granted relief from this listing standard.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company concurrently filed an Appointment of Agent for Service of Process and Undertaking on Form F-X signed by the Company and its agent for service of process with respect to the class of securities in relation to which the obligation to file this annual report arises, which Form F-X is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Company certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 2, 2007.

NORTHERN DYNASTY MINERALS LTD.

By: */s/ Ronald W. Thiessen*

Ronald W. Thiessen
Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.3	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.4	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.5	Audited consolidated financial statements of the Company and notes thereto as at and for the three years ended December 31, 2006, 2005 and 2004, together with the report of the auditors thereon
99.6	Management's Discussion and Analysis for the three years ended December 31, 2006, 2005 and 2004
99.7	Annual Information Form of the Company for the year ended December 31, 2006
99.8	Consent of DeVisser Gray LLP, Chartered Accountants
99.9	Consent of Mark Rebagliati, P.Eng
99.10	Consent of David W. Rennie, P.Eng
99.11	Consent of John G. Payne, PhD, P.Geo

CERTIFICATION
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald W. Thiessen, Chief Executive Officer of Northern Dynasty Minerals Ltd., certify that:

(1) I have reviewed this annual report on Form 40-F of Northern Dynasty Minerals Ltd for the fiscal year ended December 31, 2006;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

(4) The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

(5) The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the issuer's auditors and the audit committee of issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: April 2, 2007
By: /s/ R. Thiessen
Name: Ronald W. Thiessen
Title: Chief Executive Officer

CERTIFICATION
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey R. Mason, Chief Financial Officer of Northern Dynasty Minerals Ltd., certify that:

(1) I have reviewed this annual report on Form 40-F of Northern Dynasty Minerals Ltd for the fiscal year ended December 31, 2006;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

(4) The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

(5) The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the issuer's auditors and the audit committee of issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: April 2, 2007
By: /s/ J. Mason
Name: Jeffrey R. Mason
Title: Chief Financial Officer

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald W. Thiessen, Chief Executive Officer of Northern Dynasty Minerals Ltd. (the "Company"), hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(i) the Annual Report on Form 40-F of the Company for the fiscal year ended December 31, 2006 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ R. Thiessen
Name:	Ronald W. Thiessen
Title:	Chief Executive Officer
Date:	April 2, 2007

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 40-F. A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies this Annual Report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey R. Mason, Chief Financial Officer of Northern Dynasty Minerals Ltd. (the "Company"), hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(i) the Annual Report on Form 40-F of the Company for the fiscal year ended December 31, 2006 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ J. Mason
Name:	Jeffrey R. Mason
Title:	Chief Financial Officer
Date:	April 2, 2007

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 40-F. A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies this Annual Report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.



CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31, 2006, 2005 AND 2004

(Expressed in Canadian Dollars)

D E V I S S E R G R A Y L L P

CHARTERED ACCOUNTANTS

401 - 905 West Pender Street
Vancouver, BC Canada
V6C 1L6

AUDITORS' REPORT

To the Shareholders of Northern Dynasty Minerals Ltd.

We have audited the consolidated balance sheets of Northern Dynasty Minerals Ltd. as at December 31, 2006 and 2005, and the consolidated statements of operations and deficit and cash flows for each of the years in the three year period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and cash flows for each of the years in the three year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles

"De Visser Gray LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
March 16, 2007

NORTHERN DYNASTY MINERALS LTD.

Consolidated Balance Sheets
(Expressed in Canadian Dollars)

	December 31 2006	December 31 2005
Assets		
Current assets		
Cash and equivalents	$ 93,689,667	$ 12,948,640
Marketable securities (note 4)	–	363,906
Amounts receivable and prepaids	489,846	416,971
Options exercised proceeds receivable (note 8(h))	3,740,000	–
Balances receivable from related parties (note 8)	192,480	448,360
	98,111,993	14,177,877
Equipment (note 5)	633,445	411,205
Mineral property interests (note 6)	168,221,821	16,706,930
	$ 266,967,259	$ 31,296,012
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 7,839,372	$ 3,161,012
Future income tax liability (notes 6(a) and 9)	61,601,069	–
	69,440,441	3,161,012
Shareholders' equity		
Share capital (note 7(b))	357,364,087	132,361,949
Contributed surplus (note 7(e))	10,061,913	7,289,377
Deficit	(169,899,182)	(111,516,326)
	197,526,818	28,135,000
Nature of operations (note 1)		
Subsequent events (note 11)		
	$ 266,967,259	$ 31,296,012

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

/s/ Ronald W. Thiessen
Ronald W. Thiessen
Director

/s/ Jeffrey R. Mason
Jeffrey R. Mason
Director

NORTHERN DYNASTY MINERALS LTD.

Consolidated Statements of Operations
(Expressed in Canadian Dollars)

	Years ended December 31		
	2006	2005	2004
Expenses			
Amortization	$ 123,908	$ 93,179	$ 45,994
Conference and travel	935,981	700,718	351,201
Exploration (schedule)	50,612,416	43,066,417	32,594,900
Legal, accounting and audit	931,318	312,507	143,916
Office and administration	3,041,226	2,361,520	1,382,986
Shareholder communication	385,920	367,134	471,032
Stock-based compensation - exploration (note 7(d))	1,882,378	1,787,506	3,111,302
Stock-based compensation - administration (note 7(d))	4,162,686	2,302,389	3,267,575
Trust and filing	149,270	192,662	85,438
	62,225,103	51,184,032	41,454,344
Other expense (income)			
Foreign exchange	(772,703)	(281,639)	251,135
Interest income	(2,237,667)	(584,562)	(357,926)
Gain on disposal of marketable securities	(194,381)	–	–
Write down of marketable securities	–	–	351,094
	(3,204,751)	(866,201)	244,303
Loss before taxes	59,020,352	50,317,831	41,698,647
Future income tax recovery (note 9)	(637,496)	–	–
Loss for the year	$ 58,382,856	$ 50,317,831	$ 41,698,647
Basic and diluted loss per common share	$ 0.75	$ 0.90	$ 1.04
Weighted average number of common shares outstanding	77,708,870	55,845,791	39,926,335

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Deficit
(Expressed in Canadian Dollars)

	Years ended December 31		
	2006	2005	2004
Deficit, beginning of year	$ 111,516,326	$ 61,198,495	$ 19,499,848
Loss for the year	58,382,856	50,317,831	41,698,647
Deficit, end of year	$ 169,899,182	$ 111,516,326	$ 61,198,495

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN DYNASTY MINERALS LTD.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended December 31		
	2006	2005	2004
Operating activities			
Loss for the year	$ (58,382,856)	$ (50,317,831)	$ (41,698,647)
Items not involving cash			
Amortization	123,908	93,179	45,994
Future income taxes	(637,496)	–	–
Gain on sale of marketable securities	(194,381)	–	–
Stock-based compensation	6,045,064	4,089,895	6,378,877
Marketable securities received	–	–	(715,000)
Write down of marketable securities	–	–	351,094
Changes in non-cash working capital items			
Amounts receivable and prepaids	(72,875)	(14,765)	(173,061)
Accounts payable and accrued liabilities	4,678,360	135,857	2,879,513
Balances receivable from and payable to related parties	255,880	(436,300)	(296,140)
Cash and equivalents used for operating activities	(48,184,396)	(46,449,965)	(33,227,370)
Investing activities			
Purchase of equipment	(346,148)	(106,283)	(432,058)
Acquisition costs	(81,879)	–	–
Proceeds on sales of marketable securities	558,287	–	–
Cash and equivalents from (used for) investing activities	130,260	(106,283)	(432,058)
Financing activities			
Options exercised proceeds receivable	(3,740,000)	–	–
Common shares issued for cash, net of issue costs	132,535,163	47,028,841	42,694,011
Cash and equivalents from financing activities	128,795,163	47,028,841	42,694,011
Increase in cash and equivalents	**80,741,027**	**472,593**	**9,034,583**
Cash and equivalents, beginning of year	12,948,640	12,476,047	3,441,464
Cash and equivalents, end of year	**$ 93,689,667**	**$ 12,948,640**	**$ 12,476,047**
Supplementary information			
Taxes paid	$ –	$ –	$ –
Interest paid	$ –	$ –	$ –
Non-cash investing activities			
Issuance of shares for mineral property interests	$ 89,194,447	$ 4,918,309	$ 11,788,621
Fair value of stock options allocated to shares issued upon exercise	$ 5,045,304	$ 4,305,238	$ 535,796

The accompanying notes are an integral part of these consolidated financial statements.

NORTHERN DYNASTY MINERALS LTD.

Consolidated Schedules of Exploration Expenses
(Expressed in Canadian Dollars)

	Pebble Property	Other Properties	Total
Exploration expenses for the year ended December 31, 2006			
Assays and analysis	$ 585,981	$ –	**$ 585,981**
Drilling	7,562,670	–	**7,562,670**
Engineering	4,744,097	–	**4,744,097**
Environmental	13,663,869	–	**13,663,869**
Equipment rental	67,257	–	**67,257**
Freight	1,081,734	–	**1,081,734**
Geological	1,250,352	–	**1,250,352**
Graphics	35,766	–	**35,766**
Helicopter	5,626,814	–	**5,626,814**
Property fees and assessments	172,193	–	**172,193**
Site activities	10,294,948	–	**10,294,948**
Socioeconomic	4,625,548	–	**4,625,548**
Travel and accommodation	901,187	–	**901,187**
Incurred during fiscal 2006	**50,612,416**	**–**	**50,612,416**
Cumulative expenditures, December 31, 2005	86,727,794	(66,418)	**86,661,376**
Cumulative expenditures, December 31, 2006	**$ 137,340,210**	**$ (66,418)**	**$ 137,273,792**
Exploration expenses for the year ended December 31, 2005			
Assays and analysis	$ 343,426	$ –	**$ 343,426**
Drilling	5,724,305	–	**5,724,305**
Engineering	9,338,697	–	**9,338,697**
Environmental	13,081,142	–	**13,081,142**
Equipment rental	46,822	–	**46,822**
Freight	557,971	–	**557,971**
Geological	918,845	–	**918,845**
Graphics	62,572	–	**62,572**
Helicopter	4,669,476	–	**4,669,476**
Property fees and assessments	175,003	–	**175,003**
Site activities	5,052,487	–	**5,052,487**
Socioeconomic	2,506,824	–	**2,506,824**
Travel and accommodation	588,847	–	**588,847**
Incurred during fiscal 2005	**43,066,417**	**–**	**43,066,417**
Cumulative expenditures, December 31, 2004	43,661,377	(66,418)	**43,594,959**
Cumulative expenditures, December 31, 2005	**$ 86,727,794**	**$ (66,418)**	**$ 86,661,376**
Exploration expenses for the year ended December 31, 2004			
Assays and analysis	$ 745,237	$ (3,623)	**$ 741,614**
Drilling	7,689,138	(715,000)	**6,974,138**
Engineering	3,886,839	–	**3,886,839**
Environmental	9,806,864	–	**9,806,864**
Equipment rental	248,577	–	**248,577**
Freight	603,711	–	**603,711**
Geological	1,398,162	(749)	**1,397,413**
Graphics	93,985	472	**94,457**
Helicopter	3,823,073	2,798	**3,825,871**
Property fees and assessments	139,714	–	**139,714**
Site activities	3,715,240	–	**3,715,240**
Socioeconomic	686,948	–	**686,948**
Travel and accommodation	475,105	(1,591)	**473,514**
Incurred during fiscal 2004	**33,312,593**	**(717,693)**	**32,594,900**
Cumulative expenditures, December 31, 2003	10,348,784	651,275	**11,000,059**
Cumulative expenditures, December 31, 2004	**$ 43,661,377**	**$ (66,418)**	**$ 43,594,959**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Northern Dynasty Minerals Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia, and its principal business activity is the exploration of mineral properties. The Company's principal mineral property interest is the Pebble Project located in Alaska, United States of America ("USA").

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests, confirmation of the Company's title to the mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. A reconciliation of material differences between these principles and accounting principles generally accepted in the United States is shown in note 11. These consolidated financial statements include the accounts of the Company and its wholly- owned subsidiaries.

All material intercompany balances and transactions have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) *Cash and equivalents*

Cash and equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of purchase, which are readily convertible to known amounts of cash.

(b) *Marketable securities*

The Company's investments in marketable securities are initially recorded at cost. When there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to market value.

(c)

Equipment

Equipment is recorded at cost and is amortized over its estimated useful life using the declining balance method at various rates ranging from 20% to 30% per annum.

(d)

Mineral property interests

Exploration expenditures incurred prior to the determination of the feasibility of mining operations and administrative expenditures are expensed as incurred. Mineral property acquisition costs, and exploration and development expenditures incurred subsequent to such determination and to increase or to extend the life of existing production, are capitalized and amortized over the estimated life of the property following the commencement of commercial production, or are written off if the property is sold, allowed to lapse or abandoned, or when an impairment has been determined to have occurred.

Mineral property acquisition costs include the cash consideration and the fair market value of common shares, based on the trading price of the shares, on the date of issue or as otherwise provided under the agreement terms for the mineral property interest. Costs for properties for which the Company does not possess unrestricted ownership and exploration rights, such as option agreements, are expensed in the period incurred or until a feasibility study has determined that the property is capable of commercial production.

Costs of exploration costs, feasibility studies, and option payments are expensed in the period incurred.

Administrative expenditures related to exploration activities are expensed in the period incurred.

The amount presented for mineral property interests represents costs incurred to date and accumulated acquisition costs, less write-downs, and does not necessarily reflect present or future values.

(e)

Asset retirement obligations

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

The Company has no material asset retirement obligations as the disturbance to date is minimal.

(f)

Impairment of long-lived assets

Long-lived assets, including mineral properties and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount and the fair value less costs to sell, and are no longer amortized.

(g)

Share capital

Common shares issued for mineral property interests are recorded at the fair market value based upon the trading price of the shares on the TSX Venture Exchange on the date of issue or as otherwise provided for under the terms of the agreement to issue the shares.

Share issue costs are deducted from share capital.

(h)

Stock-based compensation

The Company has a share option plan which is described in note 7(d). The Company records all stock-based payments using the fair value method.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable and are charged to operations over the vesting period. The offset is credited to contributed surplus.

Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

(i)

Foreign currency translation

All of the Company's foreign subsidiaries are considered integrated with those of the Company’s domestic operations and use the Canadian dollar as their functional currency.

Monetary assets and liabilities of the Company and its integrated foreign operations are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates unless such items are carried at market, in which case they are translated at the exchange rates in effect on the balance sheet date. Revenues and expenses, except amortization, are translated at average exchange rates for the period. Amortization is translated at the same exchange rates as the assets to which it relates. Gains or losses on translation are recorded in the statement of operations.

(j)

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Future income tax assets also result from unused loss carry forwards and other deductions. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

(k)

Loss per common share

Basic loss per common share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period.

Diluted loss per common share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per common share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period.

When the Company is in a net loss position, diluted loss per share is not presented separately as the effect of the outstanding options and warrants would be anti-dilutive.

(l)

Fair value of financial instruments

The carrying values of cash and equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair value due to their short term nature. It is not practicable to determine the fair values of the advances to or from related parties due to the related party nature of such amounts and the absence of a secondary market for such instruments. Fair value estimates are made at the date of issuance, and at the balance sheet date, based on relevant market information.

It is management’s opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

(m)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of the recoverability on buildings and equipment, impairment of mineral property interests, rates of amortization of equipment, the determination of reclamation obligations, and the assumptions used in determining the fair value of non-cash stock-based compensation. Actual results could differ from those estimates.

(n)

Environmental expenditures

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable. The Company's policy is to meet or possibly surpass environmental standards set by relevant legislation by the application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable, and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

(o)

Variable interest entities

The Company accounts for variable interest entities ("VIE") in accordance with CICA Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG15"). AcG15 prescribes the application of consolidation principles for entities that meet the definition of a VIE. An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both. The Company has determined that it does not have any VIEs.

(p)

Comparative figures

The preparation of the prior years' comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

4. MARKETABLE SECURITIES

	Number of shares	Cost	Market value	Carrying value
December 31, 2006				
Taseko Mines Limited common shares	nil	$ –	$ –	$ –
December 31, 2005				
Taseko Mines Limited common shares	256,272	$ 715,000	$ 533,046	$ 363,906

The company's investment in 256,272 common shares of Taseko Mines Limited was sold during the year ended December 31, 2006 for proceeds of $558,287.

5. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
December 31, 2006			
Buildings	$ 218,549	$ 49,597	$ 168,952
Furniture and fixtures	234,883	107,824	127,059
Site equipment	279,171	41,876	237,295
Vehicles	94,124	43,233	50,891
Computer equipment	88,693	39,445	49,248
	$ 915,420	$ 281,975	$ 633,445
December 31, 2005			
Buildings	$ 186,359	$ 32,613	$ 153,746
Furniture and fixtures	219,496	60,673	158,823
Site equipment	15,387	15,387	–
Vehicles	66,043	21,422	44,621
Computer equipment	81,986	27,971	54,015
	$ 569,271	$ 158,066	$ 411,205

6. MINERAL PROPERTY INTERESTS

(a) *Pebble Property*

	Years ended December 31	
	2006	2005
Balance, beginning of the period	$ 16,706,930	$ 11,788,621
Changes during the period		
Acquisition of 20% carried contractual interests held by HDGI	151,433,012	–
Acquisition costs	81,879	–
Exploration Lands – Issuance of 977,795 common shares	–	4,918,309
Pebble Property	$ 168,221,821	$ 16,706,930

(i) *Exploration and Resource Lands*

Pursuant to an Assignment Agreement dated October 29, 2001 between the Company and Hunter Dickinson Group Inc., ("HDGI"), a related party to the Company, the Company was assigned an 80% interest in two options, which had been granted by Teck Cominco American Incorporated ("Teck Cominco") under a single agreement to HDGI in respect of Teck Cominco's "Pebble" copper/gold/molybdenum property in southwestern Alaska. One option granted the right to purchase 100% of the lands containing the then known mineralized resource at Pebble (the "Resource Lands Option") and the second option granted the right to purchase a 50% interest in the lands surrounding the Resource Lands (the "Exploration Lands Option") (together, the "Options"). HDGI is a related party by virtue of (i) having certain directors in common with the Company, and (ii) its shareholders or their associates being at the time significant shareholders of the Company. The Assignment Agreement was ratified by shareholders of the Company on June 28, 2002.

The Company was assigned the 80% interest together with the right to acquire the remaining 20% contractual interests in these option agreements from HDGI in consideration of the Company reimbursing HDGI's costs of $584,655 in connection with the options, which included the staking of 134 claims to expand the property and 30 kilometers of induced polarization surveying over the new claims, and agreeing to pay for HDGI's 20% share of costs in connection with the exercise requirements under the Options.

The Resource Lands Option was extended by one year in an agreement dated December 19, 2002 under which the Company issued to Teck Cominco 200,000 shares for the extension. Pursuant to the Resource Lands Option the Company had the right to purchase the 36 claims of the Resource Lands, subject to HDGI's 20% carried interests, by paying Teck Cominco US$10 million in cash or shares prior to November 30, 2004, which it did on November 23, 2004 by the issuance of 1,772,775 shares to Teck Cominco (total value of $11,788,621). Teck Cominco had the right for 180 days to elect whether to require the Company to manage the resale of these shares ("NDM Resource Lands shares") in a manner where Teck Cominco would be guaranteed the US$10 million in resale proceeds net of any excess or deficiency adjustments. The actual adjusted amount was US$9,938,600. On May 9, 2005, Teck Cominco elected for the Company to guarantee the adjusted amount of US$9,938,600 in resale proceeds of the 1,772,775 shares. Under the agreement, the Company is to ensure proceeds totalling US$9,938,600 by May 22, 2006. At December 31, 2005, 473,700 of the 1,772,775 NDM Resource Lands shares had been sold for proceeds of US$2,039,902. During the year ended December 31, 2006, the Company managed the sale of an additional 1,277,028 NDM Resource Lands shares for proceeds paid to Teck Cominco of US$7,898,698, thereby completing its commitment regarding the resale of the NDM Resource Lands shares. The remaining 22,047 unsold NDM Resource Lands shares relating to this acquisition were then returned to the Company's treasury.

At the time of the Company exercising the Resource Lands Option, the Company also exercised the Exploration Lands Option to earn a 50% interest in the adjacent Exploration Lands, subject to HDGI's carried interest, by having completed 60,000 feet of drilling on the Exploration Lands prior to November 30, 2004.

As a consequence of the Company exercising the Exploration Lands Option, Teck Cominco could elect to either form a 50/50 joint venture with the Company with respect to the Exploration

Lands, or to sell its 50% interest in the Exploration Lands to the Company for US$4 million and retain a net profits interest. On February 21, 2005, Teck Cominco elected to sell its remaining 50% interest in the Exploration Lands to the Company for the stipulated US$4 million payment, a 4% pre-payback net profits interest (after debt service), and a 5% after-payback net profits interest in any mine production from the Exploration Lands. The Company issued 977,795 shares of the Company at the then-prevailing market price as consideration for the required US$4 million payment but subject to Teck Cominco's right to elect to have the proceeds guaranteed.

Teck Cominco had the right, until August 24, 2005, to elect whether to require the Company to manage the resale of these shares ("NDM Exploration Lands shares") in a manner where Teck Cominco would be guaranteed US$4 million in resale proceeds by August 24, 2006. On July 18, 2005, Teck Cominco elected for the Company to guarantee the US$4 million in resale proceeds. During the year ended December 31, 2006, the Company had managed the sale of 654,502 NDM Exploration Lands shares for proceeds paid to Teck Cominco of approximately US$4,000,000, and thereby completing its commitment regarding the resale of the NDM Exploration Lands shares. During 2006, the remaining 323,293 unsold NDM Exploration Lands shares relating to this acquisition were then returned to the Company's treasury.

In total, 345,340 common shares of the Company, at a value of $1,772,776, unsold after the Company's obligations to Teck Cominco had been met, were returned to the treasury of the Company. The Company recorded this amount in contributed surplus and a related future income tax liability of $728,405 generated on this transaction is fully offset by previously unrecognized tax assets.

(ii) *HDGI 20% carried contractual interest*

As a consequence of the Company electing to exercise the Options, the Company was entitled under the Assignment Agreement with HDGI to elect to acquire HDGI's 20% carried contractual interests in the Options for cash or share consideration equal to the independently appraised value of the carried interests.

On May 31, 2006, the Company acquired 100% of the outstanding common shares of HDGI for purchase price of 14,002,268 common shares of the Company. The agreed number of shares was based on negotiations between the Company, represented by a Special Committee of the Board of Directors, and HDGI with reference to an independent valuation of the carried interests performed by Ross Glanville & Associates Ltd in March 2005. Both parties agreed to a valuation of $6.37 per share, based upon the issuance of 14,002,268 common shares, as representing the fair value of the 20% carried contractual interest. The valuation report was publicly filed at www.sedar.com. The TSX Venture Exchange and the American Stock Exchange have accepted the acquisition transaction. The results of HDGI's operations have been included in the consolidated financial statements since the date of acquisition. The following table summarizes the assets acquired and liabilities assumed on the date of acquisition:

Mineral property interest	$	151,433,012
Future income tax liability		(62,238,565)
Purchase price	$	89,194,447
Consideration – 14,002,268 common shares	$	89,194,447

Upon completion of the acquisition of HDGI and being discharged of Teck Cominco's share resale guarantees, the Company, together with one or more 100% owned subsidiaries, owns a 100% right, title and interest in the entire Pebble Property (subject only to the Teck Cominco net profits interest in the Exploration Lands portion of the property).

The acquisition created a future tax liability due to the limited pools available in HDGI to offset taxable income earned in that Company relative to the carrying cost of the acquired asset on the Company's balance sheet. Subsequent to the date of acquisition, deductible expenditures incurred by HDGI have reduced this liability and this amount has been recorded as a future income tax recovery.

(b)

Pickle Lake Joint Venture

The Company holds a 37.5% participating joint venture interest, subject to a 2.5% net profits interest ("NPI") held by the original owners, in certain mineral properties in northwestern Ontario under the Pickle Lake Joint Venture. The remaining 62.5% joint venture interest is held by Energold Minerals Inc. ("Energold") (together jointly with the Company, the "Partners"). The Company continues to maintain these claims in good standing.

In October 2006, the Partners entered into an option agreement with Solomon Resources Limited ("Solomon") whereby Solomon will have the right to earn up to a 60% interest in the Eyapamikama Lake property (formerly Arseno Lake), located 170km north of Pickle Lake. Under the option agreement, Solomon is granted an exclusive option to earn a minimum 50% interest in the property by funding an initial exploration program of $25,600 (completed). Subsequent to year-end, Solomon notified the Partners of its intent to exercise the option to earn a 50% interest. Under the option agreement to earn its 50% interest, Solomon must:

- Issue to the Partners a total of 100,000 shares of Solomon and $35,000 or 200,000 common shares of Solomon ("Solomon shares") by January 31, 2007. Solomon has opted to issue 200,000 Solomon shares, of which 75,000 were issued to the Company and 125,000 to Energold.
- Incur exploration expenditures totaling $1,000,000 and issue to the Partners 200,000 Solomon shares and $35,000 or 400,000 Solomon shares by January 31, 2008.
- Incur exploration expenditures cumulatively totaling $2,000,000 by January 31, 2009.

Solomon has the option to increase its interest to 60% by issuing to the Partners 300,000 Solomon shares and $100,000 by January 31, 2009 and incurring additional $1,000,000 in exploration expenditures by January 31, 2010.

(c)

Little Bald Mountain

The Company holds an 8.1% net profits interest in the Little Bald Mountain property in Nevada, USA.

7. SHARE CAPITAL

(a) Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares, without par value.

(b) Issued and outstanding common shares

Common shares issued:	Price	Number of Shares	Amount
Balance, December 31, 2003		31,733,318	21,064,437
Private placement March 2004, net of issue costs	8.00	2,750,000	21,905,914
Private placement August 2004, net of issue costs	3.55	2,816,902	9,800,333
Share purchase options exercised	0.40	88,750	35,500
Share purchase options exercised	0.50	106,500	53,250
Share purchase options exercised	0.75	70,000	52,500
Share purchase options exercised	1.18	10,000	11,800
Share purchase options exercised	5.00	33,999	169,995
Property option payments	6.65	1,772,725	11,788,621
Warrants exercised	0.60	30,000	18,000
Warrants exercised	0.90	6,944,445	6,250,000
Warrants exercised	1.15	500,000	575,000
Warrants exercised	4.65	821,875	3,821,719
Replacement of lost certificate		11,905	–
Fair value of stock options allocated to shares issued on exercise		–	562,492
Balance, December 31, 2004		47,690,419	76,109,561
Private placement March 2005, net of issue costs (ii)	4.25	7,247,000	29,209,019
Share purchase options exercised	0.75	25,000	18,750
Share purchase options exercised	0.94	50,000	47,000
Share purchase options exercised	1.18	3,000	3,540
Share purchase options exercised	2.30	7,500	17,250
Share purchase options exercised	2.35	315,000	740,250
Share purchase options exercised	5.00	1,287,001	6,435,005
Share purchase options exercised	5.05	38,000	191,900
Share purchase options exercised	5.31	3,334	17,704
Warrants exercised	0.60	10,000	6,000
Warrants exercised (i)	4.15	2,176,902	9,034,143
Warrants exercised (ii)	5.00	261,656	1,308,280
Common shares issued upon property acquisition (note 6(a))	5.03	977,795	4,918,309
Fair value of stock options allocated to shares issued on exercise		–	4,305,238
Balance, December 31, 2005		60,092,607	132,361,949
Share purchase options exercised	4.50	19,932	89,694
Share purchase options exercised	4.65	100,000	465,000
Share purchase options exercised	5.00	1,897,500	9,487,500
Share purchase options exercised	5.31	99,932	530,639
Share purchase options exercised	5.40	64,933	350,638
Share purchase options exercised	7.25	22,498	163,111
Warrants exercised, net of issue costs of $922,550 (ii)	5.00	6,985,344	34,004,171
Common shares issued pursuant to share purchase agreement, net of issue costs of $14,040 (iii)	10.00	8,745,845	87,444,410
Common shares issued upon acquisition (note 6(a)(ii))		14,002,268	89,194,447
Common shares returned to treasury		(345,340)	(1,772,776)
Fair value of stock options allocated to shares issued on exercise		–	5,045,304
Balance, December 31, 2006		**91,685,519**	**$ 357,364,087**

(i) In August 2004, the Company completed a private placement consisting of 2,816,902 units at a price of $3.55 per unit. Each unit was comprised of one common share and one warrant exercisable to purchase one additional common share at a price of $4.15 until August 5, 2005.

(ii) In March 2005, the Company completed a private placement consisting of 7,247,000 units at a price of $4.25 per unit. Each unit was comprised of one common share and one warrant exercisable to purchase one additional common share at a price of $5.00 until September 18, 2006.

(iii) In July 2006, the Company issued 8,745,845 common shares in connection with a share purchase agreement with Kennecott Canada Exploration Inc. ("Kennecott"), a subsidiary of Rio Tinto plc, for $10.00 per share. Kennecott has a right of first refusal to participate in up to 50% of future share placements by the Company, subject to customary exceptions, until Kennecott reaches 19.9% of the Company's outstanding share capital. The right thereafter continues as a 19.9% right until Kennecott either fails to take up any offered allotment or the fifth anniversary of the agreement, whichever occurs first. Subsequent to December 31, 2006, Rio Tinto, through its subsidiary QIT-Fer Et Titane Inc., purchased 9.4 million common shares of Northern Dynasty from a significant shareholder of the Company to bring its share ownership to approximately 19.79%.

(c) *Share purchase warrants*

The continuity of share purchase warrants (each warrant exercisable for one common share) for the year ended December 31, 2006 is:

Expiry date	Exercise price	Dec 31 2005	Issued	Exercised	Expired/ cancelled	Dec. 31 2006
Sept. 18, 2006	$ 5.00	6,985,344	–	(6,985,344)	–	–
Weighted average exercise price		5.00	$ –	$ 5.00	$ –	$ –

The continuity of share purchase warrants (each warrant exercisable for one common share) for the year ended December 31, 2005 is:

Expiry date	Exercise price	Dec. 31 2004	Issued	Exercised	Expired/ cancelled	Dec. 31 2005
January 14, 2005	$ 0.60	10,000	–	(10,000)	–	–
March 16, 2005	$ 9.00	553,125	–	–	(553,125)	–
August 5, 2005	$ 4.15	2,816,902	–	(2,176,902)	(640,000)	–
Sept. 18, 2006	$ 5.00	–	7,247,000	(261,656)	–	6,985,344
		3,380,027	7,247,000	(2,448,558)	(1,193,125)	6,985,344
Weighted average exercise price		$ 4.93	$ 5.00	$ 4.23	$ 6.40	$ 5.00

(d)

Share purchase option compensation plan

The Company has a share option plan approved by the shareholders that allows it to grant options, subject to regulatory terms and approval, to its directors, employees, officers, and consultants.

A new share option plan was approved by the Board and by the shareholders in June 2006. The new share option plan (the "2006 Rolling Option Plan") is based on the maximum number of eligible shares equaling a rolling percentage of up to 10% of the Company's outstanding common shares, calculated from time to time. Pursuant to the 2006 Rolling Option Plan, if outstanding options are exercised, or expire, and/or the number of issued and outstanding common shares of the Company increases, then the options available to grant under the plan increase proportionately. The exercise price of each option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts). Options can have a maximum term of ten years and typically terminate 90 days following the termination of the optionee's employment or engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The continuity of share purchase options for the year ended December 31, 2006 is:

Expiry date	Exercise price	Dec 31 2005	Granted	Exercised	Expired / cancelled	Dec. 31 2006
November 30, 2006	$ 4.65	100,000	–	(100,000)	–	–
November 30, 2006	$ 5.00	1,897,500	–	(1,897,500)	–	–
September 28, 2007	$ 5.40	150,000	–	(64,933)	–	85,067
November 30, 2007	$ 4.50	170,000	–	(19,932)	–	150,068
November 30, 2007	$ 5.31	641,666	–	(99,932)	(26,668)	515,066
December 14, 2007	$ 5.37	15,000	–	–	–	15,000
April 30, 2009	$ 7.25	–	471,500	(22,498)	(38,332)	410,670
April 30, 2009	$ 9.81	–	62,500	–	–	62,500
April 30, 2011	$ 7.25	–	1,125,000	–	–	1,125,000
		2,974,166	**1,659,000**	**(2,204,795)**	**(65,000)**	**2,363,371**
Weighted average exercise price		$ 5.05	$ 7.35	$ 5.03	$ 6.45	$ 6.64

The continuity of share purchase options for the year ended December 31, 2005 is:

Expiry date	Exercise price	Dec. 31 2004	Granted	Exercised	Expired / cancelled	Dec. 31 2005
May 9, 2005	$ 0.75	25,000	–	(25,000)	–	–
July 29, 2005	$ 0.94	50,000	–	(50,000)	–	–
July 29, 2005	$ 1.18	3,000	–	(3,000)	–	–
July 29, 2005	$ 2.35	315,000	–	(315,000)	–	–
September 19, 2005	$ 2.30	7,500	–	(7,500)	–	–
November 30, 2005	$ 5.00	1,469,334	–	(1,241,000)	(228,334)	–
November 30, 2005	$ 5.05	38,000	–	(38,000)	–	–
November 30, 2006	$ 4.65	100,000	–	–	–	100,000
November 30, 2006	$ 5.00	2,192,000	–	(46,001)	(248,499)	1,897,500
September 28, 2007	$ 5.40	–	150,000	–	–	150,000
November 30, 2007	$ 4.50	–	170,000	–	–	170,000
November 30, 2007	$ 5.31	–	655,000	(3,334)	(10,000)	641,666
December 14, 2007	$ 5.37	–	15,000	–	–	15,000
		4,199,834	**990,000**	**(1,728,835)**	**(486,833)**	**2,974,166**
Weighted average exercise price		$ 4.71	$ 5.19	$ 4.32	$ 5.01	$ 5.05

The exercise prices of all share purchase options granted during the year were equal to the market price at the grant date. Using an option pricing model with the assumptions noted below, the estimated fair value of all options granted during 2006 and 2005 have been reflected in the statements of operations as follows:

	Years ended December 31		
	2006	2005	2004
Exploration			
Engineering	$ 636,927	$ 643,879	$ 270,562
Environmental, socioeconomic and land	224,466	255,325	517,451
Geological	1,020,985	888,302	2,323,289
	1,882,378	1,787,506	3,111,302
Operations and administration	4,162,686	2,302,389	3,267,575
Total compensation cost recognized in operations, credited to contributed surplus	**$ 6,045,064**	**$ 4,089,895**	**$ 6,378,877**

The weighted average assumptions used to estimate the fair value of options granted during the period were:

	2006	**2005**	**2004**
Risk-free interest rate	4%	3%	3%
Expected life	4.4 years	2.5 years	2.2 years
Vesting period	0 – 24 months	0 – 18 months	0 – 18 months
Expected volatility	52%	60%	80%
Expected dividend yield	nil	nil	nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

(e)

Contributed surplus

Contributed surplus, December 31, 2003	$	1,688,335
Changes during 2004		
Non-cash stock-based compensation		6,378,877
Fair value of stock options allocated to shares issued on exercise		(562,492)
Contributed surplus, December 31, 2004		7,504,720
Changes during 2005		
Non-cash stock-based compensation		4,089,895
Fair value of stock options allocated to shares issued on exercise		(4,305,238)
Contributed surplus, December 31, 2005		7,289,377
Changes during 2006		
Non-cash stock-based compensation		6,045,064
Common shares returned to treasury (note 6(a)(ii))		1,772,776
Fair value of stock options allocated to shares issued on exercise		(5,045,304)
Contributed surplus, December 31, 2006	**$**	**10,061,913**

8.

RELATED PARTY BALANCES AND TRANSACTIONS

	Years ended December 31,		
Transactions	2006	2005	2004
Services rendered and expenses reimbursed			
Hunter Dickinson Inc. (a)	$ 3,728,221	$ 2,286,249	$ 2,002,148
Hunter Dickinson Group Inc. (b)	–	12,800	12,800
Sidev Holdings Ltd. (c)	176,138	203,225	148,567
Brian Mountford & Associates Ltd. (d)	–	–	112,000
Galahad Gold plc (e)	31,355	47,421	129,000
Shambala Gold plc (e)	–	124,998	–
Beattie Consulting Ltd. (f)	1,950	11,835	–
Gordon J. Fretwell Law Corporation (g)	16,050	–	–

Balances receivable (payable)	At December 31, 2006	At December 31, 2005
Hunter Dickinson Inc. (a)	$ 192,480	$ 451,560
Hunter Dickinson Group Inc. (b)	–	(3,200)
Northern Dynasty director and employees (h)	3,740,000	–
	$ 3,932,480	$ 448,360

(a)

Hunter Dickinson Inc. ("HDI") is a private company owned equally by nine public companies, one of which is Northern Dynasty. HDI has certain directors in common with the Company and provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company and its subsidiaries on a full cost recovery basis pursuant to an agreement dated December 31, 1996. Balances payable to HDI from time to time result from advances by HDI to the Company and from services rendered to, but not yet paid for by, the Company.

(b)

Hunter Dickinson Group Inc. (“HDGI”) was a private company with certain directors in common that provided consulting services to the Company. The balances payable to HDGI resulted from the services rendered to, but not yet paid for by, the Company.

In October 2001, the Company was assigned an 80% interest in two options granted by Teck Cominco to HDGI in respect of Teck Cominco's "Pebble" gold-copper- molybdenum property in southwestern Alaska (note 6(a)).

In May 2006, the Company completed the acquisition of the 20% remaining contractual interest in the Pebble Property from HDGI

(c)

During the year ended December 31, 2006, the Company paid $176,138 (year ended December 31, 2005 – $203,225) to Sidev Holdings Ltd., a private company controlled by the Chief Operating Officer and a director of Northern Dynasty Mines Inc., a wholly owned private USA subsidiary of the Company, for project management services.

(d)

During the year ended December 31, 2006, the Company paid $nil (year ended December 31, 2005 – $112,000) to Brian Mountford & Associates Ltd., a private company controlled by a then director of the Company, and former President and director of Northern Dynasty Mines Inc., a wholly owned private USA subsidiary of the Company. Payments made in fiscal 2005 were for engineering and project management services and for his services as an officer of the Company, from which positions he resigned at the end of June 2005. Mr. Mountford also served as a consultant to Galahad Gold plc and its wholly owned subsidiary Shambhala Gold plc, which are significant shareholders of the Company at December 31, 2006.

(e)

During the year ended December 31, 2006, the Company paid $nil (year ended December 31, 2005 – $124,998) to Shambhala Gold plc, (a subsidiary of Galahad Gold plc) for engineering and project management services provided by Mr. Mountford to the Company. During the year ended December 31, 2006, the Company was charged $31,335 (year ended December 31, 2005 – $47,421) by Galahad Gold plc, a significant shareholder of the Company at December 31, 2006 with a director in common, for travel expenses.

(f)

During the year ended December 31, 2006, the Company paid $1,950 (period August 2, 2005 to December 31, 2005 – $11,835) to Beattie Consulting Ltd., a private company controlled by a then director of Northern Dynasty Minerals Ltd.

(g)

During the year ended December 31, 2006, the Company paid $16,050 (year ended December 31, 2005 – nil) to Gordon J. Fretwell Law Corporation, a private company controlled by a director of Northern Dynasty Minerals Ltd.

(h)

On November 30, 2006, the Company received irrevocable notifications of exercise from holders of 748,000 common share purchase options. Under the Company's incentive option plan, as amended, the persons exercising these options were permitted to defer paying to the Company the required exercise proceeds of $5.00 per share for a period up until 10 days after an internally imposed share trading blackout period applicable to these persons has been lifted (but within 90 days in any event unless a regulatory approval for an further extension is obtained). The blackout was imposed on account of their involvement in certain sensitive negotiations. The common share certificates in respect of these exercised options are held by the Company and will not be released until the required cash payment has been received. Subsequent to December 31, 2006, the blackout was lifted and the cash payment relating to the exercised options were received by the Company.

9. INCOME TAXES

Substantially all the difference between the actual income tax recovery of $2,602,583 and the expected income tax recovery based on statutory tax rates relates to the benefit of losses not recognized.

As at December 31, 2006 the tax effect of the significant components within the Company's future tax asset (liability) were as follows:

	December 31 2006	December 31 2005
Future income tax assets (liabilities)		
Resource pools	$ 56,888,000	$ 36,141,000
Loss carry forwards	3,800,000	2,980,000
Equipment	110,000	60,000
Other	–	120,000
Subtotal	60,798,000	39,301,000
Valuation allowance	(59,432,099)	(39,301,000)
Net future income tax asset	$ 1,365,901	$ –
Acquisition of HDGI – Excess of book value of mineral property over tax value	(62,238,565)	–
Sale of NDM Exploration and Resource Lands shares – Excess of book value of mineral property over tax value	(728,405)	
Net future income tax liability	$ (61,601,069)	$ –

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial tax rates to earnings before income taxes. These differences result from the following items:

	December 31 2006	December 31 2005
Combined Canadian federal and provincial statutory rate	34.12%	34.87%
Income tax at statutory rates	$ (20,138,000)	$ (17,546,000)
Non-deductible items	2,098,000	1,435,000
Reduction in statutory tax rates	360,000	126,000
Difference in foreign tax rates	(3,620,000)	(2,734,000)
Change in valuation allowance	20,131,099	18,991,000
Other	531,405	(272,000)
Income tax recovery	$ (637,496)	$ –

At December 31, 2006, the Company had available losses for income tax purposes in Canada totaling approximately $9.4 million (2005 – $7.5 million), expiring in various years from 2007 to 2026.

The Company has capital losses available of $156,713 (2005 – $nil), which can be used to offset future capital gains.

The Company has approximately $151.9 million (2005 – $104.9 million) of resource tax pools available in Canada, which, when available, may be carried forward and utilized to reduce future taxes related to certain resource income. In addition, the Company has approximately $148.9 million (2005 – $102.9 million) of resource tax pools available, which may be used to shelter certain resource income in the United States.

10. SUBSEQUENT EVENTS

Subsequent to December 31, 2006, the Company:

- issued 205,500 common shares pursuant to the exercise of share purchase options;
- granted 613,000 options with an exercise price of $10.32 per common share, expiring April 30, 2009.
- granted 828,000 options with an exercise price of $10.95 per common share, expiring February 20, 2012.

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ in certain material respects from those principles that the Company would have followed had its consolidated financial statements been prepared in accordance with United States generally accepted accounting principles ("US GAAP"). Had the Company followed US GAAP, certain items on the statements of loss and deficit, and balance sheets would have been reported as follows:

Total assets	2006	2005
Total assets under US and Canadian GAAP	$ 266,967,259	$ 31,296,012

Total liabilities	2006	2005
Total liabilities under US and Canadian GAAP	$ 69,440,441	$ 3,161,012

Total share capital and contributed surplus	2006	2005
Total share capital and contributed surplus under US and Canadian GAAP	$ 367,426,000	$ 139,651,326

Total deficit	2006	2005
Total deficit under US and Canadian GAAP	$ 169,899,182	$ 111,516,326

Loss for the year	**2006**	**2005**	**2004**
Loss for the year under Canadian GAAP	$ (58,382,856)	$ (50,317,831)	$ (41,698,647)
Other comprehensive income			
Mark-to-market adjustment on shares of Taseko Mines Limited (a)	–	–	169,140
Realization on prior year mark-to-market adjustment (a)	–	(169,140)	–
Comprehensive loss for the year under US GAAP	$ (58,382,856)	$ (50,486,971)	$ (41,529,507)
Loss per share under US GAAP	$ (0.75)	$ (0.90)	$ (1.04)
Comprehensive loss per share under US GAAP	$ (0.75)	$ (0.90)	$ (1.04)

There are no material differences between Canadian GAAP and US GAAP in the consolidated statements of cash flows for the years ended December 31, 2006, 2005, and 2004.

(a) *Available-for-sale securities*

US GAAP requires investments in available-for-sale securities to be recorded at fair value in accordance with SFAS 115, " *Accounting for Certain Investments in Debt and Equity Securities*". Unrealized gains are recorded as "other comprehensive income" and the cumulative balance of these amounts is recorded as a separate component of shareholders' equity.

US GAAP requires the Company to present comprehensive income in accordance with SFAS 130, " *Reporting Comprehensive Income*", which establishes standards for the reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income comprises net income and all changes to shareholders' equity except those resulting from investments by owners and distributions to owners.

Under US GAAP, the Company's investment in marketable securities, namely its holdings of common shares of Taseko Mines Limited, would have a mark-to-market adjustment of $nil (2004 – $169,140) to reflect their market value of $363,906 at December 31, 2005. No such adjustment would be recorded under Canadian GAAP.

In April 2005, the Canadian Institute of Chartered Accountants ("CICA") issued new and amended accounting standards for recognition, measurement and disclosure of financial instruments, hedges and comprehensive income. One of the new standards requires companies to present comprehensive income and its components, as well as net income, in their financial statements. The new standards are effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2006.

(b)

Impact of recent United States accounting pronouncements

(i)

In March 2004, the Emerging Issues Task Force ("EITF") issued EITF 04-3, *Mining Assets: Impairment and Business Combinations*. EITF 04-3 requires mining companies to consider cash flows related to the economic value of mining assets (including mineral properties and rights) beyond those assets' proven and probable reserves, as well as anticipated market price fluctuations, when assigning value in a business combination in accordance with SFAS 141 and when testing the mining assets for impairment in accordance with SFAS 144. EITF 04-3 is effective for fiscal periods beginning after March 31, 2004. The adoption of EITF 04-3 did not have material impact on the Company's financial position, results of operations or cash flows.

(ii)

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 153, " *Exchanges of Non-Monetary Assets - An Amendment of APB Opinion No. 29*" ("SFAS 153"). The guidance in APB No. 29, " *Accounting for Non-Monetary Transactions*" is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS 153 amends APB No. 29 to eliminate the exception for exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 was effective for the Company's 2006 fiscal year. The adoption of SFAS 153 had no impact the Company's financial position, results of operations or cash flows.

(iii)

In March 2005, the EITF issued EITF 04-6, "Accounting for Stripping Costs in the Mining Industry". The consensus indicated that costs of removing overburden and waste materials ("stripping costs") after production begins, represent variable production costs and should be considered a component of mineral inventory cost subject to the guidance in Chapter 4 of Accounting Research Bulletin No. 43, "Restatement and Revision of

Accounting Research Bulletins". EITF 04-6 is effective for fiscal years beginning after December 15, 2005 and upon adoption, can be applied by either retroactively restating prior periods or using a cumulative catch-up adjustment. The adoption of this Statement had no impact the Company's financial position, results of operations or cash flows.

(iv) In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS 154 requires retrospective application to prior periods' financial statements of a change in accounting principle unless it is impracticable to do so. This is a change from the existing practice that requires most accounting changes to be accounted for by including in net income in the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of SFAS 154 cannot be determined until such time as the Company makes a change in accounting policy.

(v) In June 2006, FASB issued Financial Interpretation No. 48, Accounting for *Uncertainty in Income Taxes - An Interpretation of SFAS Statement No. 109*. This interpretation provides guidance on recognition and measurement of uncertainties in income taxes and is effective for the Company's 2007 fiscal year end. The Company does not expect the adoption of this Interpretation to have a significant effect on the Company's results of operations or financial position.

(vi) In September 2006, the US Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 which provides guidance on the consideration of the effects of prior year misstatements in quantifying misstatements in current year financial statements. This guidance is applicable for annual statements ending after November 15, 2006. The Company does not expect the adoption of this interpretation to impact the Company's results of operations or financial position.

NORTHERN DYNASTY MINERALS LTD.
YEAR ENDED DECEMBER 31, 2006
MANAGEMENT'S DISCUSSION AND ANALYSIS

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NORTHERN DYNASTY MINERALS LTD.
YEAR ENDED DECEMBER 31, 2006
MANAGEMENT'S DISCUSSION AND ANALYSIS

1.1 Date

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Northern Dynasty Minerals Ltd. ("Northern Dynasty" or the "Company") for the year ended December 31, 2006.

This MD&A is prepared as of March 28, 2007. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

This discussion includes certain statements that may be deemed "forward-looking statements". These forward-looking statements constitute "forward-looking statements" within the meaning of Section 27A of the *Securities Act of 1933* and Section 21E of the *Securities Exchange Act of 1934.* All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those stated herein.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

This section uses the terms 'measured resources' and 'indicated resources'. The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

Cautionary Note to Investors Concerning Estimates of Inferred Resources

This section uses the term 'inferred resources'. The Company advises investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. 'Inferred resources' have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of economic studies, except in rare cases. **Investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable.**

1.2 Overview

1.2.1 Summary

Northern Dynasty is a mineral exploration company focused on developing the Pebble Copper-Gold-Molybdenum Project. The Pebble Property is located in Alaska, 17 miles (27 kilometers) from the village of Iliamna, and approximately 200 miles (320 kilometers) southwest of the city of Anchorage.

An extensive, northeast-trending mineralized system underlies the Pebble Property. The system hosts several copper, gold and molybdenum deposits. The Pebble West Deposit was discovered and partially outlined through drilling by a previous operator from 1987-1997. Northern Dynasty acquired the right to earn an interest in the Pebble Property in late 2001 and, since that time, has substantially expanded the Pebble West deposit and located three additional porphyry copper-gold-molybdenum deposits as well as a porphyry copper zone, a gold-copper skarn occurrence and several high-grade gold veins.

The Pebble Project made a transition from exploration to development planning in 2004. The Company has been carrying out comprehensive technical programs, including drilling, a full spectrum of engineering assessments, and environmental and socio-economic studies. Until 2005, these studies had been focused on a development plan for the Pebble West Deposit, an estimated 4.1 billion tonne near-surface resource that is

amenable to extraction by open pit methods. The estimated mineral resources in the Pebble West deposit to March 2005 [1] at a 0.30% copper-equivalent cut-off[3] include:

- Measured and Indicated Resources of 3.0 billion tonnes grading 0.28% copper, 0.32 g/t gold, and 0.015% molybdenum, containing 18.8 billion pounds of copper, 31.3 million ounces of gold and 993 million pounds of molybdenum
- Inferred Resource of 1.1 billion tonnes grading 0.24% copper, 0.30 g/t gold and 0.014% molybdenum, containing 5.9 billion pounds of copper, 10.8 million ounces of gold and 361 million pounds of molybdenum.

In late 2005, the Pebble East porphyry copper-gold-molybdenum deposit was discovered and, since that time, work has focused on this new deposit. Pebble East is located adjacent and to the east of the Pebble West deposit. It is deeper but higher grade than Pebble West and a preliminary analysis indicates that it is amenable to underground bulk mining. An initial inferred resource of 1.1 billion tonnes was announced for Pebble East at the end of the 2005 season.

Drilling in 2006 continued to intersect long intervals of high-grade copper-gold-molybdenum mineralization. In February 2007, the results of a resource update were announced. At a 0.6% copper equivalent cut-off, the estimated mineral resources in Pebble East are:

- Inferred Resource of 3.4 billion tonnes grading 0.56% copper, 0.36 g/t gold and 0.036% molybdenum, containing 42.6 billion pounds of copper, 39.6 million ounces of gold, and 2.7 billion pounds of molybdenum.

Infill and step out drilling is planned for Pebble East in 2007. The step out holes will test for further expansion to the north and south, as the deposit remains open in those directions. The focus of the infill program will be to increase the confidence in the resource, and move a significant portion of it into the measured and indicated categories.

The discovery of Pebble East also resulted in the preparation of a new development plan and timelines for the Project. Additional engineering, environmental and socio-economic studies have been undertaken in 2006, and will continue in 2007, to support an Integrated Development Plan ("IDP") for the Project involving both the Pebble East and Pebble West Deposits. The objective is to provide the information necessary to submit, in due course, permit applications for a modern, long-life mining operation.

In July 2006, the Company issued 8,745,845 common shares in connection with a share purchase agreement with Kennecott Canada Exploration Inc. (“Kennecott”), a subsidiary of Rio Tinto plc (“Rio Tinto”), for $10.00 per share. Kennecott has a right of first refusal to participate in up to 50% of future share placements by the Company, subject to customary exceptions, until Kennecott reaches 19.9% of the Company’s outstanding share capital. The right thereafter continues as a 19.9% right until Kennecott either fails to take up any offered allotment or the fifth anniversary of the agreement, whichever occurs first.

In January 2007, Northern Dynasty was advised by Galahad Gold plc (“Galahad”) that QIT-Fer Et Titane Inc., an affiliate of Rio Tinto, agreed to purchase 9.4 million shares of Northern Dynasty from Galahad at a price of $10 per share. The share purchase, which closed February 1, 2007, increased Rio Tinto’s indirect

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[1] The resource estimate was completed under the direction of David W. Rennie, P. Eng. of Scott Wilson Roscoe Postle Associates Inc., and R. Mohan Srivastava, M.Sc., P.Geo., of FSS Canada Consultants Inc., independent Qualified Persons.

ownership in Northern Dynasty to approximately 19.79% . As a consequence of this transaction, Galahad's shareholding in Northern Dynasty has been reduced and its right to participate in Northern Dynasty financings will expire. Also, Rio Tinto's 5-year right to participate in certain future financings will be reduced from a 50% level to approximately 19.9% . In December 2006, and subject to shareholder approval at the upcoming Annual General Meeting, Northern Dynasty's Board of Directors adopted a Shareholder Rights Plan for the Company which is triggered at 20%. In conjunction with Galahad's sale of its Northern Dynasty shareholdings, Messr. Ian Watson and Messr. Morris Beattie, retired from the board of directors.

1.2.2 2006 Technical Programs

Drilling

The 2006 program consisted of holes drilled for exploration, engineering and environmental purposes in the area of the Pebble East deposit, as tabulated below:

# of Drill holes	Footage	Meters	Purpose	Type
19	73,721	22,470	Exploration	Core
17	3,176	968	Geotechnical	Core
14	1,611	491	Monitoring wells	Percussion
50	**78,508**	23,659		

Core drilling to explore and define the Pebble East deposit was completed in 19 holes, expanding the deposit to a north-south strike length exceeding 7000 ft (2100 m), and over a width exceeding 4000 ft (1220 m). Grades consistently exceed 1% copper equivalent. The deposit remains open for expansion to the north and to the south.

Mineral resources as estimated in February 2007 are presented at a variety of cut-offs in the table below:

PEBBLE EAST DEPOSIT - INFERRED MINERAL RESOURCES – FEBRUARY 2007 1								
Cut-Off	Size	Grade				Contained Metal		
CuEQ[2,3] %	Million Tonnes	Copper %	Gold g/t	Molybdenum %	CuEQ[2] %	Copper B lb	Gold M oz	Molybdenum B lb
0.60	3,379	0.57	0.36	0.036	1.00	42.6	39.6	2.7
0.70	2,835	0.62	0.38	0.037	1.06	38.8	34.9	2.3
0.80	2,312	0.67	0.40	0.038	1.14	34.3	30.1	1.9
0.90	1,841	0.73	0.43	0.038	1.21	29.6	25.4	1.5
1.00	1,421	0.79	0.46	0.039	1.29	24.6	20.9	1.2
1.10	1,057	0.85	0.49	0.039	1.37	19.8	16.6	0.9

Note 1

By prescribed definition, "Mineral Resources" do not have demonstrated economic viability. An Inferred Mineral Resource is that part of a mineral resource for which quantity and grade can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity.

Note 2

Copper equivalent calculations use metal prices of US$1.00/lb for copper, US$400/oz for gold, and US$6.00/lb for molybdenum. Copper equivalent has not been adjusted for metallurgical recoveries. Adjustment factors to account for differences in relative metallurgical recoveries for copper, gold and molybdenum will depend upon the completion of definitive metallurgical testing. CuEQ = Cu % + (Au g/t x 12.86/22.05) + (Mo% x 132.28/22.05).

Note 3

A 0.30% CuEQ cut-off is considered to be comparable to that used for porphyry deposit open pit mining operations in the Americas. For bulk underground mining higher cut-offs, such as 0.60% CuEQ, are typically used. All cut-offs are subject to a feasibility study.

The February 2007 Pebble East resource estimate is based upon drill core assay results from 132 core holes completed by Northern Dynasty in the Pebble East area. The estimate was prepared by the technical staff of Northern Dynasty and audited by industry leading geological and mining consultants at Scott Wilson Roscoe

Postle Associates Inc., under the direction of David W. Rennie, P. Eng., an independent Qualified Person as defined by National Instrument 43-101. A technical report detailing the resource estimate is in preparation.

Integrated Development Plan

The engineering effort in 2006 was reduced from the previous year, pending the delineation of the Pebble East deposit. The work that was completed was focused on collection of data to support the preparation of the IDP, in particular, some key preliminary data for Pebble East. The main areas in which analysis continued during the year were:

- Geotechnical evaluations of the surface soil deposits in the vicinity of potential tailings storage sites;
- Analysis of power supply options,
- Collection of geotechnical and hydrogeological data to support design of a potential underground mine at Pebble East;
- Initial evaluation of bulk underground mining options for Pebble East, with a focus on determining potential mining rates and development scenarios; and
- Initial scoping-level metallurgy on Pebble East and collection of samples for a pre-feasibility level metallurgy program in 2007.

Geotechnical Data

Pebble East

A major program was initiated to collect geotechnical data specifically intended to support design of a major underground mine at Pebble East. A major independent consulting firm with significant expertise in defining underground mining parameters was engaged. Their personnel oriented and logged 4 holes as they were drilled and also re-logged 4 holes drilled in 2005. In addition, a number of holes drilled in 2006 were tested with an acoustic logger. Work to correlate the geotechnical and acoustic logs was initiated in the third quarter.

All these data are currently being assessed and a similar program will be conducted in 2007.

In addition to collecting rock quality parameters, a deep groundwater monitoring system was installed in one of the exploration holes. The data will be used to assess the hydrogeological parameters of Pebble East.

Surface

Seventeen holes, with depths ranging between 90 and 400 ft, were drilled to further understand the characteristics of the surface soil properties on the site. Most of these holes were drilled in the vicinity of one of the possible tailings sites. Others were drilled over top of Pebble East to assess the quality of the soils.

Mine Engineering

In the third quarter, Northern Dynasty engaged an independent consulting firm with significant experience in the evaluation of large-scale underground mines to commence a scoping-level assessment of Pebble East. This study demonstrated that an underground mine on Pebble East could produce as much as 110,000 tonnes per day over a 50 year or longer period. The results of this work are currently being updated to incorporate the latest resource model based on the 2006 drilling. These results will then be used to assess the preferred development strategy for the IDP.

Metallurgy

Preliminary scoping tests were completed at SGS Lakefield Research in April 2006 on samples from a 200 ft intersection of drill hole 5327 in the Pebble East deposit. The samples were composited into a single overall sample and into four samples representing 50 foot down-hole lengths. The work demonstrated that the Pebble East mineralization that was tested is amenable to treatment with a flowsheet encompassing a simplified suite of reagents, incorporating rougher/scavenger flotation at natural pH and a combination of regrinding of bulk rougher concentrate and bulk scavenger cleaner concentrate, copper/pyrite separation and final cleaning. Excellent concentrate grades were achieved with simple pH control using lime.

Projected overall recoveries for the composite tested, based on lock cycle test results, are 98% for copper, 78% for gold and 73% for molybdenum (to copper flotation concentrate) from a calculated feed grade of 0.75% Cu, 0.38 g Au/t and 0.012% Mo.

Sample collection for detailed metallurgical studies of Pebble East commenced in the third quarter of 2006. Quarter core samples were collected on site from holes drilled in 2005 and the first four holes drilled in 2006 and forwarded to SGS Lakefield Research. Composite preparation was started by year end; a total of 134 composites were prepared. The planned program, including comminution tests, flotation test and environmental data generation, is scheduled for completion in the first half of 2007.

Infrastructure

Although a base case for the project infrastructure has been developed, previous studies had shown that some alternatives for the port site and road may offer opportunities. Investigations continued during the latter half of 2006. Homer Electric Association is continuing its analysis of power generation and transmission alternatives to optimize project design, cost, and schedule factors.

Environmental, Cultural and Socio-Economic Studies

Northern Dynasty's comprehensive environmental and socioeconomic study programs continued in 2006, along with its efforts to engage local communities, and other project stakeholders in an informed dialogue on the deposit geology, project design alternatives and the environmental studies. Over the past 12 months, more than 350 meetings have been facilitated with project stakeholders throughout the State of Alaska and the Company also continued its local hire/recruiting, workforce training, and local business development initiatives.

The Company has now completed three consecutive years of environmental and socio-economic baseline data studies. This work was undertaken by over 45 independent consulting firms, and expanded the geographic scope of its investigations to support Pebble East planning. Water rights applications were submitted to the

Alaska Department of Natural Resources in July 2006 to maintain Northern Dynasty's priority status. These applications will be processed during project permitting, which is planned to commence when the optimized project is designed.

All consultants have completed the analysis of the data collected during 2004-2005 and have drafted their respective chapters of the Draft Environmental Baseline Document. These chapters are now with the senior technical reviewers. Consultants are now analyzing the 2006 data.

Northern Dynasty continues to focus on developing positive working relationships with many local Native and community institutions, while supporting skills training, workforce and business development, local scholarships, search and rescue efforts, and other community initiatives.

The Company has employed more than 100 local people from more than 20 small Bristol Bay communities in each of the last two years, and made significant expenditures on local goods, services and salaries. The Company spent over $3 million in the local regions in 2006, an increase from $2.8 million in 2005. It also entered into 14 different goods and service contracts with Bristol Bay companies. On-site training programs have enabled Northern Dynasty to hire more local people and to advance workers to positions requiring more skill and responsibility. The Company is also investing in the future, by providing financial support to introduce mining and natural resources career education in schools in the local region.

1.2.3 Plans for 2007

A comprehensive program is planned for 2007, encompassing drilling, engineering, and on-going environmental data collection and community engagement programs. Detailed budgets are now in preparation.

Exploration and Resource Drilling

Drilling re-commenced at the Pebble Project site in the first half of February 2007. Currently five rigs are working, with plans to ramp up to 8 rigs in April.

The 2007 program will focus on Pebble East and consist of two components: delineation drilling and infill drilling. Delineation drilling in the order of 100,000 ft (30,400 m) will focus on extending the Pebble East deposit to the north and the south and to define its eastern and western limits. Infill drilling will comprise approximately 150,000 ft (45,720 m) and focus on upgrading the resource classification of the highest grade 1 billion tonnes of the deposit.

Other Drilling

Drilling is also planned for the collection of additional surface soils and groundwater data throughout the site.

Engineering

To achieve the 2007 objectives, the key engineering tasks that have been identified are:

- Collect additional site and underground geotechnical data to support ongoing mine design work;
- Complete pre-feasibility level metallurgical testwork on Pebble East to optimize conventional processing systems and designs;
- Continue to assess the major infrastructure elements (access road, port and power) in order to establish the optimum alternatives and designs for these Project components; and
- Develop the best overall Project mine plan from the extensive mineral resources available.

Environmental

Northern Dynasty's comprehensive environmental and socioeconomic study programs will continue in 2007 with the objectives of collecting data in the expanded Pebble East deposit area and to compare annual variability. This data provides a foundation for the sound environmental design of the project and preparation of state and federal permit applications in future years. The primary focus of 2007 programs will be in the areas of water, aquatic/fish, terrestrial/wildlife, wetlands, and subsistence/traditional use. As well, the penultimate draft of the Pebble Project Environmental Baseline Document will be completed in 2007.

Community outreach and stakeholder communication initiatives will continue and expand in 2007 with the hiring of local community associates within some of the area villages. In addition, there will be an expanded interaction with and briefings of industry associations such as the Alaska Miners' Association and the Resource Development Council and with grassroots movements such as Truth About Pebble. Notwithstanding the information campaign against mining in Bristol Bay by a small minority of special interests, there is growing support for responsible development and for adhering to due process in project permitting in the State. This is evidenced by the successful October 2006 re-election of the incumbent mayor and key council members of the Lake and Peninsula Borough and the November 2007 state election of a Republican governor whose campaign position was in support of mining and advocated due process for permitting of Pebble.

1.2.4 Market Trends

Overall, copper prices have increasing since late 2003. Copper prices averaged US$3.03/lb in 2006 but as a result of increasing supply, copper prices have dropped slightly in early 2007, averaging US$2.62/lb to mid March.

Molybdenum prices increased from US$7.60/lb to US$34/lb in 2004, and peaked at an average price of US$33/lb in 2005. Prices stabilized in 2006, averaging US$25.53/lb over the year. In early 2007, molybdenum prices increased slightly, averaging US$25.94/lb to mid March.

Overall, gold prices have been increasing for more than three years and, although there was some volatility late in 2006, the average for the year - US$604/oz – was higher than the average price - US$445/oz - in 2005. Volatility in the gold price has continued in 2007, but the average price to mid March is US$648/oz.

1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in Canadian dollars.

	As at December 31 2006	As at December 31 2005	As at December 31 2004
Current assets	$ 98,111,993	$ 14,177,877	$ 13,254,219
Mineral properties	168,221,821	16,706,930	11,788,621
Other assets	633,445	411,205	398,101
Total assets	**266,967,259**	**31,296,012**	**25,440,941**
Current liabilities	7,839,372	3,161,012	3,025,155
Other liabilities	61,601,069		
Shareholders' equity	197,526,818	28,135,000	22,415,786
Total liabilities and shareholders' equity	**266,967,259**	**31,296,012**	**25,440,941**
Working capital	90,272,621	11,016,865	10,229,064
Expenses			
Amortization	123,908	93,179	45,994
Conference and travel	935,981	700,718	351,201
Exploration	50,612,416	43,066,417	32,594,900
Legal, accounting and audit	931,318	312,507	143,916
Office and administration	3,041,226	2,361,520	1,382,986
Shareholder communication	385,920	367,134	471,032
Trust and filing	149,270	192,662	85,438
Foreign exchange loss (gain)	(772,703)	(281,639)	251,135
Future income tax recovery	(637,496)	–	–
Gain on sale of marketable securities	(194,381)	–	–
Interest expense (income)	(2,237,667)	(584,562)	(357,926)
Write down of marketable securities	–	–	351,094
Stock-based compensation – exploration	1,882,378	1,787,506	3,111,302
Stock-based compensation – administration	4,162,686	2,302,389	3,267,575
Loss for the period	**$ 58,382,856**	**$ 50,317,831**	**$ 41,698,647**
Basic and diluted loss per share	$ (0.75)	$ (0.90)	$ (1.04)
Weighted average number of common shares outstanding	77,708,870	55,845,791	39,926,335

1.4 Summary of Quarterly Results

Expressed in thousands of Canadian dollars, except per-share amounts. Small differences are due to rounding.

	Dec 31 2006	Sept 30 2006	June 30 2006	Mar 31 2006	Dec 31 2005	Sep 30 2005	June 30 2005	Mar 31 2005
Current assets	98,112	107,966	22,516	$ 11,885	$ 14,178	$ 18,646	$ 28,265	$ 39,262
Mineral properties	168,222	152,178	152,096	16,707	16,707	16,707	16,707	16,707
Other assets	633	512	391	394	411	431	450	405
Total assets	**266,967**	**260,656**	**175,003**	**28,986**	**31,296**	**35,784**	**45,422**	**56,374**
Current liabilities	7,839	6,391	4,166	2,987	3,161	4,718	4,812	3,892
Other liabilities	61,601	46,195	46,194	–	–	–	–	–
Shareholders' equity	197,527	208,070	124,643	25,999	28,135	31,066	40,610	52,482
Total liabilities and shareholders' equity	**266,967**	**260,656**	**175,003**	**28,986**	**31,296**	**35,784**	**45,422**	**56,374**
Working capital	90,273	101,574	18,350	8,898	11,017	13,928	23,453	35,370
Expenses								
Amortization	61	26	19	18	24	24	25	19
Conference and travel	375	199	184	178	210	147	261	83
Exploration	16,565	16,115	11,055	6,877	10,483	15,335	11,666	5,582
Legal, accounting and audit	324	240	205	163	128	62	74	50
Office and administration	732	696	865	749	469	695	705	493
Shareholder communication	139	69	95	83	77	116	85	89
Trust and filing	2	29	11	107	59	38	29	67
Subtotal	18,198	17,374	12,434	8,175	11,450	16,417	12,845	6,383
Fair value adjustment on price protection	–	–	–	–	(634)	634	–	–
Foreign exchange loss (gain)	(746)	(230)	268	(65)	(55)	(199)	(47)	20
Interest expense (income)	(984)	(943)	(177)	(133)	(113)	(152)	(201)	(118)
(Gain) on sale of marketable securities	–	–	–	(194)	–	–	–	–
Subtotal	16,468	16,201	12,525	7,783	10,648	16,700	12,597	6,285
Stock-based compensation	1,339	1,048	2,555	1,103	442	1,497	759	1,391
Future income tax recovery	(638)	–	–	–	–	–	–	–
Loss for the period	**17,169**	**17,249**	**15,080**	**8,886**	**11,090**	**18,197**	**13,356**	**7,676**
Basic and diluted loss per share	$ (0.19)	$ (0.20)	$ (0.21)	$ (0.15)	$ (0.18)	$ (0.32)	$ (0.24)	$ (0.16)
Weighted average number of common shares outstanding YTD (thousands)	91,027	86,599	71,977	60,804	59,309	57,189	56,670	49,351

1.5 Results of Operations

Loss for the year ended December 31, 2006 increased to $58.4 million, compared to a loss of $50.3 million in the previous fiscal year. Included in the loss for the current year was a non-cash stock-based compensation expense of $6.0 million (2005 – $4.1 million) .

Expenses, excluding stock-based compensation, foreign exchange gains, interest income and future income tax recovery, increased slightly to $56.2 million from $47.1 million in the previous year.

Exploration costs increased slightly to $50.6 million from $43.1 million in the previous year. The main exploration expenditure during the year were:

- environmental planning and testing (2006 – $13.7 million; 2005 – $13.1 million);
- site activities (2006 – $10.3 million; 2005 – $5.1 million);
- drilling (2006 – $7.6 million; 2005 – $5.7 million) and
- helicopter transportation (2006 – $5.6 million; 2005 – $4.7 million).
- engineering (2006 – $4.7 million; 2005 – $9.3 million)
- socioeconomic (2006 – $4.6 million; 2005 – $2.5 million)

The increase in exploration costs is due to the increased activities involved in creating an integrated development plan, involving both Pebble East and Pebble West, to achieve feasibility level engineering and provide the information necessary to submit, in due course, permit applications for a mine at Pebble.

Office and administration costs increased to $3.0 million from $2.4 million in the previous year mainly due to increased administrative activities required to support work at the Pebble site. Legal, accounting and audit increased to $0.9 million (2005 – $0.3 million) due to legal advisory services incurred for regulatory and environmental matters in Alaska.

Stock-based compensation of $6.0 million was charged to operations during 2006 fiscal year, compared to $4.1 million in the previous year, due to the amortization of stock based compensation granted in the prior year and options granted during the year.

Interest income increased to $2.2 million (2005 – $0.6 million) due to higher cash balance on hand compared to the prior year.

There was a future income tax recovery during the year of $0.6 million due to the build up of losses and resource pools available to reduce future income.

1.6 Liquidity

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company has issued common shares in each of the past few years, pursuant to private placement financings and the exercise of warrants or options. The Company's access to financing when the financing is not transaction specific is always uncertain. There can be no assurance of continued access to significant equity funding.

At December 31, 2006, the Company had working capital of approximately $90.3 million.

On July 28, 2006 the Company issued 8,745,845 common shares in connection with a share purchase agreement with Kennecott Canada Exploration Inc. (“Kennecott”) for $10.00 per share. Kennecott has a right of first refusal to participate in up to 50% of future share placements by the Company, subject to customary exceptions, until Kennecott reaches 19.9% of the Company’s outstanding share capital. The right thereafter continues as a 19.9% right until Kennecott either fails to take up any offered allotment or the fifth anniversary of the agreement, whichever occurs first.

The Company has no long term debt, capital lease obligations, operating leases or any other long term obligations.

The Company has no "Purchase Obligations", defined as any agreement to purchase goods or services that is enforceable and legally binding on the Company.

1.7 Capital Resources

At December 31, 2006, Northern Dynasty had working capital of approximately $90.3 million, as compared to $11 million at December 31, 2005. The Company has no long-term debt and had 91,685,519 common shares issued and outstanding at December 31, 2006.

The Company had no commitments for material capital expenditures as of December 31, 2006.

During the period November 2004 to May 2006, the Company exercised its options for a 100% interest in the Pebble property.

The Company will use its capital resources primarily to continue its exploration and development program on the Pebble property.

The Company has no lines of credit or other sources of financing which have been arranged but as yet unused.

1.8 Off-Balance Sheet Arrangements

None.

1.9 Transactions with Related Parties

Hunter Dickinson Inc. ("HDI") is a private company owned equally by nine public companies, one of which is Northern Dynasty. HDI has certain directors in common with the Company and carries out geological, corporate development, administrative, financial management including raising of funds, investor relations, and other management activities for, and incurs third party costs on behalf of, the Company. The Company reimburses HDI on a full cost-recovery basis.

Costs for services rendered by HDI to the Company were $3,728,221 for the year ended December 31, 2006 as compared to $2,286,249 for the year ended December 31 2005. The variance between the current year and the 2005 fiscal year is due to the increased level of activity of the Company and additional resources provided by HDI to assist the Company's exploration and development activities.

In October 2001, the Company was assigned an 80% interest in two options granted by Teck Cominco to HDGI, a related party to the Company, in respect of Teck Cominco's Pebble copper-gold-molybdenum property in southwestern Alaska. During the year ended December 31, 2006, the Company completed the acquisition of the 20% remaining contractual interest in the Pebble Property from HDGI (see note 6 of the accompanying financial statements).

During the year ended December 31, 2006, the Company paid:

- $176,138 (2006 – $203,225) to a private company controlled by Bruce Jenkins, the Chief Operating Officer of the Company's main subsidiary, for project management services.
- $31,355 (2005 – $47,421) by Galahad Gold plc, a significant shareholder of the Company at December 31, 2006, for travel expenses.
- $1,950 (2005 – $11,835) to a private company controlled by Morris Beattie, a then director at December 31, 2006, for engineering services.
- $16,050 (2005 – $nil) to a private company controlled by Gordon Fretwell, a director, for management services.

On November 30, 2006, the Company received irrevocable notifications of exercise from holders of 748,000 common share purchase options. Under the Company's incentive option plan, as amended, the persons exercising these options were permitted to defer paying to the Company the required exercise proceeds of $5.00 per share for a period up until 10 days after an internally imposed share trading blackout period applicable to these persons has been lifted (but within 90 days in any event unless a regulatory approval for an further extension is obtained). The blackout was imposed on account of their involvement in certain sensitive negotiations. The common share certificates in respect of these exercised options are held by the Company and will not be released until the required cash payment has been received. Subsequent to December 31, 2006, the blackout was lifted and the cash payment relating to the exercised options were received by the Company.

1.10 Fourth Quarter

The loss for the fourth quarter of 2006 decreased slightly to $17.1 million from 17.2 million in the third quarter of the year due to a future income tax recovery of $0.6 million. Exploration activity at the Pebble site and stock-based compensation increased slightly in the fourth quarter of 2006 compared to the third quarter of 2006 due to the amortization of stock-based compensation granted in prior quarters.

Exploration expenses increased in the fourth quarter of the year to $16.6 million from $16.1 million in the third quarter of the year due to ongoing exploration activities continuing later in the year. Office and administration increased slightly by in the fourth quarter of the year to $0.74 million from $0.69 million in the third quarter due to legal advisory services incurred for regulatory matters in Alaska and auditing and accounting services for tax related matters.

1.11 Proposed Transactions

There are no proposed asset or business acquisitions or dispositions, other than those in the ordinary course, before the board of directors for consideration.

1.12 Critical Accounting Estimates

The Company's accounting policies are presented in note 3 of the consolidated financial statements for the year ended December 31, 2005, included in the Annual Information Form and on file at www.sedar.com. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. These estimates include:

- mineral resources and reserves,
- the carrying values of mineral properties,
- the carrying values of property, plant and equipment, and
- the valuation of stock-based compensation expense.

Actual amounts could differ from the estimates used and, accordingly, affect the results of operations.

Mineral resources and reserves, and the carrying values of mineral properties, and of property, plant and equipment

Mineral resources and reserves are estimated by professional geologists and engineers in accordance with recognized industry, professional and regulatory standards. These estimates require inputs such as future metals prices, future operating costs, and various technical geological, engineering, and construction parameters. Changes in any of these inputs could cause a significant change in the resources and reserves estimates which in turn could have a material effect on the carrying value of property, plant and equipment.

The carrying value of mineral properties is also dependant on the valuation used for the common shares and warrants of the Company issued for the acquisition of mineral properties. The value of the common shares issued is the price of the common shares of the Company at the date of issuance to effect the acquisition. The Company uses the Black-Scholes pricing model to estimate a value for the warrants issued upon the acquisition of a property. This model, and other models which are used to value options and warrants, require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the carrying value initially recorded for mineral properties.

Stock-based compensation expense

From time to time, the Company may grant share purchase options to directors, employees and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation expense charged in a period.

Asset retirement obligations

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

1.13 Changes in Accounting Policies including Initial Adoption

The CICA issued Section 3855, Financial Instruments –Recognition and Measurement, Section 3861, “Financial Instruments – Disclosure and Presentation”, Section 3865, “Hedges”, and Section 1530, “Comprehensive Income”, all applicable to the Company for annual or interim accounting periods beginning on January 1, 2007.

Section 3855 requires all financial assets, financial liabilities and non-financial derivatives to be recognized on the balance sheet and measured based on specified categories. Section 3861 identifies and details information to be disclosed in the financial statements.

Section 3865 sets out when hedge accounting can be applied and builds on existing Canadian GAAP guidance by specifying how hedge accounting is applied and disclosed.

Section 1530 introduces new standards for the presentation and disclosure of the components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources.

The Company is currently evaluating the full impact of the standards and will be required to present a new statement entitled “Comprehensive Income”.

The CICA also issued Section 1506, Accounting Changes, which revises the current standards on changes in accounting policy, estimates or errors as follows: voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information; changes in accounting policy are to be applied retrospectively unless doing so is impracticable; changes in estimates are to be recorded prospectively; and prior period adjustments are to be corrected retrospectively. In addition, this standard calls for enhanced disclosure about the effects of changes in accounting policies, estimates and errors on the financial statements.

Section 1506 is applicable for the Company beginning January 1, 2007. The impact of Section 1506 cannot be determined until such time as the Company makes a change in accounting policy.

1.14 Financial Instruments and Other Instruments

None.

1.15 Other MD&A Requirements

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

1.15.1 Additional Disclosure for Venture Issuers without Significant Revenue

Not applicable. The Company is a non-venture issuer.

1.15.2 Disclosure of Outstanding Share Data

The following details the share capital structure as of March 28, 2007, the date of this MD&A, subject to minor accounting adjustments.

	Expiry date	Exercise price	Number	Number
Common shares				91,890,519
Share purchase options	September 28, 2007	$ 5.40	53,000	
	November 30, 2007	$ 4.50	134,334	
	November 30, 2007	$ 5.31	430,000	
	December 14, 2007	$ 5.37	15,000	
	April 30, 2009	$ 7.25	381,870	
	April 30, 2011	$ 7.25	945,000	
	April 30, 2009	$ 9.81	62,500	
	April 30, 2009	$10.32	613,000	
	February 20, 2012	$10.95	828,000	3,462,704

The following are the principal risk factors and uncertainties which, in management's opinion, are likely to most directly affect the ultimate feasibility of the Pebble project. The mineralized material at the Pebble project is currently classified as a mineral resource and it is not a reserve. Considerable additional work, including in-fill drilling, additional process tests, and other engineering and geologic work will be required to determine if the mineralized material is an economically exploitable reserve. There can be no assurance that this mineralized material can become a reserve or that the amount may be converted to a reserve or the grade thereof. Final feasibility work has not been done to confirm the pit design, mining methods, and processing methods. Final feasibility could determine that the currently assumed pit design, mining methods, and processing methods are not correct. Construction and operation of the mine and processing facilities depends on securing environmental and other permits on a timely basis. No permits have been applied for and there can be no assurance that required permits can be secured or secured on a timely basis. Data is incomplete and cost estimates have been developed in part based on costs at projects believed to be comparable, and not based on firm price quotes. Costs, including design, procurement, construction, and on-going operating costs and metal recoveries could be materially different from those currently assumed. There can be no assurance that mining can be conducted at assumed rates and grades. The project requires the development of port facilities, roads and electrical generating and transmission facilities. Although Northern Dynasty believes that the State of Alaska favors the development of these facilities and may be willing to arrange financing for their development, there can be no assurance that these infrastructure facilities can be developed on a timely and cost-effective basis. Energy risks include the potential for significant increases in the cost of fuel and electricity. The project has been evaluated using projected long-term price levels for copper, gold, silver and molybdenum. Prices for these commodities are historically volatile, and Northern Dynasty has no control of or influence on those prices, all of which are determined in international markets. There can be no assurance that the prices of these commodities will continue at current levels or that they will not decline below the projected prices. Prices for gold, copper, silver, and molybdenum have been below the projected prices at times during the past ten years, and for extended periods of time. The project will require major financing, probably a combination of debt and equity financing. There can be no assurance that debt and/or equity financing will be available on acceptable terms. A significant increase in costs of capital could materially and adversely affect the value and feasibility of constructing the project. Other general risks include those ordinary to very large construction projects including the general uncertainties inherent in engineering and construction cost, the need to comply with generally increasing environmental obligations, and accommodation of local and community concerns.

1.15.3 Internal Control Over Financial Reporting and Disclosure Controls

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company's filings under securities legislation is accumulated and communicated to management, including the CEO and CFO as appropriate, to allow timely decisions regarding public disclosure. They are designed to provide reasonable assurance that all information required to be disclosed in these filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Company reviews its disclosure controls and procedures; however, it cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

The Company's management, including the CEO and CFO, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2006. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's management has evaluated the effectiveness of internal control over financial reporting. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of December 31, 2006.



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2006

This annual information form ("AIF") is as of March 30, 2007

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ITEM 2. PRELIMINARY NOTES

This AIF includes certain statements that may be deemed "forward-looking statements" within the meaning of Section 27A of the *Securities Act of 1933* and Section 21E of the *Securities Exchange Act of 1934*. All statements in this AIF, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions, as well as those factors addressed in the "Risk Factors" section of this AIF. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Incorporation of Continuous Disclosure Documents by Reference

In this Annual Information Form ("AIF"), the "Company" or "Northern Dynasty" refers to Northern Dynasty Minerals Ltd. and all its subsidiaries together unless the context states otherwise.

Incorporated by reference into this AIF are the comparative audited consolidated financial statements and Management's Discussion and Analysis for Northern Dynasty for the fiscal year ended December 31, 2006 together with the auditor's report thereon. These documents are available for review on the SEDAR website located at www.sedar.com. All financial information in this AIF is prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Documents incorporated by reference in this AIF include all audited and interim financial statements, proxy circulars, news releases and other continuous disclosure documents filed by Northern Dynasty, copies of which are available on request from the offices of Northern Dynasty or on the SEDAR web site (indicated above).

Cautionary Note to Investors Concerning Estimates of Measured, Indicated and Inferred Resources

This AIF uses the terms 'measured resources', 'indicated resources' and 'inferred resources'. Northern Dynasty advises the investors that while these terms are recognized and required by Canadian regulations (under National Instrument 43-101 Standards of Disclosure for Mineral Projects), the United States Securities and Exchange Commission does not recognize them. **Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted to reserves.** In addition, 'inferred resources' have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian regulations, estimates of Inferred Mineral Resources may not form the basis of Feasibility or Pre-Feasibility Studies, or economic studies except for a Preliminary Assessment as defined under 43-101. **Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.**

Currency and Metric Equivalents

All dollar amounts are expressed in Canadian dollars unless otherwise indicated. The Company's accounts are maintained in Canadian dollars. The business activities of the Company, carried out through its subsidiary in Alaska, U.S.A. are conducted primarily with United States dollars. The rate of exchange

on December 31, 2006 as reported by the Bank of Canada, for the conversion of one United States dollar into one Canadian dollar was 1.1654.

The following table sets forth (i) the rate of exchange for the Canadian dollar, expressed in U.S. dollars, in effect at the end of the periods indicated, (ii) the average of exchange rates in effect on the last day of each month during such periods, and (iii) the high and low exchange rates during such periods, each based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into U.S. dollars.

	Year Ended December 31		
	2006	**2005**	**2004**
Rate at end of period	0.8581	0.8577	0.8308
Average rate for period	0.8816	0.8255	0.7685
High for period	0.9099	0.8690	0.8493
Low for period	0.8528	0.7872	0.7159

For ease of reference, the following factors for converting Imperial measurements into metric equivalents are provided:

Metric Units	Multiply by	Imperial Units
Hectares	2.471	= acres
Metres	3.281	= feet
Kilometres	0.621	= miles (5,280 feet)
Grams	0.032	= ounces (troy)
Tonnes	1.102	= tons (short) (2,000 lbs)
grams/tonne	0.029	= ounces (troy)/ton

Glossary

In this Annual Information Form ("AIF") the following terms have the meanings set forth herein:

National Instrument NI 43-101

The Canadian securities rule which establishes disclosure standards for mineral projects by Canadian resource companies.

Composite Hydrothermal System

Created by hydrothermal process or processes in which there is evidence of more than one centre or source of hydrothermal fluids, and potentially more than one mineral deposit.

HDGI

Is a reference to Hunter Dickinson Group Inc. (now renamed 3537137 Canada Inc.) which is the related party corporation which originally held the options to the Pebble Project, and which was acquired by the Company to become a 100% subsidiary in fiscal 2006.

Hydrothermal Alteration

Alteration of rocks or minerals by the reaction of hot, or hydrothermal, water with pre-existing (or host) rocks or minerals. The products of this reaction may also be a hydrothermal mineral deposit, that is, gangue and ore minerals that

	have been deposited in fractures, faults, breccia openings, etc., by replacement or open-space filling from watery fluids of 50-700 degrees C temperature and of 1-3 kilobars pressure.
Induced Polarization ("IP") Survey	A geophysical survey used to identify a feature that appears to be different from the typical or background survey results when tested for levels of electro- conductivity; IP detects both chargeable, pyrite-bearing rock and non-conductive rock that has a high content of quartz. It is commonly used to explore for mineralization associated with porphyry copper deposits.
Mineral Symbols	Au - Gold; Ag - Silver; Al - Aluminum; Cu - Copper; Fe - Iron; Mo - Molybdenum; Na - Sodium; O - Oxygen; Pb - Lead; S - Sulphur; Zn - Zinc.
Porphyry deposit	A type of mineral deposit in which ore minerals are widely disseminated, generally of low grade but large tonnage.

Resource Category (Classification) Definitions

The discussion of mineral deposit classifications in this AIF adheres to the resource/reserve definitions and classification criteria developed in 2000 by the Canadian Institute of Mining. Estimated mineral resources fall into two broad categories dependent on whether the economic viability of them has been established and these are namely "resources" (potential for economic viability) and ore "reserves" (viable economic production is feasible). Resources are sub-divided into categories depending on the confidence level of the estimate based on level of detail of sampling and geological understanding of the deposit. The categories, from lowest confidence to highest confidence, are inferred resource, indicated resource and measured resource. Reserves are similarly sub-divided by order of confidence into probable (lowest) and proven (highest). These classifications can be more particularly described as follows:

"**Mineral Resource**" means a deposit or concentration of natural, solid, inorganic or fossilized organic substance in such quantity and at such greater quality that extraction of the material at a profit is currently or potentially possible. "**Inferred Resource**" means the estimated quantity and grade of a deposit, or a part thereof, that is determined on the basis of limited sampling, but for which there is sufficient geological information and a reasonable understanding of the continuity and distribution of metals values to outline a deposit of potential economic merit. "**Indicated Resource**" means the estimated quantity and grade of a part of a deposit for which the continuity of grade, together with the extent and shape, are so well-established that a reliable grade and tonnage estimate can be made. "**Measured Resource**" means the estimated quantity and grade of that part of a deposit for which the size, configuration and grade have been very well established by observation and sampling of outcrops, drill holes, trenches and mine workings.

"**Mineral Reserve**" is that part of a resource which can be mined legally and at a profit under economic conditions that are specified and which are generally accepted as reasonable. Economic viability must be demonstrated by at least a preliminary feasibility study based on Indicated and Measured Resources.

"**Probable Reserve**" means the estimated quantity and grade of that part of an Indicated Resource for which the economic viability has been demonstrated by adequate information and engineering, operating, economic and legal factors, at a confidence level that will allow positive decisions on major expenditures.

"**Proven reserve**" is the estimated quantity and grade of that part of a Measured Resource for which the size, grade and distribution of values, together with technical and economic factors, are so well-

established that there is the highest degree of confidence in the estimate. The term should be restricted to that part of a deposit being mined, or being developed and for which there is a mining plan.

ITEM 3. CORPORATE STRUCTURE

Northern Dynasty Minerals Ltd. is a mineral exploration company incorporated on May 11, 1983 pursuant to the *Company Act* of the Province of British Columbia (predecessor to the *British Columbia Corporations Act* in force since 2004), under the name "Dynasty Resources Inc.". On November 30, 1983 the Company changed its name to "Northern Dynasty Explorations Ltd." and subsequently, on October 11, 1997, changed its name to Northern Dynasty Minerals Ltd. Northern Dynasty became a reporting company in the Province of British Columbia on April 10, 1984 and was listed on the Vancouver Stock Exchange (now the TSX Venture Exchange and herein generally "TSX Venture") from 1984-1987, listed on the Toronto Stock Exchange from 1987-1993, and unlisted but still in good standing with all securities commissions from 1993 to 1994, and thereupon listed on TSX Venture from 1994 to present. In November 2004, the common shares of Northern Dynasty were also listed on the American Stock Exchange ("AMEX").

The head office of Northern Dynasty is located at Suite 1020, 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6, telephone (604) 684-6365, facsimile (604) 684-8092. The Company's legal registered office is in care of its Canadian attorneys Lang Michener, Barristers & Solicitors, at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 4N7, telephone (604) 689-9111, facsimile (604) 685-7084. Its wholly owned Alaskan operating subsidiary, Northern Dynasty Mines Inc., is located at 3201 C Street, Suite 604, Anchorage, Alaska, USA 99503 as is the Company's Alaskan mining claim title holding subsidiary, Northern Dynasty Holdings Inc.

In this Annual Information Form, a reference to the "Company" or "Northern Dynasty" includes a reference to its wholly-owned subsidiaries, unless the context clearly indicates otherwise. Certain terms used herein are defined in the text and others are included in the glossary of this Annual Information Form.

ITEM 4. GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Northern Dynasty is a mineral exploration company focused on developing the Pebble Project a copper-gold-molybdenum mineral project. The Pebble Project is located in Alaska, 17 miles (27 kilometers) from the village of Iliamna, and approximately 200 miles (320 kilometers) southwest of the city of Anchorage.

To December 31, 2006, Northern Dynasty's aggregate exploration expenditures on the Pebble Project total approximately $137 million with acquisition costs of approximately $168 million, bringing the total invested in the property to approximately $305 million. Northern Dynasty does not have any operating revenue, although historically it has had annual interest revenue as a consequence of investing surplus funds pending the completion of exploration programs. During fiscal 2007, Northern Dynasty plans to continue its exploration and development of the Pebble Project.

Significant Acquisitions and Significant Dispositions

During the year ended December 31, 2006, the Company completed the acquisition of Hunter Dickinson Group Inc. (more particularly described herein) which held a 20% carried interest in the Pebble Project for consideration 14,002,268 common shares. Northern Dynasty thus owns a 100% working interest in the Pebble project subject to a net profits royalty held by a predecessor-in-interest on a portion of the Pebble Project lands..

ITEM 5. DESCRIPTION OF BUSINESS

The Pebble Project

The following is a description of the Pebble Project at December 31, 2006.

Original Option and Acquisition Agreements Overview

Pursuant to an Assignment Agreement dated October 29, 2001 between Northern Dynasty and Hunter Dickinson Group Inc., ("HDGI"), a related party to the Company, the Company was assigned an 80% interest in two separate options, which had been granted by Teck Cominco American Incorporated ("Teck Cominco") under a single agreement to HDGI in respect of mining claims comprising the Pebble Project. The mining claims were known to hosts a large copper-gold-molybdenum porphyry deposit on state land in southwestern area of the State of Alaska, near Cook inlet..

The first of the two options permitted Northern Dynasty to purchase 80% of the previously drilled (by Teck Cominco) portions of the Pebble Project on which the majority of the known copper and gold mineralization was known to exist (the "Resource Lands").A 20% carried interest in the resource lands option was retained by HDGI. The Resource Lands option required the payment of cash or shares during the three year term of the option (as extended by one year) and a balloon option payment at the end of the third year of approximately US$10 million (prior to November 30, 2004), at which time Northern Dynasty would own 80% of the Resource Lands (and HDGI, a 20% carried interest).

The second part of the Teck Cominco option permitted Northern Dynasty to earn a 50% (and up to 100%, subject to HDGI's retained carried interest of 20%) in Northern Dynasty's interest in the remainder of the Pebble Project which was the area outside of the known mineralization (the "Exploration Lands") by doing 60,000 feet of exploration drilling by November 30, 2004.

In November 2004, Northern Dynasty had completed its option requirements and had exercised the option to acquire 80% of the Resource Lands and by February 2005, 80% of the Exploration Lands was acquired by exercise of the second option. During 2006, Northern Dynasty acquired the remaining 20% working interest in the Pebble Project with the purchase of 100% of HDGI. Northern Dynasty thus owns a 100% working interest in the Pebble project subject only to a nets profits royalty (4% of net profits, becoming 5% after project debt payback) held by Teck Cominco on the Exploration Lands.

Recent Operations

As a consequence of work done by Northern Dynasty between 2002 and 2006, two primary areas of mineralization have been identified at the Pebble Project and are referred to as the Pebble West Deposit (the original "Resource Lands") and Pebble East Deposit (the original "Exploration Lands"). Northern Dynasty's work program in fiscal 2006 involved exploration drilling of the Pebble East Deposit on the eastern flank of the Pebble West , and the continued collection of environmental and socioeconomic data

and ongoing engineering studies towards a feasibility study and initiation of the permitting process.The 2006 program was focused on assessing the Pebble East Deposit through drilling and engineering studies to integrate it into the overall mine plan for the project. The drilling component of the program consisted of 100,000 ft (30,500 m). Comprehensive engineering, environmental, and socioeconomic programs, designed to collect input for a feasibility study for a long life mining operation, will continue in parallel with the drilling program. Work on an integrated development plan ("IDP") for the overall project commenced in 2006 and will extend through 2007.

Alaska Statutes

Northern Dynasty is required to strictly comply with all Alaska statutes in connection with the Pebble Project. These statutes govern titles, operations, environmental, development, operating and generally all aspects of exploration and development of a mine in Alaska.

Alaska Statutes 38.05.185 and the following statutes establish the rights to mining claim and mineral leases on lands owned by the State of Alaska and open to mineral entry. This group of statutes also covers annual labour, annual rental, and royalties.

Operations on claims or leases on state owned land must be permitted under a plan of operations as set out in 11 Alaska Administrative Code 86.800. This regulation generally provides that the State Division of Mining can be the lead agency in coordinating the comments of all agencies, which must consent to the issuance of a plan of operations, and sets the requirements for the approval of a plan of operations.

Environmental conditions are controlled by Alaska Statute 46.08 (which prohibits release of oil and hazardous substances), Alaska Statute 46.03.060 and following (which sets water quality standards), and Alaska Statute 46.14 (which sets air quality standards).

2006 Equity Purchase by Rio Tinto Affiliate

During the year, the Company issued 8,745,845 common shares in connection with a share purchase agreement with Kennecott Canada Exploration Inc. ("Kennecott") for $10.00 per share for proceeds of approximately $87 million. Kennecott received a right of first refusal to participate in up to 50% of future share placements by the Company, subject to customary exceptions, until Kennecott reaches 19.9% of the Company's outstanding share capital. As described following, Kennecott has since acquired a number of shares from an existing holder which essentially takes Kennecott to this figure so the right continues as a 19.9% right until Kennecott either fails to take up any offered allotment or the fifth anniversary of the agreement, whichever occurs first. In January 2007, Northern Dynasty was advised by Galahad Gold plc ("Galahad"), a significant shareholder of the Company, that QIT-Fer Et Titane Inc., an affiliate of Rio Tinto, agreed to purchase 9.4 million shares of Northern Dynasty from Galahad at a price of $10 per share. The share purchase, which closed February 1, 2007, increased Rio Tinto's indirect ownership in Northern Dynasty to approximately 19.79% .

At December 31, 2006, the Company had working capital of $90.3 million and approximately 2.9 million in-the-money share purchase options (exercisable at an average weighted price of $5.05). However, it will likely have to raise additional funds to carry out the planned 2007 exploration program. If the equity markets for resource issuers are not receptive to additional financings, Northern Dynasty would likely have to reduce the planned expenditures.

Property Agreements Further Particulars

Pursuant to an Assignment Agreement dated October 29, 2001 between the Company and Hunter Dickinson Group Inc., ("HDGI"), a related party to the Company, the Company was assigned an 80%

interest in two options, which had been granted by Teck Cominco American Incorporated ("Teck Cominco") under a single agreement to HDGI in respect of Teck Cominco's "Pebble" copper/gold/molybdenum property in southwestern Alaska. One option granted the right to purchase 100% of the lands containing the then known mineralized resource at Pebble (the "Resource Lands Option") and the second option granted the right to purchase a 50% interest in the lands surrounding the Resource Lands (the "Exploration Lands Option") (together, the "Options"). HDGI was a related party by virtue of (i) having certain directors in common with the Company, and (ii) its shareholders or their associates being at the time significant shareholders of the Company. The Assignment Agreement was ratified by shareholders of the Company on June 28, 2002.

The Company was assigned the 80% interest together with the right to acquire HDGI remaining 20% contractual interests in these option agreements from HDGI in consideration of the Company reimbursing HDGI's costs of $584,655 in connection with the options, which included the staking of 134 claims to expand the property and 30 kilometers of induced polarization surveying over the new claims, and agreeing to pay for HDGI's 20% share of costs in respect to the Pebble property.

The Resource Lands Option was extended by one year in an agreement dated December 19, 2002 under which the Company issued to Teck Cominco 200,000 shares for the extension. Pursuant to the Resource Lands Option the Company had the right to purchase the 36 claims of the Resource Lands, subject to HDGI's 20% carried interests, by paying Teck Cominco US$10 million in cash or shares prior to November 30, 2004, which it did on November 23, 2004 by the issuance of 1,772,775 shares to Teck Cominco (total value of $11,788,621). Teck Cominco had the right for 180 days to elect whether to require the Company to manage the resale of these shares ("NDM Resource Lands shares") in a manner where Teck Cominco would be guaranteed the US$10 million in resale proceeds net of any excess or deficiency adjustments. The actual adjusted amount was US$9,938,600.

Other interim option payments to Teck Cominco were made during 2001 to 2004, including US$250,000 in cash plus 500,000 two-year share purchase warrants (exercisable at $0.75) prior to December 31, 2001 and 500,000 shares and 500,000 two-year share purchase warrants (exercisable at $1.15) prior to March 31, 2002 and a further 500,000 shares and 250,000 warrants before December 31, 2002. Pursuant to an agreement to extend the deadline to purchase the Resource Lands from November 30, 2003 to November 30, 2004 an additional 200,000 shares were issued to Teck Cominco on December 19, 2002.

On May 9, 2005, Teck Cominco elected for the Company to guarantee the adjusted amount of US$9,938,600 in resale proceeds of the 1,772,775 shares. Under the agreement, the Company was to ensure proceeds totalling US$9,938,600 by May 22, 2006. At December 31, 2005, 473,700 of the 1,772,775 NDM Resource Lands shares had been sold for proceeds of US$2,039,902. During the year ended December 31, 2006, the Company managed the sale of an additional 1,277,028 NDM Resource Lands shares for proceeds paid to Teck Cominco of US$7,898,698, thereby completing its commitment regarding the resale of the NDM Resource Lands shares. The remaining 22,047 unsold NDM Resource Lands shares relating to this acquisition were then returned to the Company's treasury.

At the time of the Company exercising the Resource Lands Option, the Company also exercised the Exploration Lands Option to earn a 50% interest in the adjacent Exploration Lands, subject to HDGI's carried interest, by having completed 60,000 feet of drilling on the Exploration Lands prior to November 30, 2004.

As a consequence of the Company exercising the Exploration Lands Option, Teck Cominco could elect to either form a 50/50 joint venture with the Company with respect to the Exploration Lands, or to sell its 50% interest in the Exploration Lands to the Company for US$4 million and retain a net profits interest. On February 21, 2005, Teck Cominco elected to sell its remaining 50% interest in the Exploration Lands to the Company for the stipulated US$4 million payment, a 4% pre-payback net profits interest (after debt

service), and a 5% after-payback net profits interest in any mine production from the Exploration Lands. The Company issued 977,795 shares of the Company at the then-prevailing market price as consideration for the required US$4 million payment but subject to Teck Cominco's right to elect to have the proceeds guaranteed.

Teck Cominco had the right, until August 24, 2005, to elect whether to require the Company to manage the resale of these shares ("NDM Exploration Lands shares") in a manner where Teck Cominco would be guaranteed US$4 million in resale proceeds by August 24, 2006. On July 18, 2005, Teck Cominco elected for the Company to guarantee the US$4 million in resale proceeds. During the year ended December 31, 2006, the Company managed the sale of 654,502 NDM Exploration Lands shares for proceeds paid to Teck Cominco of approximately US$4,000,000, thereby completing its commitment regarding the resale of the NDM Exploration Lands shares. During 2006, the remaining 323,293 unsold NDM Exploration Lands shares relating to this acquisition were then returned to the Company's treasury.

In total, 345,340 common shares of the Company, at a value of $1,772,776, unsold after the Company's obligations to Teck Cominco had been met, were returned to the treasury of the Company.

HDGI 20% Carried Interest

As a consequence of the Company electing to exercise the Options, the Company was entitled under the Assignment Agreement with HDGI to elect to acquire HDGI's 20% carried contractual interests in the Options for cash or share consideration equal to the independently appraised value of the carried interests.

On May 31, 2006, the Company acquired 100% of the outstanding common shares of HDGI for purchase price of 14,002,268 common shares of the Company. The agreed number of shares was based on negotiations between the Company, represented by a Special Committee of the Board of Directors, and HDGI with reference to an independent valuation of the carried interests performed by Ross Glanville & Associates Ltd in March 2005. Both parties agreed to a valuation of $6.37 per share, based upon the issuance of 14,002,268 common shares, as representing the fair value of the 20% carried contractual interest. The valuation report was publicly filed at www.sedar.com. The TSX Venture Exchange and the American Stock Exchange have accepted the acquisition transaction.

Upon completion of the acquisition of HDGI, the Company, together with one or more 100% owned subsidiaries, owns a 100% right, title and interest in the entire Pebble Project (subject only to the Teck Cominco net profits interest in the Exploration Lands portion of the property).

Location, Access and Property Description

The Pebble Project is located in the Iliamna region of southwestern Alaska. It is approximately 200 mi (320 km) southwest of Anchorage and 17 mi (27 km) northwest of the village of Iliamna (Figure 1).

Access to the Pebble Project is via fixed wing aircraft to Iliamna. Iliamna has a state-operated airport with two 5,500 ft (1,700 m) paved runways. It is serviced by several passenger and cargo flights daily from Anchorage, using Convair, Hercules and DC-6 aircraft, as well as smaller charter aircraft. Current access from Iliamna to the property is by helicopter.

The Pebble Project is located 60 mi (95 km) from tidewater. Access to the coast from Lake Iliamna is provided by a 19 mi (30 km), state-maintained road, which extends from Pile Bay at the eastern end of Lake Iliamna to Williamsport near Iniskin Bay on Cook Inlet. Bulk fuel and heavy freight can also be

barged in during the summer months to Lake Iliamna via the Kvichak River. There is currently no road from Iliamna northwest to the Pebble Project.

The property forms a continuous block consisting of 1,335 located Alaska State mineral claims totaling 39,900 hectares (98,600 acres).

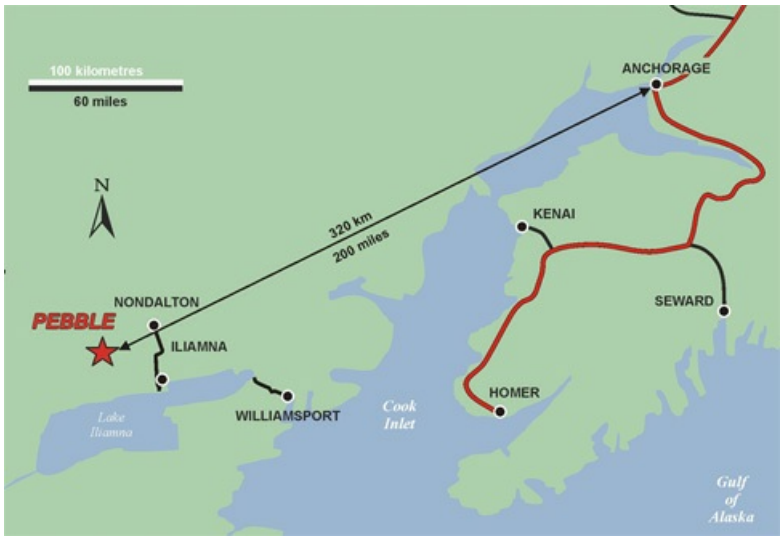


Figure 1 Location

Topography and Climate

The climate of the Iliamna area is similar to Anchorage with summer daytime high temperatures ranging from 10 to 17 degrees Celsius, and low temperatures varying from -10 to -13 degrees Celsius from December to March. Average annual precipitation is 69 cm. The climate, although periodically harsh, is sufficiently moderate to allow a well-planned mineral exploration program to be conducted year-round.

The Pebble Project lies within an area of rolling hills and low mountains. Valley bottoms are at elevations of 820 ft (250 m) above sea level. The highest point on the property is Kaskanak Peak, at an elevation of 2,760 ft (841 m). The Pebble West and Pebble East mineralized deposits are situated at the 1,065 ft (325 m) elevation. Vegetation consists of sparse patches of alder trees separated by expanses of tundra and grass. The area was recently glaciated and glacial soil deposits and hummocky terrain abound. There are streams and small, shallow ponds in the vicinity of the project, which provide water for exploration drilling.

Exploration History

From the mid 1980s to 1994, Teck Cominco conducted exploration in the Pebble region, including prospecting, geological mapping, geochemical sampling, geophysical surveys and drilling of what is now known as the Pebble West Deposit and adjacent areas. The Pebble West discovery outcrop was identified in 1987, but the potential of the system was not fully realized until after an Induced Polarization (IP) geophysical survey was completed in 1989. Although limited in scope, the IP survey at Pebble displayed

a response characteristic of a large, porphyry-copper system. This interpretation was validated through subsequent drilling by Teck Cominco that intercepted significant intervals of porphyry-style copper, gold and molybdenum mineralization. Engineering and metallurgical studies were carried out concurrently with drilling from 1991-1994. HDGI entered into options agreements with Teck Cominco to acquire the Pebble Project in November 2001.

In 2001, HDGI staked the additional claims to cover ground where Teck Cominco had detected a multi-element, soil-geochemical and geophysical (high IP chargeability) anomalies on two, widely spaced, reconnaissance lines. HDGI collected and analyzed 601 soil samples and did 30-line km of IP/resistivity surveying.

During 2002, Northern Dynasty drilled 68 holes totaling 37,090 ft (11,306 m) exploring for additional porphyry deposits within which to define higher-grade resources. Four new mineral zones were discovered. One of these, the Thirty-Eight Zone, is a till-covered copper-gold porphyry deposit located 12 km south-southwest of the Pebble West deposit. Some 86% of Teck Cominco's drill core from the Pebble West deposit was relogged and a sectional geological model was completed. Based on this model, the Pebble West Deposit resource was estimated. Surface work included an 18.5 -line-km ground magnetometer survey; a 328-sample soil geochemical survey and a few man-days of geological traverses.

An independent mineral resource estimate of the Inferred resources in the Pebble West deposit at that time were 1.0 billion tonnes grading 0.30% copper, 0.40 g/t gold, and 0.015% molybdenum (0.61% copper-equivalent) above a cut-off grade of 0.30% copper-equivalent, and 271 million tonnes of 0.43% copper, 0.59 g/t gold, and 0.018% molybdenum (0.86% copper-equivalent) above a cut-off grade of 0.70% copper equivalent.

In 2003, Northern Dynasty drilled 58 holes totaling 64,730 ft (19,730 m) to define higher-grade portions in the Pebble West Deposit and 9 holes totaling 6,520 ft (1,990 m) to test four other prospective zones on the Property, as well as limited surface exploration. The 2003 drilling continued to indicate the presence of substantial porphyry mineralization at the 38 Porphyry Deposit. Drilling at the 37 Skarn intersected moderate gold and copper values; further work is necessary to fully determine the potential of the skarn mineralization. A new independent estimate of the Pebble West Deposit was done in February 2004, increasing the inferred mineral resources to 2.74 billion tonnes grading 0.55% copper-equivalent[1] (0.27% copper 0.30 g/t gold, and 0.015% molybdenum above a cut-off grade of 0.30% copper-equivalent[1].

In November 2004, a preliminary economic assessment of the Pebble Project was done based on the early 2004 resource estimate for the Pebble Deposit, now know as the Pebble West Deposit. The technical report, entitled "Preliminary Assessment of the Pebble Gold-Copper-Molybdenum Project, Iliamna Area, Alaska, USA" was completed in November 2004 by Qualified Persons Derek J. Barratt, P.Eng., and Peter G. Beaudoin, P.Eng., and is filed on www.sedar.com. The Preliminary Assessment was prepared in order to provide guidance for the ongoing engineering work.

The 2004 program involved collection of engineering, environmental and socioeconomic data required for the completion of feasibility studies. The program encompassed approximately 130,000 ft (40,000 m) of drilling, including holes to establish measured and indicated resources in the Pebble West Deposit and others to collect geotechnical, metallurgical and hydrological data to use for mine planning. Some exploratory drilling for new zones and unexplored targets was also done and enabled the Company to complete the 60,000 ft of drilling required to exercise its option on the Exploration Lands.

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[1] Copper equivalent calculations use metal prices of US$0.80/lb for copper, US$350/oz for gold, and US$4.50/lb for molybdenum. The contained gold and copper represent estimated contained metal in the ground and have not been adjusted for metallurgical recoveries. Adjustment factors to account for differences in relative metallurgical recoveries for copper, gold and molybdenum will depend upon the completion of definitive metallurgical testing. CuEQ = Cu % + (Au g/t x 11.25/17.64) + (Mo % x 99.23/17.64)

and unexplored targets was also done and enabled the Company to complete the 60,000 ft of drilling required to exercise its option on the Exploration Lands.

In 2005, Northern Dynasty completed surface mapping of the Exploration Lands at a scale of 1:10,000, and drilled 128,970 feet of core in the Pebble Resource Lands and 33,531 feet of core in the Exploration Lands (23,540 feet of in 15 holes adjacent to the Pebble Resource Lands, 9,112 feet in 53 engineering holes, and 879 feet in Hole 5308 in the southwestern part of the Exploration Lands). This drilling lead to the discovery of a significant, new porphyry centre on the eastern side of the Pebble West Deposit beneath a cover of Tertiary rocks that apparently thickens to the east, and further drilling expanded and deepened the Pebble East deposit. The furthest east hole (5333) intersected a long interval of Tertiary rocks and did not reach the Tertiary-Cretaceous contact, suggesting the presence of a northeast-trending graben along the southeastern side of the Pebble East deposit. An initial estimate of the inferred mineral resource in Pebble East in early 2006 was 1.82 billion tonnes grading 0.60% copper, 0.37 g/t gold and 0.038% molybdenum at a 0.60% copper-equivalent cut-off.

Property Geology

The Pebble property encompasses the eastern and southern margins of the approximately 200 square km in size, Late Cretaceous (89.7 Ma) in age, tonalite-granodiorite Kaskanak Batholith (medium to coarse grained igneous rocks of intermediate composition, covering a large area), and the adjacent Jurassic-Cretaceous sedimentary and interbedded volcanic rocks that the batholith had intruded. On the east side of the batholith, a northeast-trending structural corridor is marked by a linear cluster of multi-phased, compositionally and texturally variable, irregular stocks, sills, dikes and breccia bodies (igneous bodies that are relatively small and circular, flat-lying, linear and structurally shattered, respectively) that are associated with and were formed slightly earlier than the batholith. Numerous gold and copper-gold mineral occurrences, including the large Pebble West, Pebble East and Thirty-Eight porphyry copper-gold-molybdenum deposits, are related to this diverse group of intrusions (coarse grained igneous rocks).

The Pebble West Deposit is a calc-alkalic porphyry (hosted by igneous rocks with potassium feldspar), encompassing four small granodiorite-quartz monzodiorite (coarse grained igneous rocks of intermediate composition) stocks and related sill-like intrusions. These stocks intrude folded and previously hornfelsed (metamorphosed) volcaniclastic (eroded and re-deposited volcanic rocks) sedimentary rocks that host earlier diorite sill-like intrusions, and later intrusion breccias (composed of angular fragments of intrusive rocks in crystalline matrix).

The Pebble East Deposit, discovered in 2005, occurs in a large mineralized intrusion under a cover of younger and unmineralized rocks. The dimensions of Pebble East Deposit are not yet fully defined, but drill results to the end of 2006 indicate the deposit extends over a north-south strike length exceeding 7,000 ft (2,100 m), and over a width exceeding 4,000 ft (1,220 m). Grades consistently exceed 1% copper equivalent. The deposit remains open for expansion to the north and to the south.

Mineralization

Mineralization, consisting principally of pyrite, chalcopyrite and molybdenite, occurs in zones of strong potassium-silicate alteration in and disseminated adjacent to quartz-vein stockworks in all rock types. It is strongest in and near the upper parts of the granodiorite stocks, especially in diorite sills, and in a major granodiorite sill. In the Pebble West Deposit, the copper/gold ratio is about 1% copper to 1.2 g/t gold. The copper/molybdenum ratio is about 20/1. In the Pebble East Deposit, the gold/copper ratio is more variable, generally being between 0.5 and 1.0 with some zones much lower than this and a few 10-ft (3-m) intervals with gold values from 30-65 g/t and copper values less than 1%. The copper/molybdenum ratio ranges widely and decreases strongly below 3000 ft (915 m) beneath the surface.

At Pebble, copper-gold-molybdenum mineralization extends over a known 3.9km by 2.9km area (2.4mi by 1.4mi) and to a depth of 610m (2,000ft) in the Pebble West Deposit and to a depth of 1,525m (5,000ft) in the Pebble East Deposit.

Significant amounts of high-grade copper minerals (predominantly bornite) were intersected in the four northernmost holes drilled in 2006 and also in four holes near the southernmost area drilled. The presence of significant bornite mineralization in these holes indicates their proximity to mineralizing centers which are open to extension and appear to be strengthening to the north and to the south.

Estimates of Mineralization

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

This section use the terms 'measured resources' and 'indicated resources'. The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

Detailed drilling on the Pebble West Deposit in 2004 led to an updated resource estimate that was announced in March 2005. In February 2007, an updated estimate of the mineral resource in the Pebble East deposit was announced based on 132 holes drilled in the Pebble East area.

Pebble West Deposit – Measured Plus Indicated Mineral Resources [2] March 2005								
Cut-Off	Size	Grade				Contained Metal		
CuEQ[C] %	Million Tonnes	Copper %	Gold g/t	Molybdenum %	CuEQ[D] %	Copper B lb	Gold M oz	Molybdenum M lb
0.30	**3,026**	**0.28**	**0.32**	**0.015**	**0.56**	**18.8**	**31.3**	**993**
0.50	1,628	0.35	0.39	0.018	0.69	12.7	20.5	629
0.70	**569**	**0.46**	**0.50**	**0.021**	**0.88**	**5.8**	**9.1**	**265**

Cautionary Note to Investors Concerning Estimates of Inferred Resources

The following section uses the term 'inferred resources'. The Company advises investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. 'Inferred resources' have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of economic studies, except in rare cases. **Investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable.**

Pebble West Deposit – Inferred Mineral Resources [2 A,B] March 2005								
Cut-Off	Size	Grade				Contained Metal		
CuEQ[C] %	Million Tonnes	Copper %	Gold g/t	Molybdenum %	CuEQ[D] %	Copper B lb	Gold M oz	Molybdenum M lb
0.30	**1,133**	**0.24**	**0.30**	**0.014**	**0.50**	**5.9**	**10.8**	**361**
0.50	417	0.31	0.42	0.018	0.67	2.9	5.6	168
0.70	**143**	**0.40**	**0.56**	**0.020**	**0.85**	**1.3**	**2.6**	**63**

[2] The resource estimate was completed under the direction of David W. Rennie, P. Eng. of Scott Wilson Roscoe Postle Associates Inc., and R. Mohan Srivastava, M.Sc., P.Geo., of FSS Canada Consultants Inc., independent Qualified Persons as defined by Canadian regulatory policy NI 43-101.

[3] Prepared by the technical staff of Northern Dynasty and audited by consultants at Scott WilsonRoscoe Postle Associates Inc., under the direction of David W. Rennie, P. Eng., an independent Qualified Person as defined by National Instrument 43-101.

Pebble East Deposit – Inferred Mineral Resources[3], [A,B] February 2007								
Cut-Off	**Size**	**Grade**				**Contained Metal**		
CuEQ[C] %	**Million Tonnes**	**Copper %**	**Gold g/t**	**Molybdenum %**	**CuEQ[D] %**	**Copper B lb**	**Gold M oz**	**Molybdenum M lb**
0.60	**3,379**	**0.57**	**0.36**	**0.036**	**1.00**	**42.9**	**39.6**	**2.7**
0.70	2,835	0.62	0.38	0.037	1.06	38.8	34.9	2.3
0.80	2,312	0.67	0.40	0.038	1.14	34.3	30.1	1.9
0.90	1,841	0.73	0.43	0.038	1.21	29.6	25.4	1.5
1.00	1,421	0.79	0.46	0.039	1.29	24.6	20.9	1.2
1.10	1,057	0.85	0.49	0.039	1.37	19.8	16.6	0.9

Note A

By prescribed definition, “Mineral Resources” do not have demonstrated economic viability.

Note B

An Inferred Mineral Resource is that part of a mineral resource for which quantity and grade can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity.

Note C

A 0.30% CuEQ cut-off is considered to be comparable to that used for porphyry deposit operations in the Americas, but is subject to completion of a feasibility study. For bulk underground mining, higher cut-offs such as 0.60% CuEQ are typically used.

Note D

Copper equivalent calculations use metal prices of US$1.00/lb for copper, US$400/oz for gold, and US$6.00/lb for molybdenum. The contained gold and copper represent estimated contained metal in the ground and have not been adjusted for metallurgical recoveries. Adjustment factors to account for differences in relative metallurgical recoveries for copper, gold and molybdenum will depend upon the completion of definitive metallurgical testing. CuEQ = Cu % + (Au g/t x 11.25/17.64) + (Mo % x 99.23/17.64)

Pebble West Deposit (Open Pit scenario) as used in the November 2004 Preliminary Assessment

Breakeven operating costs:

Mining	$0.87/tonne mined
Processing	$2.51/tonne mineralization
G&A, Maintenence, Environmental etc	$0.79/tonne mineralization
OPERATING COST	$4.17/tonne mineralization
Realization Costs (~$165/t conc)	$1.65/tonne mineralization
TOTAL OPERATING COST	**$5.82/tonne mineralization**

The CuEQ grade for resource estimation represents the equivalent amount of copper in the ground, irrespective of the metallurgical recoveries of the component metals utilized in the calculation. The following is the suggested copper equivalent calculation for the open pit scenario for Pebble West:

CuEQ% = Cu% + (Au g/t * Au$/g / Cu$/%) + (Mo% * Mo$/% / Cu$/%)
where: Cu$/% = $1.00*22.046 = $22.06
Au$/g = $400/31.1035 = $12.86
Mo$/% = $6.00*22.046 = $132.28

Note that the above simple CuEQ calculation is intended for resource estimations only. Mine planning and reserve estimates will be based on Net Smelter Return (NSR) values for the metals rather than metal price. The breakeven cut-off grade (BEGrade), be it copper or copper equivalent, must equate to an NSR that meets (or exceeds) the operating cost. As can be seen from the equation below, the cut-off grade for which the recovered value matches the operating + realization costs of $5.82/tonne is 0.30% Cu.

BEGrade * Recovery * lbs/tonne * copper price = operating cost
BEGrade = 5.82 / (0.88 * 22.046 * 1.00)
EGrade = 0.29% Cu

The above operating costs and economic analysis were derived from the preliminary economic assessment on the Pebble West Deposit. The preliminary economic assessment is based partially on inferred resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves, therefore there is no certainty that the results predicted by the preliminary economic assessment will be realized. Investors are cautioned that the United States Securities and Exchange Commission does not permit U.S. mining companies to disclose economic results from a preliminary economic assessment based on inferred resources.

Pebble East (Underground Bulk Mining Scenario)

Replacing the mining cost above for open pit ($0.87/tonne mined) with costs that have been quoted by companies with block caving experience ($2.50/tonne mined), then the total costs (including realization costs) are $7.45/tonne, giving a value of 0.4% CuEq. A more conservative value of 0.6% CuEq has been used.

Sampling, Analysis, Security and Quality Assurance/Quality Control Procedures

For details on the sampling and analytical procedures at Pebble, please refer to Northern Dynasty's 2004 Annual Information Form .

For all Northern Dynasty drilling programs, core is boxed at the drill rig and transported daily by helicopter to the secure core logging facility in Iliamna, Alaska, where it is geologically logged and digital photographs of each box of core taken prior to sampling. These images are archived on electronic data storage disk, and provide an indication and record of the core recovery and rock quality. Sampling is performed by mechanically splitting the core in half lengthwise. The remaining half core is returned to the core boxes and is stored at a secure Iliamna warehouse. Samples are placed in bags and stored in a locked aircraft hangar prior to shipping via twice-weekly scheduled air service to Anchorage. From Anchorage, the samples are taken by commercial surface transport to sample preparation laboratories at Fairbanks, Alaska.

Drilling, sampling and QAQC are supervised by qualified persons employed by Northern Dynasty. Core samples are logged and identified in the field with consecutively numbered sample tags, on which the analytical QAQC designations for standards and duplicates are pre-marked.

Recent Exploration – 2006 Program

Drilling

The 2006 program consisted of holes drilled for exploration, engineering and environmental purposes in the area of the Pebble East deposit, as tabulated below:

# of Drill holes	Footage	Meterage	Purpose	Type
19	73,721	22,470	Exploration	Core
17	3,176	968	Geotechnical	Core
14	1,611	491	Monitoring wells	Percussion
50	**78,508**	**23,929**		

Core drilling to explore and define the Pebble East deposit was completed in 19 holes, expanding the deposit to a north-south strike length exceeding 7000 ft (2100 m), and over a width exceeding 4000 ft (1220 m). Grades consistently exceed 1% copper equivalent. The deposit remains open for expansion to the north and to the south.

Integrated Development Plan ("IDP")

The engineering effort in 2006 was reduced from the previous year, pending the delineation of the Pebble East deposit. The work that was completed was focused on collection of data to support the preparation of the IDP, in particular, some key preliminary data for Pebble East. The main areas in which analysis continued during the year were:

- Geotechnical evaluations of the surface soil deposits in the vicinity of potential tailings storage sites;
- Analysis of power supply options,
- Collection of geotechnical and hydrogeological data to support design of a potential underground mine at Pebble East;

- Initial evaluation of bulk underground mining options for Pebble East, with a focus on determining potential mining rates and development scenarios; and
- Initial scoping-level metallurgy on Pebble East and collection of samples for a pre-feasibility level metallurgy program in 2007.

Geotechnical Data

Pebble East

A major program was initiated to collect geotechnical data specifically intended to support design of a major underground mine at Pebble East. A major independent consulting firm with significant expertise in defining underground mining parameters was engaged. Their personnel oriented and logged 4 holes as they were drilled and also re-logged 4 holes drilled in 2005. In addition, a number of holes drilled in 2006 were tested with an acoustic logger. Work to correlate the geotechnical and acoustic logs was initiated in the third quarter.

All these data are currently being assessed and a similar program will be conducted in 2007.

In addition to collecting rock quality parameters, a deep groundwater monitoring system was installed in one of the exploration holes. The data will be used to assess the hydrogeological parameters of Pebble East.

Surface

Seventeen holes, with depths ranging between 90 and 400 ft, were drilled to further understand the characteristics of the surface soil properties on the site. Most of these holes were drilled in the vicinity of one of the possible tailings sites. Others were drilled over top of Pebble East to assess the quality of the soils.

Mine Engineering

In the third quarter, Northern Dynasty engaged an independent consulting firm with significant experience in the evaluation of large-scale underground mines to commence a scoping-level assessment of Pebble East. This study demonstrated that an underground mine on Pebble East could produce as much as 110,000 tonnes per day over a 50 year or longer period. The results of this work are currently being updated to incorporate the latest resource model based on the 2006 drilling. These results will then be used to assess the preferred development strategy for the IDP.

Metallurgy

Preliminary scoping tests were completed at SGS Lakefield Research in April 2006 on samples from a 200 ft intersection of drill hole 5327 in the Pebble East Deposit. The samples were composited into a single overall sample and into four samples representing 50 foot down-hole lengths. The work demonstrated that the Pebble East Deposit mineralization that was tested is amenable to treatment with a flowsheet encompassing a simplified suite of reagents, incorporating rougher/scavenger flotation at natural pH and a combination of regrinding of bulk rougher concentrate and bulk scavenger cleaner concentrate, copper/pyrite separation and final cleaning. Excellent concentrate grades were achieved with simple pH control using lime.

Projected overall recoveries for the composite tested, based on lock cycle test results, are 98% for copper, 78% for gold and 73% for molybdenum (to copper flotation concentrate) from a calculated feed grade of 0.75% Cu, 0.38 g Au/t and 0.012% Mo.

Sample collection for detailed metallurgical studies of Pebble East commenced in the third quarter of 2006. Quarter core samples were collected on site from holes drilled in 2005 and the first four holes drilled in 2006 and forwarded to SGS Lakefield Research. Composite preparation was started by year end; a total of 134 composites were prepared. The planned program, including comminution tests, flotation test and environmental data generation, is scheduled for completion in the first half of 2007.

Infrastructure

Although a base case for the project infrastructure has been developed, previous studies had shown that some alternatives for the port site and road may offer opportunities. Investigations continued during the latter half of 2006. Homer Electric Association is continuing its analysis of power generation and transmission alternatives to optimize project design, cost, and schedule factors.

Environmental, Cultural and Socio-Economic Studies

Northern Dynasty's comprehensive environmental and socioeconomic study programs continued in 2006, along with its efforts to engage local communities, and other project stakeholders in an informed dialogue on the deposit geology, project design alternatives and the environmental studies. Over the past 12 months, more than 350 meetings have been facilitated with project stakeholders throughout the State of Alaska and the Company also continued its local hire/recruiting, workforce training, and local business development initiatives.

The Company has now completed three consecutive years of environmental and socio-economic baseline data studies. This work was undertaken by over 45 independent consulting firms, and expanded the geographic scope of its investigations to support Pebble East planning. Water rights applications were submitted to the Alaska Department of Natural Resources in July 2006 to maintain Northern Dynasty's priority status. These applications will be processed during project permitting, which is planned to commence when the optimized project is designed.

The majority of chapters are now completed and under review by the senior technical reviewers. Consultants are now analyzing the 2006 data.

Stakeholder Engagement

Northern Dynasty continues to focus on developing positive working relationships with many local native and community institutions, while supporting skills training, workforce and business development, local scholarships, search and rescue efforts, and other community initiatives.

The Company has employed more than 100 local people from more than 20 small Bristol Bay communities in each of the last two years, and made significant expenditures on local goods, services and salaries. The Company spent over $3 million in the local regions in 2006, an increase from $2.8 million in 2005. It also entered into 14 different goods and service contracts with Bristol Bay companies. On-site training programs have enabled Northern Dynasty to hire more local people and to advance workers to positions requiring more skill and responsibility. The Company is also investing in the future, by providing financial support to introduce mining and natural resources career education in schools in the local region.

Notwithstanding the information campaign against mining in Bristol Bay by what Company management perceives to be a minority of special interests, the Company's management believes there is growing support for the responsible development of the Pebble Project subject to adherence to due process in project permitting in the state. This is evidenced by the successful October 2006 re-election of the incumbent mayor and key council members of the Lake and Peninsula Borough and the November

2007 state election of a another Republican governor whose campaign position was in support of mining and advocated due process for permitting of Pebble. In a recent (March 2007) public opinion poll commissioned by the Alaska Legislature, the following question was posed: "Do you favour or oppose going forward with the environmental impact studies for the proposed Pebble mine to determine whether or not the mine could be developed in a responsible manner." A total of 79% of Alaskans favoured such a process.

Plan of Operation – Fiscal 2007

A comprehensive program is planned for 2007, encompassing drilling, engineering, and on-going environmental data collection and community engagement programs.

Exploration and Resource Drilling

Drilling re-commenced at the Pebble Project site in the first half of February 2007. There are currently five rigs in operations, with plans to increase up to eight rigs by late April.

The 2007 program will focus on Pebble East and consist of two components: delineation drilling and infill drilling. Delineation drilling in the order of 100,000 ft (30,400 m) will focus on extending the Pebble East deposit to the north and the south and to define its eastern and western limits. Infill drilling will comprise approximately 150,000 ft (45,720 m) and focus on upgrading the resource classification of the highest grade 1 billion tonnes of the deposit.

Other Drilling

Drilling is also planned for the collection of additional surface soils and groundwater data throughout the site.

Engineering

To achieve the 2007 objectives, the key engineering tasks that have been identified are to:

- Collect additional site and underground geotechnical data to support ongoing mine design work;
- Complete pre-feasibility level metallurgical testwork on Pebble East to optimize conventional processing systems and designs;
- Continue to assess the major infrastructure elements (access road, port and power) in order to establish the optimum alternatives and designs for these Project components; and
- Develop the best overall Project mine plan from the extensive mineral resources available.

Environmental and Socioeconomic

Northern Dynasty's comprehensive environmental and socioeconomic study programs will continue in 2007 with the objectives of collecting data in the expanded Pebble East deposit area and to compare annual variability. This data provides a foundation for the sound environmental design of the project and preparation of state and federal permit applications in future years. The primary focus of 2007 programs will be in the areas of water, wetlands, aquatic/fish, terrestrial/wildlife, wetlands, and subsistence/traditional use. As well, the penultimate draft of the Pebble Project Environmental Baseline Document will be worked on in 2007.

Community outreach and stakeholder communication initiatives will continue and expand in 2007 with the hiring of local community associates within some of the area villages. In addition, there will be an expanded interaction with and briefings of industry associations such as the Alaska Miners' Association and the Resource Development Council and with grassroots movements such as *Truth About Pebble*.

Recommended work program and Interim Budget

The following budget has been approved by the Board for the period of January 1 to June 30 2007. The drilling portion is phase one of a two-phase program proposed for 2007 in a technical report "2006 Summary Report on the Pebble Copper-Gold-Molybdenum Project" by C.M. Rebagliati and J.G. Payne.

Activity	**CDN$**
Drilling	30,000,000
Engineering	6,000,000
Environmental	12,000,000
Public/Community Affairs	3,600,000
Management, Permitting, Legal	700,000
Anchorage Office	700,000
Head Office	2,000,000
Total	**55,000,000**

Risk Factors

The securities of Northern Dynasty are highly speculative and subject to a number of risks. A prospective investor or other person reviewing Northern Dynasty for a prospective investor should not consider an investment in Northern Dynasty unless the investor is capable of sustaining an economic loss of the entire investment. The risks associated with Northern Dynasty's business include:

Northern Dynasty's mineral properties do not contain any ore reserves or any known body of economic mineralization

Although there are known bodies of mineralization on the Pebble Project, and Northern Dynasty has completed a core drilling programs within, and adjacent to, the deposits to determine measured and indicated resources there are currently no known reserves or body of commercially viable ore and the Pebble Project must be considered an exploration prospect only. Extensive additional work is required before Northern Dynasty can ascertain if any mineralization may be economic and hence constitute 'ore". Engineering, socioeconomic and environmental studies are ongoing. Additional drilling is planned to further define the Pebble East Deposit. Exploration for minerals is a speculative venture necessarily involving substantial risk. If the expenditures Northern Dynasty makes on the Pebble Project do not result in discovery and development of commercial quantities of ore, the value of exploration and acquisition expenditures will be totally lost and the value of Northern Dynasty stock negatively impacted.

Mineral Resources disclosed by Northern Dynasty for the Pebble Project are estimates only

Northern Dynasty has included mineral resource estimates that have been made in accordance with National Instrument 43-101. These resources estimates are classified as "measured resources", "indicated resources" and "inferred resources". Northern Dynasty advises investors that while these terms are

mandated by Canadian securities administrators, the U.S. Securities and Exchange Commission does not recognize these terms. **Investors are cautioned not to assume that any part or all of mineral deposits classified as 'measured resources' or 'indicated resources' will ever be converted into ore reserves.**

Further, 'inferred resources' have a great amount of uncertainty as to their existence, and economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. **Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.**

All amounts of mineral resources are estimates only, and Northern Dynasty cannot be certain that any specified level of recovery of metals from the mineralized material will in fact be realized or that the Pebble Project or any other identified mineral deposit will ever qualify as a commercially mineable (or viable) orebody that can be economically exploited. Mineralized material, which is not mineral reserves, does not have demonstrated economic viability. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, metal prices and actual results of mining.

Northern Dynasty will require significant additional financing in order to continue its exploration activities and its assessment of the commercial viability of the Pebble Project.

Northern Dynasty will need to raise additional financing to continue exploration and complete feasibility studies for the Pebble Project. If the costs of Northern Dynasty's planned exploration programs are greater than anticipated, Northern Dynasty may have to seek additional funds through public and private share offerings, arrangements with corporate partners, or debt financing. There can be no assurance that Northern Dynasty will be successful in its efforts to raise these required funds, or that it will be able to raise the funds on terms that do not result in high levels of dilution to shareholders. The continued exploration of the Pebble Project and the development of Northern Dynasty's business will depend upon Northern Dynasty's ability to establish the commercial viability of the Pebble Project and to ultimately develop its cash flow from operations and reach profitable operations. Northern Dynasty is currently in the exploration stage and has no revenue from operations and is experiencing significant negative cash flow. Accordingly, the only other sources of funds presently available to Northern Dynasty are through the sale of equity and debt capital. Alternatively, Northern Dynasty may finance its business by offering an interest in its mineral properties to be earned by another party or parties carrying out further exploration and development thereof or to obtain project or operating financing from financial institutions. If Northern Dynasty is unable to obtain this additional financing, Northern Dynasty will not be able to continue its activities and its assessment of the commercial viability of the Pebble Project.

Northern Dynasty has no history of earnings and no foreseeable earnings and may never achieve profitability or pay dividends.

Northern Dynasty has a long history of losses and there can be no assurance that Northern Dynasty will ever be profitable. Northern Dynasty has paid no dividends on its shares since incorporation. Northern Dynasty presently has no ability to generate earnings as its mineral properties are in the exploration stage. If Northern Dynasty is successful in developing the Pebble Project, Northern Dynasty anticipates that it will retain future earnings and other cash resources for the future operation and development of its business. Northern Dynasty does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends is solely at the discretion of Northern Dynasty's board of directors, which will take into account many factors including Northern Dynasty's operating results, financial conditions and anticipated cash needs. For these reasons, Northern Dynasty may never achieve profitability or pay dividends.

Northern Dynasty's consolidated financial statements have been prepared assuming Northern Dynasty will continue on a going concern basis

Northern Dynasty's consolidated financial statements have been prepared on the basis that Northern Dynasty will continue as a going concern. At December 31, 2006, Northern Dynasty had working capital of approximately $90.3 million. Management recognizes that Northern Dynasty will need to generate additional financial resources in order to meet its planned business objectives. There can be no assurances that Northern Dynasty will continue to obtain additional financial resources and/or achieve profitability or positive cash flows. If Northern Dynasty is unable to obtain adequate additional financing, Northern Dynasty will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that Northern Dynasty's assets and liabilities be restated on a liquidation basis which would likely differ significantly from their going concern assumption carrying values.

As the Pebble Project is Northern Dynasty's principal mineral property, the failure of Northern Dynasty to establish that the Pebble Project possesses commercially viable deposits of ore will cause a significant decline in the trading price of Northern Dynasty's common shares and reduce its ability to obtain new financing.

The Pebble Project is Northern Dynasty's principal mineral property. Northern Dynasty's principal business objective is to carry out further exploration activities to establish whether the Pebble Project possess commercially viable deposits of ore. If Northern Dynasty in not successful in its plan of operations, Northern Dynasty may have to seek a new mineral property to explore or acquire an interest in a new mineral property or project. Northern Dynasty anticipates that such an outcome would result in a significant decline in the trading price of Northern Dynasty's common shares. Furthermore, Northern Dynasty anticipates that its ability to raise additional financing to fund exploration of a new property or the acquisition of a new property or project would be impaired as a result of the failure to establish commercial viability of the Pebble Project.

If prices for copper, gold and molybdenum decline, Northern Dynasty may not be able to raise the additional financing required to fund its exploration activities for the Pebble Project.

The ability of Northern Dynasty to raise financing to fund its exploration activities and, if warranted, development of the Pebble Project, will be significantly affected by changes in the market price of the metals it mines or for which it explores for. The prices of copper, gold and molybdenum are volatile, and are affected by numerous factors beyond Northern Dynasty's control. The level of interest rates, the rate of inflation, the world supplies of and demands for copper, gold and molybdenum and the stability of exchange rates can all cause fluctuations in these prices. Such external economic factors are influenced by changes in international investment patterns and monetary systems and political developments. The prices of copper, gold and molybdenum have fluctuated in recent years, and future significant price declines could cause investors to be unprepared to finance exploration of copper, gold and molybdenum, with the result that Northern Dynasty may not have sufficient financing with which to funds its exploration activities. In this event, Northern Dynasty may not be able to carry out planned exploration activities and, if warranted, development of the Pebble Project with the result that Northern Dynasty may not be able to continue its plan of operations.

Northern Dynasty competes with larger, better capitalized competitors in the mining industry.

The mining industry is competitive in all of its phases, including financing, technical resources, personnel and property acquisition. It requires significant capital, technical resources, personnel and operational experience to effectively compete in the mining industry. Because of the high costs associated with exploration, the expertise required to analyze a project's potential and the capital required to develop a mine, larger companies with significant resources may have a competitive advantage over Northern Dynasty. Northern Dynasty faces strong competition from other mining companies, some with greater financial resources, operational experience and technical capabilities than Northern Dynasty does. As a result of this competition, Northern Dynasty may be unable to maintain or acquire financing, personnel,

technical resources or attractive mining properties on terms Northern Dynasty considers acceptable or at all.

Compliance with environmental requirements will take large resources and changes to these requirements could significantly increase the costs to Northern Dynasty of developing the Pebble Project and could delay these activities.

Northern Dynasty must comply with stringent environmental legislation in carrying out work on the Pebble Project. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Changes in environmental legislation could increase the cost to Northern Dynasty of carrying out its exploration and, if warranted, development of the Pebble Project. Further, compliance with new or additional environmental legislation may result in delays to Northern Dynasty's exploration and, if warranted, development activities.

Changes in government regulations and the presence of unknown environmental hazards on Northern Dynasty's mineral properties may result in significant unanticipated compliance and reclamation costs

Government regulations relating to mineral rights tenure, permission to disturb areas and the right to operate can adversely affect Northern Dynasty. Northern Dynasty may not be able to obtain all necessary licenses and permits that may be required to carry out exploration at our projects. Environmental hazards may exist on the properties in which Northern Dynasty holds interests which are unknown to Northern Dynasty at present and which have been caused by previous or existing owners or operators of the properties. The presence of such environmental hazards may result in Northern Dynasty being required to comply with environmental reclamation, closure and other requirements that may involve significant costs and other liabilities. Any changes in regulations or shift in political attitude are beyond the control of Northern Dynasty and may adversely affect its business.

Northern Dynasty is subject to many risks that are not insurable and, as a result, Northern Dynasty will not be able to recover losses through insurance should such risks occur.

Hazards such as unusual or unexpected geological formations and other conditions are involved in mineral exploration and development. Northern Dynasty may become subject to liability for pollution, cave-ins or hazards against which it cannot insure. The payment of such liabilities could result in increase in Northern Dynasty's operating expenses which could, in turn, have a material adverse effect on Northern Dynasty's financial position and its results of operations. Although Northern Dynasty maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that the liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or Northern Dynasty might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event Northern Dynasty could incur significant liabilities and costs that could materially increase Northern Dynasty's operating expenses.

The market price of Northern Dynasty's common shares is subject to high volatility and could cause investor loss.

The market price of a publicly traded stock, especially a resource issuer like Northern Dynasty, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of market for resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the Company's common shares suggests Northern Dynasty's shares will continue to be volatile. Therefore, investors could suffer

significant losses if Northern Dynasty's shares are depressed or illiquid when an investor seeks liquidity and needs to sell Northern Dynasty shares.

If Northern Dynasty loses the services of the key personnel that it engages to undertake its exploration, then Northern Dynasty's plan of operations may be delayed or be more expensive to undertake than anticipated.

Northern Dynasty's success depends to a significant extent on the performance and continued service of certain independent contractors, including Hunter Dickinson Inc ("HDI"). The Company has access to the full resources of HDI, an experienced exploration and development firm with in-house geologists, engineers and environmental specialists, to assist in its technical review of the various opportunities; however the Company does not have the right to require HDI to bring to the Company all corporate opportunities that come to HDI's attention. Northern Dynasty has contracted the services of professional drillers and other contractors for exploration, environmental, construction and engineering services. Poor performance by such contractors or the loss of such services could result in the exploration activities planned to be undertaken by Northern Dynasty being delayed or being more expensive to undertake than anticipated.

ITEM 6. DIVIDENDS

The Company has not paid any dividends on any of its shares since incorporation and does not presently have any intention of paying dividends.

ITEM 7. DESCRIPTION OF CAPITAL STRUCTURE

Northern Dynasty's share capital consists of one class only, namely common shares without par value, of which an unlimited number of shares are authorized and 91,685,519 common shares without par value were issued and outstanding as fully paid and non-assessable as of December 31, 2006. As of March 19, 2007, there were 91,860,119 common shares issued and outstanding as fully paid and non-assessable. The accompanying audited consolidated financial statements provide details of all share issuances effected by Northern Dynasty in the issue price per share since January 1, 2003.

There are approximately 3.6 million shares of Northern Dynasty which are held by or on behalf of non-Canadians.

There have been no changes in the classification of common shares (reclassifications, consolidations, reverse splits or the like) within the previous five years. All common shares of Northern Dynasty rank pari passu (i.e. equally) for the payment of any dividends and distributions in the event of a windup.

There are no constraints imposed on the ownership of securities of Northern Dynasty.

Northern Dynasty's securities have not received any ratings from any rating organization.

ITEM 8. MARKET FOR SECURITIES

The following table shows the progression in high and low trading prices of the common shares of Northern Dynasty on the TSX Venture Exchange and AMEX for the periods listed.

	TSX Venture			AMEX		
	High (Cdn$)	Low (Cdn$)	Average Daily Trading Volume	High (US$)	Low (US$)	Average Daily Trading Volume
Monthly						
December 2006	10.53	9.09	112,400	9.20	7.81	142,500
November 2006	9.78	6.61	255,100	8.58	5.94	195,200
October 2006	7.72	6.25	61,900	6.85	5.56	111,800
September 2006	9.55	6.50	84,400	8.62	5.76	200,700
August 2006	9.60	8.46	52,100	8.49	7.49	114,700
July 2006	10.00	8.25	69,200	8.99	7.17	171,400
June 2006	10.49	8.10	175,300	9.24	7.31	278,800
May 2006	9.75	7.42	233,200	8.81	6.53	316,100
April 2006	8.80	7.19	190,800	7.80	6.29	268,100
March 2006	7.70	6.15	160,500	6.65	5.32	205,800
February 2006	7.95	6.25	243,400	6.98	5.50	298,400
January 2006	8.33	5.97	263,900	7.30	5.15	355,600

Northern Dynasty share trading information is also available through free internet search services (for example, see Yahoo.com, enter NDM.V or NAK)

ITEM 9. ESCROWED SECURITIES

There are no shares of Northern Dynasty held in escrow.

ITEM 10. DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and officers of the Company, their principal occupations during the past five years, and the period of time they have served as directors or officers of Northern Dynasty are as follows. Except where indicated, each director and senior officer of Northern Dynasty has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years. The number of common shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at March 30, 2007.

Name, Position and Country of Residence	Period a Director of Northern Dynasty	Securities Beneficially Owned or Controlled
David J. Copeland Director Vancouver, British Columbia	Since June 1996	2,171,783 Common Shares 165,000 Options (1)

Name, Position and Country of Residence	Period a Director of Northern Dynasty	Securities Beneficially Owned or Controlled
Scott D. Cousens Director Vancouver, British Columbia	Since June 1996	1,984,133 Common Shares 165,000 Options (1)
Robert A. Dickinson Chairman of the Board and Director Lions Bay, British Columbia	Since June 1995	3,263,583 Common Shares (4) 204,000 Options (2)
David Elliott Director Vancouver, British Columbia	Since July 2004	13,000 Common Shares 165,000 Options (1)
Gordon J. Fretwell Director West Vancouver, British Columbia	Since July 2004	Nil Common Shares 165,000 Options (1)
Wayne Kirk Director San Rafael, California	Since July 2004	20,000 Common Shares 165,000 Options (1)
Jeffrey R. Mason Secretary, Chief Financial Officer and Director Vancouver, British Columbia	Since June 1996	1,829,889 Common Shares 165,000 Options (1)
Walter T. Segsworth Director West Vancouver, British Columbia	Since September 2004	Nil Common Shares 165,000 Options (1)
Ronald W. Thiessen President, CEO and Director West Vancouver, British Columbia	Since November 1995	2,095,838 Common Shares 249,000 Options (3)

Notes:

1. Mr. Copeland, Mr. Cousens, Mr. Elliott, Mr. Fretwell, and Mr. Kirk, Mr. Mason, and Mr. Segsworth each hold options to purchase 90,000 common shares at $7.25 per share expiring on April 30, 2011 and 75,000 common shares at $10.95 per share expiring on February 20, 2012.

2. Mr. Dickinson holds options to purchase 90,000 Common Shares at an exercise price of $7.25 per share expiring on April 30, 2011 and 114,000 Common Shares at $10.95 expiring on February 20, 2012.

3. Mr. Thiessen holds options to purchase 135,000 Common Shares at an exercise price of $7.25 per share expiring on April 30, 2011 and 114,000 Common Shares at $10.95 expiring on February 20, 2012.

4. Certain of these shares are held by United Mineral Services, a private company that is wholly owned by Mr. Dickinson.

At the annual general meeting of the Company held in June 20, 2006, directors listed were re-elected to a one-year term of office expiring at the next annual general meeting of Northern Dynasty, which is expected to be held in June 2007. Several of the directors serve together on a number of boards of directors of other publicly listed companies. A cost sharing arrangement exists between a number of these companies pursuant to administrative and geological service agreements with Hunter Dickinson Inc. (“HDI”), a private company owned equally by nine public companies, one of which is Northern Dynasty. HDI provides extensive engineering, geological and administrative services to, and incurs costs on behalf of, these companies and allocates the full costs to them. All officers have a term of office lasting until their removal or replacement by the Board of Directors.

Based on insider reports filed on www.sedi.ca, as at March 28, 2006, the above directors and officers beneficially owned, directly or indirectly, or exercised control or direction over 15,230,006 common shares of the Company (14.8%), or 16,693,006 common shares on a fully diluted basis (16.4%) .

The following committees have been established by the members of Northern Dynasty’s board of directors:

Committee	Membership
Audit Committee	David Elliott Gordon Fretwell Wayne Kirk
Compensation Committee	David Elliott Gordon Fretwell Wayne Kirk Jeffrey Mason
Nominating and Corporate Governance Committee	David Elliott Gordon Fretwell Wayne Kirk

The mandate of each of these committees is more particularly described in Northern Dynasty's management information circular filed on www.SEDAR.com on May 26, 2006.

Principal Occupation and Other Companies Served by Current Directors of Northern Dynasty

DAVID J. COPELAND, P.Eng. - Director

David J. Copeland is a geological engineer who graduated in economic geology from the University of British Columbia. With over 30 years of experience, Mr. Copeland has undertaken assignments in a variety of capacities in mine exploration, discovery and development throughout the South Pacific, Africa, South America and North America. His principal occupation is President and Director of CEC Engineering Ltd., a consulting engineering firm that directs and co-ordinates advanced technical programs for exploration on behalf companies for which Hunter Dickinson Inc., a private company with certain directors in common with the Company, provides consulting services. He is also a director of Hunter Dickinson Inc.

Mr. Copeland is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Director	June 1996	Present
Amarc Resources Ltd.	Director	September 1995	Present
Anooraq Resources Corporation	Director	September 1996	September 2004
Continental Minerals Corporation	Director	November 1995	Present
Farallon Resources Ltd.	Director	December 1995	Present
Great Basin Gold Ltd.	Director	February 1994	Present
Rockwell Ventures Inc.	Director & CEO	September 2006	Present
Taseko Mines Limited	Director	March 1994	Present

SCOTT D. COUSENS - Director

Scott D. Cousens provides management, technical and financial services to a number of publicly traded companies. Mr. Cousens' focus since 1991 has been the development of relationships within the international investment community. Substantial financings and subsequent corporate success has established strong ties with North American, European and Asian investors. In addition to financing

initiatives he also oversees the corporate communications programs for the public companies to which Hunter Dickinson Inc. provides services.

Mr. Cousens is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Director	June 1996	Present
Amarc Resources Ltd.	Director	September 1995	Present
Anooraq Resources Corporation	Director	September 1996	Present
Continental Minerals Corporation	Director	June 1994	Present
Farallon Resources Ltd.	Director	December 1995	Present
Great Basin Gold Ltd.	Director	March 1993	November 2006
Rockwell Ventures Inc.	Director	November 2000	Present
Taseko Mines Limited	Director	October 1992	Present

ROBERT A. DICKINSON, B.Sc., M.Sc. – Chairman of the Board and Director

Robert A. Dickinson is an economic geologist who serves as a member of management of several mineral exploration companies, primarily those for whom Hunter Dickinson Inc. provides services. He holds a Bachelor of Science degree (Hons. Geology) and a Master of Science degree (Business Administration - Finance) from the University of British Columbia. Mr. Dickinson has also been active in mineral exploration over 40 years. He is a director of Hunter Dickinson Inc. He is also President and Director of United Mineral Services Ltd., a private investment company.

Mr. Dickinson is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Director	June 1994	Present
	Co-Chairman	November 2001	April 2004
	Chairman	April 2004	Present
Amarc Resources Ltd.	Director	April 1993	Present
	Co-Chairman	September 2000	April 2004
	Chairman	April 2004	Present
Anooraq Resources Corporation	Director	November 1990	September 2004
	Director	October 2004	Present
	Chairman	April 2004	September 2004
	Co-Chairman	October 2004	Present
Continental Minerals Corporation	Director	June 2004	Present
	Chairman	June 2004	January 2006
	Co-Chairman	January 2006	December 2006

Company	Positions Held	From	To
Detour Gold Corporation	Director	January 2007	Present
Farallon Resources Ltd.	Director	July 1991	Present
	Chairman	April 2004	September 2004
	Co-Chairman	September 2004	April 2006
Great Basin Gold Ltd.	Director	May 1986	November 2006
	Co-Chairman	September 2000	April 2004
	Chairman	April 2004	December 2005
	Co-Chairman	December 2005	November 2006
Rockwell Ventures Inc.	Director and Chairman	November 2000	September 2006
Taseko Mines Limited	Director	January 1991	Present
	Chairman	April 2004	July 2005
	Co-Chairman	July 2005	May 2006

DAVID ELLIOTT, B. Comm, ICD.D. FCA – Director

David Elliott graduated from the University of British Columbia with a Bachelor of Commerce degree and then acquired a Chartered Accountant designation. In 2006, he became a certified director with the Institute of Corporate Directors. Mr. Elliott joined BC Sugar Company in 1976, working in a number of senior positions before becoming President and Chief Operating Officer of the operating subsidiary, Rogers Sugar. In 1997, he joined Lantic Sugar in Toronto as Executive Vice President. He also served as Chairman of the Canadian Sugar Institute. He became President and Chief Operating Officer of the International Group based in St Louis, Missouri in 1999, a company involved with food distribution as well as manufacturing and distribution of pet and animal feed. For several years, he worked with companies developing e-mail and data management services. Mr. Elliott has also served on the boards of the BC Cancer Foundation and the University of BC Alumni Association. Currently, Mr. Elliott is a director and audit committee chairman of Northern Dynasty Minerals Ltd., Taseko Mines Limited, Anooraq Resources Corporation and Great Basin Gold Ltd.

Mr. Elliott is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Director	July 2004	Present
Anooraq Resources Corporation	Director	July 2005	Present
Great Basin Gold Ltd.	Director	July 2004	Present
Taseko Mines Limited	Director	July 2004	Present
StorageFlow Systems Corp.	Director	May 2002	June 2004
	President & COO	May 2002	June 2003

GORDON J. FRETWELL, B.Comm. LLB. – Director

Gordon J. Fretwell holds a B.Comm, degree and graduated from the University of British Columbia in 1979 with his Bachelor of Law degree. Formerly a partner in a large Vancouver law firm, Mr. Fretwell

has, since 1991, been a self-employed solicitor (Gordon Fretwell Law Corporation) in Vancouver practicing primarily in the areas of corporate and securities law.

Mr. Fretwell is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Director	June 2004	Present
Continental Minerals Corporation	Director	February 2001	Present
Rockwell Ventures Inc.	Secretary	March 1998	Present
	Director	March 1998	September 2006
Antarex Metals Ltd.	Director	December 2000	September 2002
Bell Resources Corporation	Director	June 2001	Present
Benton Resources Corp.	Director	March 2005	Present
Copper Ridge Explorations Inc.	Director and Secretary	September 1999	Present
Grandcru Resources Corp.	Director	December 2002	Present
Icon Industries Limited	VP of Legal Services	December 2000	Present
	Director	July 2004	Present
International Royalty corporation	Director	February 2005	Present
Keegan Resources Inc.	Director	February 2004	Present
Pine Valley Mining Corp.	Director	August 2003	Present
Quartz Mountain Resources Ltd.	Director	January 2003	Present
Tri-Gold Resources Corp.	Director	July 2001	October 2003
	Secretary	July 2001	September 2003
	CFO	November 2005	January 2006

WAYNE KIRK, LLB - Director

Wayne Kirk is a retired California State Attorney and Professional Consultant. With over 35 years professional experience Mr. Kirk also has over 9 years senior executive experience in the mining industry.

Mr. Kirk is a citizen of the United States and is a resident of California. A Harvard University graduate, Mr. Kirk received his law degree in 1968. From 1992 to 2001 Mr. Kirk was the Vice President, General Counsel and Corporate Secretary of Homestake Mining Company. Prior to his retirement in June 2004 he spent two years as Special Counsel for the law firm, Thelen Reid & Priest, in San Francisco.

Mr. Kirk is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Director	July 2004	Present
Anooraq Resources Corporation	Director	July 2005	Present
Great Basin Gold Ltd.	Director	July 2004	Present
Taseko Mines Limited	Director	July 2004	Present

JEFFREY R. MASON, B.Comm., CA – Director, Chief Financial Officer and Secretary

Jeffrey R. Mason holds a Bachelor of Commerce degree from the University of British Columbia and obtained his Chartered Accountant designation while specializing in the mining, forestry and transportation sectors at the international accounting firm of Deloitte & Touche. Following comptrollership positions at an international commodity mercantilist and Homestake Mining Group of companies, including responsibility for North American Metals Corp. and the Eskay Creek Project, Mr. Mason has spent the last several years as a corporate officer and director to a number of publicly-traded mineral exploration companies. Mr. Mason is also employed as Chief Financial Officer of Hunter Dickinson Inc. and his principal occupation is the financial administration of the public companies to which Hunter Dickinson Inc. provides services.

Mr. Mason is, or was within the past five years, an officer and or director of the following public companies:

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Director	June 1996	Present
	Secretary	June 1996	Present
	Chief Financial Officer	June 1998	Present
Amarc Resources Ltd.	Director	September 1995	Present
	Secretary	September 1995	Present
	Chief Financial Officer	September 1998	Present
Anooraq Resources Corporation	Director	April 1996	September 2004
	Secretary	September 1996	Present
	Chief Financial Officer	February 1999	Present
Coastal Contacts Inc.	Director	October 2006	Present
Continental Minerals Corporation	Director	June 1995	Present
	Secretary	November 1995	Present
	Chief Financial Officer	June 1998	Present
Detour Gold Corporation	Director	January 2007	Present
	Chief Financial Officer	January 2007	Present

Company	Positions Held	From	To
Farallon Resources Ltd.	Director	August 1994	Present
	Secretary	December 1995	Present
	Chief Financial Officer	December 1997	Present
Great Basin Gold Ltd.	Director	February 1994	November 2006
	Secretary	February 1994	November 2006
	Chief Financial Officer	June 1998	November 2006
Quartz Mountain Resources Ltd.	Principal Accounting Officer	January 2005	Present
Rockwell Ventures Inc.	Director	November 2000	Present
	Chief Financial Officer	November 2000	Present
Taseko Mines Limited	Director	February 1994	Present
	Secretary	February 1994	Present
	Chief Financial Officer	November 1998	Present

WALTER T. SEGSWORTH, P.Eng. – Director

Walter T. Segsworth has been an active and respected member of the international mining industry for over 30 years. He has an excellent track record in employee safety, environmental excellence and turn around production situations. During Mr. Segsworth's tenure as President, Chief Operating Officer and Director at Homestake Mining Company, the Company set a 125 year gold production record and its operating costs reached 25 year lows. Mr. Segsworth is a past Director and Chairman of the Mining Associations of Canada and British Columbia, and was voted British Columbia Mining Industry Person of the Year in 1996. He is a member of the Canadian Institute of Mining, Metallurgy and Petroleum and until recently, was part of the Mining Curriculum Advisory Board of the Michigan Technological University, from which he earned his degree in Mining Engineering.

Mr. Segsworth is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Director	September 2004	Present
Anooraq Resources Corporation	Director	March 2004	Present
Great Basin Gold Ltd.	Director	January 2003	Present
Cumberland Resources	Director	May 2002	Present
Expatriate Resources Ltd.	Director	February 2001	Present
Novagold Resources Inc.	Director	May 2002	November 2002
UEX Corporation	Director	March 2002	Present

RONALD W. THIESSEN, CA – Director, President and Chief Executive Officer

Ronald W. Thiessen is a Chartered Accountant with professional experience in finance, taxation, mergers, acquisitions and re-organizations. Since 1986, Mr. Thiessen has been involved in the acquisition and financing of mining and mineral exploration companies. Mr. Thiessen is employed by Hunter Dickinson Inc., a company providing management and administrative services to several publicly-traded companies and focuses on directing corporate development and financing activities. He is also a director of Hunter Dickinson Inc.

Mr. Thiessen is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Amarc Resources Ltd.	Director	September 1995	Present
	President and Chief Executive Officer	September 2000	Present
Anooraq Resources Corporation	Director	April 1996	Present
	President and Chief Executive Officer	September 2000	Present
Casamiro Resource Corp.	Director and President	February 1990	August 2002
Continental Minerals Corporation	Director	November 1995	Present
	President and Chief Executive Officer	September 2000	January 2006
	Co-Chairman	January 2006	Present
Detour Gold Corporation	Director	January 2007	Present
Farallon Resources Ltd.	Director	August 1994	Present
	President and Chief Executive Officer	December 1999	September 2004
	Co-Chairman	September 2004	December 2005
	Chairman	December 2005	Present
Great Basin Gold Ltd.	Director	October 1993	Present
	President and Chief Executive Officer	September 2000	December 2005
	Co-Chairman	December 2005	November 2006
	Chairman	November 2006	Present
Northern Dynasty Minerals Ltd.	Director	November 1995	Present
	President and Chief Executive Officer	November 2001	Present
Rockwell Ventures Inc.	Director	November 2000	Present
	President and CEO	November 2000	September 2006
	Chairman	September 2006	Present

Other Officers

BRUCE JENKINS - Chief Operating Officer

Bruce Jenkins is a corporate and government relations executive with over 30 years of experience in project and corporate management. He is COO of US subsidiary Northern Dynasty Mines Inc. and directs Northern Dynasty's environment, government, community relations and permitting activities.

STEPHEN HODGSON - Vice President, Engineering

Stephen Hodgson is a professional engineer with 30 years of experience in mine operations, mine development and project engineering. He is Vice President of US subsidiary Northern Dynasty Mines Inc., Vice President of Engineering for Hunter Dickinson Inc. and Feasibility Study Director for the Pebble Project.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or officer of Northern Dynasty is, as of the date of this AIF, or has been within the 10 years before the date of this AIF, a director or officer of any company that while that person was acting in that capacity, was the subject of a cease trade order, penalties, sanctions or bankruptcy, during the time the individual was a director or within a one year period thereafter, or was a director or officer of a company during the time in which an event occurred which led to a cease trade order, penalties, sanctions or bankruptcy subsequent to the individual ceasing to act as a director or officer. This information has been provided by each director or officer, as the Company is unable to verify these statements independently.

Potential Conflicts of Interest

Directors of Northern Dynasty also serve as directors of other similar companies involved in natural resource development. Accordingly, it may occur that properties will be offered to such other companies. Furthermore, those other companies may participate in the same properties as those in which Northern Dynasty has an interest. As a result there may be situations which involve a potential conflict of interest or issues in connection with the doctrine of “corporate opportunity”. In that event, a financially interested director would not be entitled to vote at meetings of directors in respect of a transaction involving the Company if it evokes any such conflict. The directors will attempt to avoid dealing with such other companies in situations where conflicts or corporate opportunity issues might arise and will at all times use their best efforts to act in the best interests of Northern Dynasty.

ITEM 11. PROMOTERS

Not applicable.

ITEM 12. LEGAL PROCEEDINGS

Nil

ITEM 13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

As more particularly described in Item 5 under heading *Property Agreements Further Particular* , the Company acquired 100% of the outstanding common shares of Hunter Dickinson Group Inc. (”HDGI”) for purchase price of 14,002,268 common shares of the Company. HDGI held the 20% carried contractual interests in the Pebble Project and is a related party by virtue of (i) having certain directors in common with the Company, and (ii) its shareholders or their associates being significant shareholders of the Company. The agreed number of shares was based on negotiations between the Company, represented by a Special Committee of the Board of Directors, and HDGI with reference to an independent valuation of the carried interests performed by Ross Glanville & Associates Ltd in March 2005. Both parties agreed to a valuation of $6.37 per share, based upon the issuance of 14,002,268 common shares, as representing the fair value of the 20% carried contractual interest. The valuation report was publicly filed at www.sedar.com. The TSX Venture Exchange and the American Stock Exchange has accepted the acquisition transaction . . The insiders who owned HDGI and the number received common shares of the Company each received as a consequence of its acquisition are as follows: Robert A Dickinson (2,015,289), Jeffrey R. Mason (2,015,289),Ronald W. Thiessen (2,015,293) Scott D. Cousens (2,015,289) and David. J Copeland (2,015,289).

ITEM 14. TRANSFER AGENT AND REGISTRAR

The Company's registrar and transfer agent is Computershare Trust Company of Canada, located in Vancouver, BC.

ITEM 15. MATERIAL CONTRACTS

Other than those already described in this Annual Information Form, the Company did not enter into any material contracts during the fiscal year ended December 31, 2006.

ITEM 16. INTERESTS OF EXPERTS

David Rennie, P.Eng., Mark Rebagliati, P.Eng., and John Payne, Ph.D., P.Geo., are each persons

(a) who are named as having prepared, or co-prepared, a report described in a filing, or referred to in a filing, made under National Instrument 51-102 by the Company during, or relating to, the Company’s most recently completed financial year; and

(b) whose profession or business gives authority to the report made by him.

Each of Messrs. Rennie, Rebagliati and Payne interests in the common shares of the Company, directly or indirectly, or through stock options, represent less than 1% of the Company's outstanding share capital.

ITEM 17. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, indebtedness of officers, executive stock options and interests of management and others in material transactions, where applicable, is contained in annual financial statements, proxy circulars and interim financial statements of available at the SEDAR internet web site (www.sedar.com).

The following documents can be obtained upon request from Northern Dynasty's Shareholder Communication Department by calling (604) 684-6365:

(i) this Annual Information Form, together with any document incorporated herein by reference;

(ii) the Annual Report of the Company and any interim financial statements filed with Securities Commissions subsequent to the audited financial statements for the Company's most recently completed financial year; and

(iii) the Proxy Circular for the annual general meeting of the Company.

The Company may require the payment of a reasonable charge from persons, other than security holders of the Company, requesting copies of these documents.

ITEM 18. DISCLOSURE FOR COMPANIES NOT SENDING INFORMATION CIRCULARS

Not applicable.

ITEM 19. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the *Securities Exchange Act of 1934* (the "Exchange Act")). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in reports that we file or submit under the Exchange Act.

It should be noted that while our Chief Executive Officer and our Chief Financial Officer believe that our disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met.

There were no changes in our internal control over financial reporting during the fiscal year ended December 31, 2006 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2006. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections, of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

ITEM 20. AUDIT COMMITTEE, CODE OF ETHICS, ACCOUNTANT FEES AND EXEMPTIONS

A. AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors has determined that Mr. David Elliott is a member of the audit committee of the Company who qualifies as an audit committee "financial expert" based on his education and experience. Mr. Elliott is "independent", as that term is defined by the rules of the American Stock Exchange. Mr. Elliott is an accredited Chartered Accountant in Canada.

B. CODE OF ETHICS

The Company has adopted a code of ethics that applies to all personnel of the Company. A copy of the Code of Ethics was attached as an exhibit to the Company's Annual Report on Form 20-F filed in June 2005.

C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table discloses the aggregate fees billed for each of the last two fiscal years for professional services rendered by the Company's audit firm for various services.

Services:		Year ended December 31 2006		Year ended December 31 2005
Audit Fees	$	40,000	$	27,000
Audit-Related Fees(1)		–		–
Tax Fees		nil		1,000
All Other Fees		–		–
	$	40,000	$	28,000

Note:

(1) "Audit–Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

From time to time, management of the Company recommends to and requests approval from the audit committee for non-audit services to be provided by the Company's auditors. The audit committee

routinely considers such requests at committee meetings, and if acceptable to a majority of the audit committee members, pre-approves such non-audit services by a resolution authorizing management to engage the Company's auditors for such non-audit services, with set maximum dollar amounts for each itemized service. During such deliberations, the audit committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the US Securities and Exchange Commission, and whether the services requested and the fees related to such services could impair the independence of the auditors.

ITEM 21. OFF BALANCE SHEET ARRANGEMENTS

None.

ITEM 22. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

	Payments due by period				
	Total	Less than one year	1 to 3 years	3-5 years	More than 5 years
Contractual obligation	Nil	Nil	Nil	Nil	Nil
Long term debt obligations	Nil	Nil	Nil	Nil	Nil
Operating lease obligations	Nil	Nil	Nil	Nil	Nil
Purchase obligations	Nil	Nil	Nil	Nil	Nil
Other	Nil	Nil	Nil	Nil	Nil
Total	Nil	Nil	Nil	Nil	Nil

The term purchase obligation means an agreement to purchase goods or services that is enforceable and legally binding on the registrant that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

D E V I S S E R G R A Y L L P

CHARTERED ACCOUNTANTS

401 - 905 West Pender Street
Vancouver, BC Canada
V6C 1L6

Tel: (604) 687-5447
Fax: (604) 687-6737

Consent of Independent Registered Public Accounting Firm

To the Board of Directors
Northern Dynasty Minerals Ltd. ("the Company")

Dear Sirs

We consent to the use of our report on the financial statements of the Company, as at and for the fiscal year ended December 31, 2006, dated March 16, 2007 and included in this annual report on Form 40-F.

Yours very truly,

"De Visser Gray LLP"

Chartered Accountants

Vancouver, Canada
April 2, 2007

CONSENT OF AUTHOR

C. Mark Rebagliati, P.Eng
2503-588 BROUGHTON STREET
VANCOUVER, BRITISH COLUMBIA
Telephone: 604-662-7487 Fax: 604-662-7475
markr@hdgold.com

US Securities and Exchange Commission

I, C. Mark Rebagliati, P.Eng, certify that I have read the written disclosure being filed and I do not have any reason to believe that there are any misrepresentations in the information derived from the Technical Report or that the written disclosure in the Form 40F of Northern Dynasty Minerals Ltd. contains any misrepresentation of the information contained in "2006 Summary Report on the Pebble Copper-Gold Molybdenum Deposit, Alaska, USA" dated March 31, 2007.

I do hereby consent to the filing with the regulatory authorities.

Dated this 1 day of April, 2007.

/s/ Mark Rebagliati

C. Mark Rebagliati, P.Eng.

CONSENT OF AUTHOR

David W. Rennie, P.Eng.,
Roscoe Postle Associates Inc.,
595 Howe Street, Suite 304,
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Vancouver, British Columbia
CANADA V6C 2T5
drennie@rpcan.com

US Securities and Exchange Commission

I, David W. Rennie, P.Eng., certify that I have read the written disclosure being filed and I do not have any reason to believe that there are any misrepresentations in the information derived from the Technical Report or that the written disclosure in the Form 40F of Northern Dynasty Minerals Ltd. contains any misrepresentation of the information contained in “Technical Report on the Pebble Deposit, Alaska, USA” dated April 1, 2005 and “Technical Report on the Mineral Resources Estimate for the Pebble East Deposit, Alaska, USA” (in preparation).

I do hereby consent to the filing with the regulatory authorities.

Dated this 1 day of April, 2007.

/s/ David W. Rennie

David W. Rennie, P.Eng.

CONSENT OF AUTHOR

John Payne, PhD, P.Geo.
7846 160th Street,
Surrey, British Columbia, V3S 3T3
Phone 604-597-1080, jgpayne@telus.net

US Securities and Exchange Commission

I, John G. Payne, PhD, P.Geo, certify that I have read the written disclosure being filed and I do not have any reason to believe that there are any misrepresentations in the information derived from the Technical Report or that the written disclosure in the Form 40F of Northern Dynasty Minerals Ltd. contains any misrepresentation of the information contained in "2006 Summary Report on the Pebble Copper-Gold Molybdenum Deposit, Alaska, USA" dated March 31, 2007.

I do hereby consent to the filing with the regulatory authorities.

Dated this 1 day of April, 2007.

/s/ John Payne

John G. Payne, PhD, P.Geo.