UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, 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, 2009**

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	**NYSE Amex Equities**

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: **93,173,976 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 [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
Yes [ ] No [X]

INTRODUCTORY INFORMATION

In this annual report, references to “we”, “our”, “us”, the “Company” or “Northern Dynasty”, mean Northern Dynasty Minerals Ltd. its subsidiaries and consolidated interests, 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, 2009;
- our Audited Consolidated Financial Statements as at and for the two years ended December 31, 2009, and 2008 and
- our Management Discussion and Analysis for the year ended December 31, 2009.

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;
- our ability to recover the financial statement carrying values of our mineral property interests if the Company ceases to continue on a going concern basis;
- 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;
- potential claims by third parties to the Company's mineral projects;
- 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;
- 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 options to purchase our shares.

We refer you to the section entitled "Risk Factors" in our Annual Information Form for more detailed discussion of such risks and other important factors that could cause our actual results to differ materially from those in such forward-looking statements. Except as required by law, 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 disclosure in this annual report, including the documents incorporated by reference herein, uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in or incorporated by reference in this annual report have been prepared in accordance with NI 43-101. These standards differ significantly from the requirements of the SEC, and reserve and resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies.

In addition, this annual report uses the terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" to comply with the reporting standards in Canada. We advise United States investors that while those terms are recognized and required by Canadian regulations, the SEC 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 mineral reserves. These terms have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility.

Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies.

It cannot be assumed that all or any part of "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" will ever be upgraded to a higher category. Investors are cautioned not to assume that any part of the reported "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" in this annual report is economically or legally mineable.

In addition, disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

For the above reasons, information contained in this annual report and the documents incorporated by reference herein containing descriptions of our mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

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

The Company is permitted to prepare this annual report in accordance with Canadian disclosure requirements, which are different from those of the United States. Under regulations governing Canadian disclosure requirements, the Company has received approval from Canadian securities regulatory authorities to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") which principles differ in certain respects from those applicable in the United States ("US GAAP") and from practices prescribed by the SEC. Therefore, the Company's financial statements incorporated by reference in this annual report may not be comparable to financial statements prepared in accordance with U.S. GAAP.

Unresolved Staff Comments

The Company currently has an open comment letter received on March 9, 2010 from the Staff on its financial statements for the year ended December 31, 2008, relating to the Canadian GAAP accounting treatment of the Pebble Partnership. The Company has provided a response letter to the Staff on March 22, 2010. However, at the time of this filing, the Company has not received confirmation that this matter is resolved.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (" **Exchange Act**") to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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. 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, as defined in Rule 13a-15(e), were effective.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting ("ICFR"), as defined by Rule 13a-15(f) and 15d-15(f) of the Exchange Act, is a process designed by, or under the supervision of the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and
- 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, including its Chief Executive Officer and Chief Financial Officer, believe that any system of internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decisions-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making the assessment, it used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on their assessment, management has concluded that, as of December 31, 2009, as defined in Rule 13a-15(f), the Company's internal control over financial reporting was effective.

The Company's internal control over financial reporting as of December 31, 2009 has been audited by Deloitte & Touche LLP, Independent Registered Chartered Accountants who also audited the Company's Consolidated Financial Statements for the year ended December 31, 2009. Deloitte & Touche LLP as stated in their report, that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2009, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

There has been no change in the design of the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this Annual Report on Form 40-F.

AUDIT COMMITTEE

Our Board of Directors has established a separately-designated independent 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 NYSE Amex Equities 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,	
	2009	2008
Audit Fees	$ 226,000	$ 85,000
Audit-Related Fees	–	–
Tax Fees	–	–
All Other Fees	–	–
Total	$ 226,000	$ 85,000

Note: During the year ended December 31, 2009, the Company appointed Deloitte and Touche LLP as its auditors. Fees disclosed for the year ended December 31, 2009 are to Deloitte and Touche LLP. Fees disclosed for the year ended December 31, 2008 are to its previous auditors, DeVisser Gray LLP.

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 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.

Tax Fees

Tax fees are fees 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, management of the Company recommends to and requests approval from the audit committee for audit and 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 audit and 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 non-audit services requested would be considered "prohibited services" as contemplated by the US Securities and Exchange Commission, and whether the non-audit services requested and the fees related to such services could impair the independence of the 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

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.

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. The Code of Ethics was updated in 2007 and again in 2009 and is publicly available on the Company's website at www.northerndynastyminerals.com.

NYSE AMEX EQUITIES CORPORATE GOVERNANCE

The Company's common shares are listed for trading on the NYSE Amex Equities Exchange ("NYSE Amex"). Section 110 of the NYSE Amex company guide permits NYSE Amex to consider the laws, customs and practices of their home country in relaxing certain NYSE Amex listing criteria otherwise applicable to foreign issuers, and grants exemptions from NYSE 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 United States domestic companies pursuant to NYSE Amex standards is contained on the Company's website at www.northerndynastyminerals.com.

Upon listing, the Company received an exemption from its quorum requirement. Under the NYSE Amex listing standards, the quorum requirement 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.

Further, the Company's board of directors is presently not comprised of a majority of independent directors, as required by Section 802(a) of the NYSE Amex Company Guide. The Company has been granted relief from these requirements by NYSE Amex.

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 previously 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: March 30, 2010.

NORTHERN DYNASTY MINERALS LTD.

By: */s/ Marchand Snyman*

Marchand Snyman
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.3	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.4	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted 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 two years ended December 31, 2009, and 2008, together with the report of the auditors thereon
99.6	Management's Discussion and Analysis for the year ended December 31, 2009
99.7	Annual Information Form of the Company for the year ended December 31, 2009
99.8	Northern Dynasty Minerals Ltd. Corporate Governance Manual
99.9	Consent of Deloitte & Touche LLP, Chartered Accountants
99.10	Consent of J.David Gaunt, P.Eng.

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

I, Ronald W. Thiessen, certify that:

(1) I have reviewed this annual report on Form 40-F of Northern Dynasty Minerals Ltd.;

(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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the 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: March 31, 2010

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, Marchand Snyman, certify that:

(1) I have reviewed this annual report on Form 40-F of Northern Dynasty Minerals Ltd.;

(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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the 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: March 31, 2010

By: /s/ M. Snyman
Name: Marchand Snyman
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:

(1) The Annual Report on Form 40-F of the Company for the fiscal year ended December 31, 2009 (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

(2) 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: March 31, 2010

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, Marchand Snyman, 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:

(1) The Annual Report on Form 40-F of the Company for the fiscal year ended December 31, 2009 (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

(2) 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/ M. Snyman
Name: Marchand Snyman
Title: Chief Financial Officer

Date: March 31, 2010

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, 2009 AND 2008

(Expressed in thousands of Canadian Dollars)

Report of Independent Registered Chartered Accountants

To the Shareholders of
Northern Dynasty Minerals Ltd.

We have audited the accompanying consolidated statements of financial position of Northern Dynasty Minerals Ltd. and subsidiaries (the "Company") as at December 31, 2009, 2008 and January 1, 2008 and the consolidated statements of comprehensive loss (income), changes in equity and cash flows for each of the years ended December 31, 2009 and 2008. 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 Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Northern Dynasty Minerals Ltd. and subsidiaries as at December 31, 2009, 2008 and January 1, 2008, and the results of their operations and their cash flows for each of the years ended December 31, 2009 and 2008 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated statements of financial position as at January 1, 2008 and December 31, 2008 and the consolidated statements of loss and comprehensive loss and cash flows for the year ended December 31, 2008, prepared in accordance with Canadian generally accepted accounting principles, as presented in Note 16 to these financial statements, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 20, 2009.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 30, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

(Signed) Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
March 30, 2010

Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of
Northern Dynasty Minerals Ltd.

We have audited the internal control over financial reporting of Northern Dynasty Minerals Ltd. and subsidiaries (the "Company") as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's 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 generally accepted accounting principles, 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.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2009 of the Company and our report dated March 30, 2010 expressed an unqualified opinion on those financial statements.

(Signed) Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
March 30, 2010

Northern Dynasty Minerals Ltd.

Consolidated Statements of Financial Position
(Expressed in thousands of Canadian Dollars)

	Note	As at December 31 2009	December 31 2008 (note 16)	January 1 2008 (note 16)
ASSETS				
Non–current assets				
Property, plant and equipment	3	$ –	$ 11	$ 15
Investment in the Pebble Limited Partnership	4	104,937	121,611	98,976
		104,937	121,622	98,991
Current assets				
Balances receivable from a related party	6	55	149	1,220
Amounts receivable and other assets	7	181	165	875
Marketable securities		2	2	13
Cash and cash equivalents	8	44,895	45,966	39,128
		45,133	46,282	41,236
Total Assets		**$ 150,070**	**$ 167,904**	**$ 140,227**
EQUITY				
Share capital	9	$ 370,660	$ 365,202	$ 365,202
Reserves		36,919	46,882	17,378
Deficit		(261,509)	(248,769)	(247,619)
		146,070	163,315	134,961
LIABILITIES				
Current liabilities				
Balances payable to a related party	6	–	–	21
Amounts payable and other liabilities	10	193	148	1,631
		193	148	1,652
Non–current liabilities				
Deferred income taxes	11	3,807	4,441	3,614
		3,807	4,441	3,614
Total Liabilities		4,000	4,589	5,266
Total Equity and Liabilities		**$ 150,070**	**$ 167,904**	**$ 140,227**

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

These consolidated financial statements are authorized for issue by the Board of Directors on March 29, 2010.
They are signed on the Company's behalf by:

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

/s/ Robert A. Dickinson

Robert A. Dickinson
Director

Northern Dynasty Minerals Ltd.

Consolidated Statements of Comprehensive Loss (Income)
(Expressed in thousands of Canadian Dollars, except for share information)

	Note	Year ended December 31, 2009	2008 (note 16)
Expenses			
Depreciation		$ –	$ 4
Donations		445	–
Conference and travel		349	273
Exploration		321	408
Foreign exchange loss (gain)		130	(9,130)
Impairment loss on marketable securities		15	–
Impairment loss on property, plant and equipment	3	11	–
Insurance		263	407
Legal, accounting and audit		354	370
Office costs		331	226
Salaries		1,453	1,381
Shareholder communication		750	384
Share–based compensation		8,479	7,707
Trust and filing		199	235
Loss from operating activities		13,100	2,265
Interest (income)		(335)	(1,115)
Loss before tax		12,765	1,150
Income tax (recovery)	11	(25)	–
Loss for the year		**$ 12,740**	**$ 1,150**
Other comprehensive loss (income)			
Unrealized loss on available–for–sale marketable securities		1	11
Exchange difference arising on translation of investment in the Pebble Limited Partnership	4	16,674	(22,635)
Deferred income tax on investment	11	(609)	827
Other comprehensive loss (income)		**$ 16,066**	**$ (21,797)**
Total comprehensive loss (income)		**$ 28,806**	**$ (20,647)**
Basic and diluted loss per common share	12	$ 0.14	$ 0.01

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

Northern Dynasty Minerals Ltd.

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian Dollars)

	Years ended December 31	
	2009	2008
		(note 16)
Cash flows from operating activities		
(Loss) for the year	$ (12,740)	$ (1,150)
Adjustments for:		
Depreciation	–	4
Impairment loss on marketable securities	15	–
Impairment loss on property, plant and equipment	11	–
Donation of shares	437	–
Foreign exchange loss (gain)	130	(9,130)
Income tax expense	(25)	–
Interest income	(335)	(1,115)
Share–based compensation	8,479	7,707
	(4,028)	(3,684)
Changes in non–cash working capital items		
(Increase) decrease in amounts receivable and other assets	(17)	710
Decrease in balances receivable from related parties	94	1,071
Increase (decrease) in amounts payable and other liabilities	45	(1,483)
(Decrease) in balances payable to related parties	–	(21)
	122	277
Net cash (used in) operating activities	(3,906)	(3,407)
Cash flows from investing activities		
Interest income	335	1,115
Net cash generated by investing activities	335	1,115
Cash flows from financing activities		
Common shares issued for cash, net of issue costs	2,630	–
Net cash generated by financing activities	2,630	–
Net decrease in cash and cash equivalents	(941)	(2,292)
Effect of exchange rate fluctuations on cash held	(130)	9,130
Cash and cash equivalents at beginning of the year	45,966	39,128
Cash and cash equivalents at end of the year	**$ 44,895**	**$ 45,966**

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

Northern Dynasty Minerals Ltd.

Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian Dollars, except for share information)

	Share capital		Reserves				
	Number of shares	Amount	Equity settled share–based payments reserve	Foreign currency translation reserve	Investment revaluation reserve	Deficit	Total
Restated balance at January 1, 2008 (note 16)	92,543,639	$ 365,202	$ 17,381	$ –	$ (3)	$ (247,619)	$ 134,961
Share–based compensation	–	–	7,707	–	–	–	7,707
Total comprehensive income (loss) for the year	–	–	–	21,808	(11)	(1,150)	20,647
Balance at December 31, 2008 (note 16)	92,543,639	$ 365,202	$ 25,088	$ 21,808	$ (14)	$ (248,769)	$ 163,315
Shares issued for cash on exercise of options	555,337	2,630	–	–	–	–	2,630
Fair value of share options allocated to shares issued on exercise	–	2,391	(2,391)	–	–	–	–
Shares donated (note 9)	75,000	437	–	–	–	–	437
Share–based compensation	–	–	8,479	–	–	–	8,479
Cumulative loss reclassified to loss on impairment of marketable securities	–	–	–	–	15	–	15
Total comprehensive income (loss) for the year	–	–	–	(16,065)	(1)	(12,740)	(28,806)
Balance at December 31, 2009	93,173,976	370,660	31,176	5,743	–	(261,509)	146,070

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Northern Dynasty Minerals Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia, Canada, and its principal business activity is the exploration of mineral properties. The consolidated financial statements of the Company as at and for the year ended December 31, 2009 comprise of the Company and its subsidiaries (note 5) (together referred to as the "Group" and individually as "Group entities") and the Group's interest in jointly controlled entities. The Company is the ultimate parent. The Group owns a 50% share in the Pebble Limited Partnership (the "Pebble Partnership") (note 4). The Pebble Partnership owns the Pebble Copper-Gold-Molybdenum Project (the "Pebble Project"), the Group's principal mineral property interest located in Alaska, United States of America ("USA" or "US").

The Group is in the process of exploring its mineral property interests and has not yet determined whether the Pebble Project contains mineral reserves that are economically recoverable. The Group's continuing operations and the underlying value and recoverability of the amounts shown for the investment in the Pebble Partnership is entirely dependent upon the existence of economically recoverable mineral reserves; the ability of the Group to obtain the necessary financing to complete the exploration and development of the Pebble Project; obtaining the necessary permits to mine; and future profitable production or proceeds from the disposition of the investment in the Pebble Partnership.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance and Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian Securities regulatory authorities, which the Group received in early March 2009.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These are the Group's first consolidated annual financial statements presented in accordance with IFRS.

(b) Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale which are stated at their fair value. In addition these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements have been prepared on the basis of IFRS standards that are effective or available for early adoption on December 31, 2009, the Group's first annual reporting date.

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

They also have been applied in preparing an opening IFRS statement of financial position as at January 1, 2008 for the purposes of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). The impact of the transition from GAAP to IFRS is explained in Note 16.

(c) Basis of Consolidation

These consolidated financial statements include the accounts of the Group and all its subsidiaries (note 5).

The Group has determined that its investment in the Pebble Partnership, a 50:50 limited partnership between the Group and Anglo American plc ("Anglo"), each through wholly-owned affiliates, qualifies as an interest in a jointly controlled entity under IAS 31, *Interests in Joint Ventures*. The Group has elected to apply the equity method to account for its interest in the Pebble Partnership (note 4). The investment is carried in the statement of financial position at cost and adjusted by post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment losses.

Intra-Group balances and transactions, including any unrealized income and expenses arising from intra- Group transactions, are eliminated in full on consolidation. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Business Combinations

From January 1, 2008, acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired entity or acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for:

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non- current Assets Held for Sale and Discontinued Operations* ("IFRS 5");
- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits,* respectively; and
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards, which are measured in accordance with IFRS 2, *Share-based Payment*.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

(e) Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in a jointly controlled entity ("JCE"), under the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, the Group's interest in the JCE are carried in the consolidated financial statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the JCE less any impairment in the value of the investment. Losses in excess of the Group's interest in that JCE are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the JCE.

Any excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the JCE recognized at the date of the acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the JCE and is assessed for impairment as part of that JCE. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When a group entity transacts with a JCE of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

(f) Foreign Currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Group. The functional currency of the Pebble Partnership is US dollars and for all other entities within the Group, the functional currency is Canadian dollars. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* .

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(g) Financial Instruments

The Group does not have any derivative financial instruments.

Non-derivative financial assets:

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Available-for-sale financial assets

The Group's investments in marketable securities are classified as available-for-sale ("AFS") financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from the amortized cost of the monetary asset is recognized in profit or loss. The change in fair value of AFS equity investments are recognized directly in equity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise amounts receivable and balances receivable from a related party.

Non-derivative financial liabilities:

The group has the following non-derivative financial liabilities: amounts payable and other liabilities.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

(h) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or an asset acquisition. Costs incurred before the Group has obtained the legal rights to explore an area are recognized in profit or loss.

Acquisition costs, including general and administrative costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(i) Property, Plant and Equipment

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the declining balance method at various rates ranging from 20% - 30% per annum.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of plant and equipment consists of major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Residual values and estimated useful lives are reviewed at least annually.

(j) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position are comprised of cash and short term deposits held at major financial institutions with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Group's cash and cash equivalents are invested in business and savings accounts and guaranteed investment certificates which are available on demand by the Group for its programs.

(k) Impairment

At the end of each reporting period the carrying amounts of the Group's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(l) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

(m) Share-based Payment Transactions

The share purchase option plan allows Group employees and consultants to acquire shares of the Group. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

(n) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Group 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 Group are not predictable.

The Group has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

(p) Loss per Share

The Group presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Group by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(q) Segment Reporting

The Group operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

The Group's investment in the Pebble Partnership, which holds the Pebble Project located in Alaska, USA. All other significant assets are held within Canada.

(r) Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the recoverability of amounts receivable which are included in the consolidated statements of financial position;

ii. the carrying value and the recoverability of the carrying value of the investment in the Pebble Partnership included in the consolidated statements of financial position;

iii. the estimated useful lives of property, plant and equipment which are included in the consolidated statement of financial position and the related depreciation included in profit or loss;

iv. the inputs used in accounting for share-based compensation expense in profit or loss; and

v. the provision for the income tax recovery which is included in profit or loss and the composition of deferred income tax liabilities included in the consolidated statements of financial position.

Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgements or assessments made by management.

(s) Accounting Standards, Interpretations and Amendments to Existing Standards That Are Not Yet Effective

The group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after January 1, 2010 or later periods. These include:

- IFRS 3 (Revised), Business Combinations, effective for annual periods beginning on or after July 1, 2009;
- IFRS 9, Financial Instruments, Classification and Measurement, effective January 1, 2013;
- Amendments to IAS 24, Related Party Disclosures, effective January 1, 2011; and
- Amendments to IAS 27, Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31, Investments in Joint Ventures, effective for annual periods beginning on or after July 1, 2009.

At the financial position reporting date, the following accounting interpretation was in issue but not yet effective: IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments. This interpretation is not expected to have any impact on the financial results of the Group.

The Group anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Group except for additional disclosures.

3. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fixtures	Vehicles	Computers	Total
Cost				
Balance at January 1, 2009	$ 15	$ 17	$ 32	$ 64
Additions	–	–	–	–
Impairment loss[1]	–	(17)	(32)	(49)
Balance at December 31, 2009	$ 15	$ –	$ –	$ 15
Accumulated Depreciation				
Balance at January 1, 2009	$ 15	$ 15	$ 23	$ 53
Depreciation for the year	–	–	–	–
Impairment loss[1]	–	(15)	(23)	(38)
Balance at December 31, 2009	$ 15	$ –	$ –	$ 15
Carrying Amount				
At December 31, 2009	$ –	$ –	$ –	$ –

	Furniture and Fixtures	Vehicles	Computers	Total
Cost				
Balance at January 1, 2008	$ 15	$ 17	$ 32	$ 64
Additions	–	–	–	–
Balance at December 31, 2008	$ 15	$ 17	$ 32	$ 64
Accumulated Depreciation				
Balance at January 1, 2008	$ 15	$ 14	$ 20	$ 49
Depreciation for the year	–	1	3	4
Balance at December 31, 2008	$ 15	$ 15	$ 23	$ 53
Carrying Amount				
At January 1, 2008	$ –	$ 3	$ 12	$ 15
At December 31, 2008	$ –	$ 2	$ 9	$ 11

1. Impairment loss recognized at December 31, 2009 relates to the impairment of items of property, plant and equipment during the year.

4. INVESTMENT IN THE PEBBLE LIMITED PARTNERSHIP

On July 26, 2007, the Group converted a wholly-owned general partnership formed in 2006 to hold its Pebble Property interest into a limited partnership, the Pebble Partnership, so that an indirect wholly-owned subsidiary of Anglo American plc ("Anglo") could subscribe for 50% of the Pebble Partnership's equity effective July 31, 2007. Each of the Group and Anglo has equal rights in the Pebble Partnership through wholly-owned affiliates. The purpose of the Pebble Partnership is to engineer, permit, construct and operate a modern, long-life mine at the Pebble Project. The Pebble Partnership's assets include the shares of two Alaskan subsidiaries which hold registered title to the claims. To maintain its 50% interest in the Pebble Partnership, Anglo is required to make staged cash investments into the Pebble Partnership aggregating to US$1.425 billion, potentially increasing to US$1.5 billion, as discussed below.

Anglo's staged investment requirements includes an initial minimum expenditure of US$125 million to be expended towards a prefeasibility study (funding completed in 2008) plus a requirement to fund additional expenditures as approved by the board of the general partner (Pebble Mines Corp.) unless Anglo elects to terminate its rights and relinquish all its interests in the Pebble Partnership. After the completion and approval by the partners of the prefeasibility study, Anglo is required, in order to retain its 50% interest in the Pebble Partnership, to commit to further expenditures which bring Anglo's total investment to at least US$450 million, which amount is to be expended in producing a final feasibility study and in related activities, including to obtain relevant permits contemplated for current and planned activities, the completion of which is expected to take the Pebble Partnership to a production decision. Upon an affirmative decision by the Pebble Partnership to develop a mine, Anglo is required to commit to the remainder of the total investment of US$1.425 billion in order to retain its interest in the Pebble Partnership. Following completion of the US$1.425 billion expenditure, any further expenditure will be funded by Anglo and Northern Dynasty on a 50:50 basis. If the feasibility study is completed after 2011, Anglo's overall funding requirement increases from US$1.425 billion to US$1.5 billion. The Pebble Partnership agreement provides for equal project control rights for both partners with no operator's fees payable to either party.

The Group has determined that its investment in the Pebble Partnership qualifies as an interest in a jointly controlled entity under IAS 31, *Interests in Joint Ventures*, and has elected to apply the equity method in accounting for its interest in the Pebble Partnership. The Group has not accounted for its share of the loss in the Pebble Partnership for the current or prior year as the agreement with Anglo states that the distribution of losses funded by Anglo are allocated 100% to Anglo until the total investment of US$1.425 billion is met. Accordingly, the Group has not recognized any share of losses relating to the Pebble Partnership totaling in Canadian dollars $68,330 in the year (2008 – $150,965), since the Group has no obligation in respect of these losses. Cumulative losses in Canadian dollars as at December 31, 2009 total $264,053 (2008 – $195,723). The accounting policies of the Pebble Partnership are the same as those followed by the Group. The Group's investment in the Pebble Partnership is carried in US dollars. Exchange differences arising from the translation of the Group's investment in the Pebble Partnership are taken directly to the foreign currency translation reserve in other comprehensive loss.

Investment in the Pebble Partnership	As at December 31 2009	As at December 31 2008	As at January 1 2008
Carrying value at the beginning of the year	$ 121,611	$ 98,976	$ –
Recognition of initial equity investment	–	–	98,976
Foreign currency translation (note 9(d))	(16,674)	22,635	–
Carrying value at the end of the year	$ 104,937	$ 121,611	$ 98,976

Summary financial information for the equity accounted investee, not adjusted for the percentage ownership held by the Group, is as follows:

	As at December 31 2009	As at December 31 2008	As at January 1 2008
Ownership	50%	50%	50%
Non-current assets	$ 104,820	$ 121,703	$ 99,058
Current assets	6,691	14,176	1,344
Total assets	**111,511**	**135,879**	**100,402**
Current liabilities	3,268	13,325	7,168
Total liabilities	**3,268**	**13,325**	**7,168**
Net loss	$ 68,330	$ 150,965	$ 44,758

The cumulative losses of the Pebble Partnership have not been included in the financial statements of the Group.

5. SUBSIDIARIES

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
3537137 Canada Inc.	British Columbia, Canada	100%	Holding Group
0796412 BC Ltd.	British Columbia, Canada	100%	Not active
Northern Dynasty Partnership[1]	Alaska, USA	100%	Holding Group

1. The Group's affiliate which holds the Group's 50% interest in the Pebble Partnership (note 4).

6. RELATED PARTY BALANCES AND TRANSACTIONS

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of the entities outlined below.

The following entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Transactions	For Years Ended December 31 2009	2008
Services rendered:		
Hunter Dickinson Services Inc. (a)	$ 1,588	$ 1,291
Sidev Holdings Ltd. (b)	3	16
C.E.C Engineering Ltd. (c)	–	150
Total for services rendered	$ 1,591	$ 1,457
Reimbursement for third party expenses paid by HDSI:		
Hunter Dickinson Services Inc. (a)	$ 593	$ 874

Related party balances receivable	As at December 31 2009	As at December 31 2008	As at January 1 2008
Hunter Dickinson Services Inc. (a)	$ 55	$ 149	$ 27
Pebble Partnership (d)	–	–	1,193
Total	$ 55	$ 149	$ 1,220

Related party balances payable	As at December 31 2009	As at December 31 2008	As at January 1 2008
Sidev Holdings Ltd. (b)	$ –	$ –	$ 21

(a) Hunter Dickinson Services Inc. ("HDSI") is a private Group which until recently was owned equally by several public companies, one of which was the Group. HDSI has certain directors in common with the Group and provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Group and its subsidiaries at rates determined on a full cost recovery basis pursuant to an agreement dated June 1, 2008. No interest is accrued on these related party balances.

(b) Sidev Holdings Ltd. is a private Group controlled by a former director of Pebble East Claims Corp., a wholly owned private US subsidiary of the Pebble Partnership, which provided project management services at market rates.

(c) C.E.C Engineering Ltd. is a private Group controlled by a director that provided services to the Group at market rates.

(d) The Group incurred third party costs on behalf of the Pebble Partnership during 2007 in the normal course of operations. The balance payable as at December 31, 2007 was reimbursed to the Group in 2008.

Key management personnel compensation

	For Years Ended December 31	
Compensation	2009	2008
Salaries	$ 817	$ 999
Share-based compensation	2,752	4,257
Total	$ 3,569	$ 5,256

7. AMOUNTS RECEIVABLE AND OTHER ASSETS

	As at December 31	As at December 31	As at January 1
	2009	2008	2008
Amounts receivable	$ 39	$ 34	$ 604
Other assets – prepayments	142	131	271
Total	$ 181	$ 165	$ 875

8. CASH AND CASH EQUIVALENTS

	As at December 31	As at December 31	As at January 1
	2009	2008	2008
Business and savings accounts	$ 39,688	$ 692	$ 2,669
Guaranteed Investment Certificates	5,207	–	–
Bankers' Acceptances	–	1,197	1,005
Commercial Paper[1]	–	–	35,454
Government Treasury Bills	–	44,077	–
Total	$ 44,895	$ 45,966	$ 39,128

1. During year ended December 31, 2008, the Group disposed of its investments in commercial paper and purchased Government of Canada Treasury bonds. The Group held no commercial paper in the year ended December 31, 2009.

9. CAPITAL AND RESERVES

(a) Authorized Share Capital

At December 31, 2009, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Issued Share Capital

At December 31, 2009 the issued share capital comprised 93,173,976 common shares (2008 – 92,543,639; January 1, 2008 – 92,543,639). The change in issued share capital for the year was as follows:

	Number of shares		Amount	
	2009	2008	2009	2008
Balance at the beginning of the year	92,543,639	92,543,639	$ 365,202	$ 365,202
Donation of shares (1)	75,000	–	437	–
Share purchase options exercised (c)	555,337	–	2,630	–
Fair value allocated to share purchase options exercised	–	–	2,391	–
Balance at end of the year	93,173,976	92,543,639	$ 370,660	$ 365,202

1. The Group donated shares to the Britannia Beach Historical Society, a registered charitable organization that owns and operates the British Columbia Museum of Mining, during the year. The cost recognized for the donation of the shares along with the corresponding share capital value was determined using the quoted market value per common share on date of issue.

(c) Share Purchase Option Compensation Plan

The Group has a share purchase option plan approved by the Group's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees, and service providers. The share purchase option plan (the "2008 Rolling Option Plan") is based on the maximum number of eligible shares equalling a rolling percentage of 10% of the Group's outstanding common shares, calculated from time to time. Pursuant to the 2008 Rolling Option Plan, if outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Group increases, then the share purchase options available to grant under the plan increase proportionately. The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts). Share purchase 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 share purchase 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, 2009 is as follows:

Expiry date	Exercise price	Dec 31 2008	Granted	Exercised	Expired / cancelled	Dec 31 2009
April 30, 2009	$ 7.25	359,400	–	(15,000)	(344,400)	–
April 30, 2009	$ 9.81	50,000	–	–	(50,000)	–
April 30, 2009	$ 10.32	593,000	–	–	(593,000)	–
April 14, 2011	$ 9.74	1,461,668	–	–	(1,434,168)	27,500
April 30, 2011	$ 7.25	945,000	–	–	(765,000)	180,000
October 27, 2011	$ 3.00	221,877	–	(80,340)	(6,629)	134,908
February 2, 2012	$ 5.00	–	529,000	(54,166)	–	474,834
February 4, 2012	$ 5.00	–	2,168,200	(350,831)	(80,167)	1,737,202
February 20, 2012	$ 10.95	828,000	–	–	(678,000)	150,000
March 26, 2012	$ 8.25	–	25,000	–	–	25,000
April 11, 2013	$ 9.74	753,000	–	–	(678,000)	75,000
August 22, 2013	$ 5.35	40,000	–	–	–	40,000
October 27, 2013	$ 3.00	140,000	–	(10,000)	–	130,000
February 2, 2014	$ 5.00	–	2,063,000	(45,000)	–	2,018,000
February 4, 2014	$ 5.00	–	220,000	–	–	220,000
		5,391,945	**5,005,200**	**(555,337)**	**(4,629,364)**	**5,212,444**
Weighted average exercise price		$ 8.90	$ 5.02	$ 4.74	$ 9.30	$ 5.26
Weighted average contractual remaining life (years)		2.44				2.99
Weighted average share price on exercise				$ 8.74		

During the year, the Group issued 5,005,200 share purchase options to purchase common shares at an average exercise price of $5.02 per common share. The Group also cancelled 4,629,364 share purchase options with exercise prices between $3.00 and $10.95 and with various expiry dates between April 30, 2009 and April 11, 2013. The Group determined that of the share purchase options granted, 2,243,700 were replacement options for 4,462,400 of the cancelled options and as such a modification of these cancelled options had occurred for accounting purposes. For modified options, the compensation expense is based on the fair value of the options on the modification date less the fair value of the original options based on the shorter of the remaining life of the old option or the expected life of the modified option.

The Company issued 25,000 share purchase options to a non employee for geological advisory services. The Company estimates the fair value of these services approximates the fair value of the share purchase options granted measured using the Black Scholes option pricing model.

The following are the share purchase options that were exercisable at December 31, 2009:

Expiry date		Exercise price	Number of options outstanding	Number of options exercisable
April 14, 2011	$	9.74	27,500	18,333
April 30, 2011	$	7.25	180,000	180,000
October 27, 2011	$	3.00	134,908	64,578
February 2, 2012	$	5.00	474,834	122,167
February 4, 2012	$	5.00	1,737,202	365,869
February 20, 2012	$	10.95	150,000	150,000
March 26, 2012	$	8.25	25,000	8,333
April 11, 2013	$	9.74	75,000	50,000
August 22, 2013	$	5.35	40,000	26,667
October 27, 2013	$	3.00	130,000	83,333
February 2, 2014	$	5.00	2,018,000	642,667
February 4, 2014	$	5.00	220,000	73,333
			5,212,444	**1,785,280**

The continuity of share purchase options for the year ended December 31, 2008 is as follows:

Expiry date		Exercise price	Dec 31 2007	Granted	Exercised	Expired / cancelled	Dec 31 2008
April 30, 2009	$	7.25	359,400	–	–	–	359,400
April 30, 2009	$	9.81	50,000	–	–	–	50,000
April 30, 2009	$	10.32	596,350	–	–	(3,350)	593,000
April 14, 2011	$	9.74	–	1,510,500	–	(48,832)	1,461,668
April 30, 2011	$	7.25	945,000	–	–	–	945,000
October 27, 2011	$	3.00	–	224,660	–	(2,783)	221,877
February 20, 2012	$	10.95	828,000	–	–	–	828,000
April 11, 2013	$	9.74	–	753,000	–	–	753,000
August 22, 2013	$	5.35	–	40,000	–	–	40,000
October 27, 2013	$	3.00	–	140,000	–	–	140,000
			2,778,750	**2,668,160**	–	**(54,965)**	**5,391,945**
Weighted average exercise price			$ 9.06	$ 8.75	$ –	$ 9.43	$ 8.90
Weighted average contractual remaining life (years)			2.85				2.44

The following are the share purchase options that were exercisable at December 31, 2008:

Expiry date		Exercise price	Number of options outstanding	Number of options exercisable
April 30, 2009	$	7.25	359,400	359,400
April 30, 2009	$	9.81	50,000	50,000
April 30, 2009	$	10.32	593,000	593,000
April 14, 2011	$	9.74	1,461,668	492,335
April 30, 2011	$	7.25	945,000	945,000
October 27, 2011	$	3.00	221,877	74,886
February 20, 2012	$	10.95	828,000	828,000
April 11, 2013	$	9.74	753,000	251,000
August 22, 2013	$	5.35	40,000	13,333
October 27, 2013	$	3.00	140,000	46,667
			5,391,945	**3,653,621**

The weighted average fair value of the share purchase options granted during the year is $2.14 (2008 – $3.63) . Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Years Ended December 31	
	2009	2008
Risk-free interest rate	1.79%	2.93%
Expected life	3.88 years	3.74 years
Expected volatility	64%	55%
Grant date share price	$ 5.41	$ 8.64
Expected dividend yield	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 Group's share purchase options.

(d) Foreign Currency Translation Reserve

	2009	2008
Balance at beginning of year	$ 21,808	$ –
Exchange (loss) gain on translation of investment in the Pebble Partnership	(16,674)	22,635
Deferred income tax on investment (note 11)	609	(827)
Balance at the end of the year	$ 5,743	$ 21,808

The foreign currency translation reserve represents accumulated exchange differences arising on the translation of the investment in the Pebble Partnership which has a US dollar functional currency and related tax effect that have been recognized in other comprehensive income (loss).

(e) Investment Revaluation Reserve

	2009	2008
Balance at beginning of year	$ (14)	$ (3)
(Loss) on revaluation of investment in AFS marketable securities	(1)	(11)
Cumulative loss reclassified to loss on Impairment of AFS marketable securities	15	–
Balance at the end of the year	$ –	$ (14)

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of AFS marketable securities that have been recognized in other comprehensive income (loss). During the current year the Group determined that these marketable securities were impaired due the prolonged decline in the market price since receipt of the marketable securities and the balance was reclassified to loss.

10. AMOUNTS PAYABLE AND OTHER LIABILITIES

	As at December 31	As at December 31	As at January 1
Falling due within the year	2009	2008	2008
Trade payables	$ 193	$ 148	$ 1,631

11. INCOME TAX EXPENSE

	Years Ended December 31	
	2009	2008
Current tax expense		
Current period	$ –	$ –
	–	–
Deferred tax expense (recovery)		
Current period	(25)	–
Deferred income tax (liabilities)	(25)	–
Total income tax (recovery)	$ (25)	$ –

Reconciliation of effective tax rate	Years Ended December 31			
	2009	2008	2009	2008
(Loss) for the period			$ (12,740)	$ (1,150)
Total income tax (recovery)			25	–
(Loss) excluding income tax			(12,765)	(1,150)
Income tax using the Company's domestic tax rate	30.0 %	31.0 %	(3,830)	(357)
Non-deductible expenses	(20.1)%	(208.0)%	2,560	2,392
Utilization of losses previously not recognized	–	(173.1)%	–	1,991
Reduction in statutory tax rates	(15.4)%	21.2 %	1,963	(244)
Foreign exchange	(16.0)%	272.6 %	2,040	(3,135)
Difference in foreign tax rates	4.5 %	17.4 %	(570)	(200)
Benefit of US branch losses not recognized	8.8%	–	(1,123)	–
Other	(2.0)%	8.0 %	256	(92)
Deferred income tax assets not recognized (recognized)	10.4 %	30.9 %	(1,321)	(355)
	0.2 %	0.0 %	$ (25)	$ –

Deferred income tax assets (liabilities)	As at December 31 2009	As at December 31 2008	As at January 1 2008
Resource pool	$ 26,234	$ 31,619	$ 26,724
Non operating losses	1,508	1,204	561
Net deferred income tax assets	27,742	32,823	27,285
Investment in the Pebble Partnership	(31,549)	(37,264)	(30,899)
Net deferred income tax (liability)	$ (3,807)	$ (4,441)	$ (3,614)

At December 31, 2009, the Group had available losses for income tax purposes in Canada totaling approximately $14.5 million (2008 – $10.3 million), expiring in various years from 2010 to 2029 assuming none are recoverable in one year. At December 31, 2009 the Group had available losses from its branch operations in the United States of $58.3 million (2008 – $51.2 million), expiring in various years from 2021 to 2029.

The Group had approximately $202.3 million (2008 – $202.3 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 Group had approximately $122.9 million (2008 – $155.9 million) of resource tax pools available, which may be used to shelter certain resource income in the United States.

The Group had the following balances at December 31, 2009 in respect of which no deferred tax asset was recognized:

Expiry	Non-operating losses	Resource Pools	Investment in Pebble Partnership	Other
Within one year	–	–	–	–
One to five years	–	–	–	47
After five years	26,079	–	–	274
No expiry date	20	24,352	12,690	–
	26,099	24,352	12,690	321

12. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2009 was based on the loss attributable to common shareholders of $12,740 (2008 – $1,150) and the weighted average number of common shares outstanding of 92,828,293 (2008– 92,543,639) respectively.

Diluted loss per share did not include the effect of 5,212,444 (2008 – 5,391,945) share purchase options as they are anti-dilutive.

13. FINANCIAL RISK MANAGEMENT

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of potential loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents, amounts receivable and balances receivable from related parties. The Group limits the exposure to credit risk by only investing its cash and cash equivalents with high-credit quality financial institutions in business and saving accounts, guaranteed investment certificates, and in government treasury bills which are available on demand by the Group for its programs.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. The Group ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Group's holdings of cash and cash equivalents. The Group believes that these sources will be sufficient to cover the likely short term cash requirements. The Group's cash and cash equivalents are currently invested in business accounts and guaranteed investment certificates which are available on demand by the Group for its programs.

The Group has no contractual obligations other than current trade payables (note 10).

Foreign exchange risk

The Group is exposed to foreign exchange risk as some of its cash and cash equivalents are held in US dollars. Also certain of the Group's corporate expenses are incurred in US dollars. The results of the Group's operations are subject to currency transaction risk and currency translation risk. The operating results and financial position of the Group are reported in Canadian dollars in the Group's consolidated financial statements. The fluctuation of the US dollar in relation to the Canadian dollar will consequently have an impact upon the losses incurred by the Group and may also affect the value of the Group's assets and the amount of shareholders' equity.

The Group has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The exposure of the Group's cash and cash equivalents, amounts receivable and amounts receivable from related parties to foreign exchange risk is as follows:

Currency	As at December 31, 2009		As at December 31, 2008		As at January 1, 2008	
	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars
US dollars						
Cash and cash equivalents	$ 651	$ 684	$ 1,028	$ 1,250	$ 36,496	$ 36,177
Amounts receivable	–	–	–	–	18	18
Total financial assets	**$ 651**	**$ 684**	**$ 1,028**	**$ 1,250**	**$ 36,514**	**$ 36,195**

The exposure of the Group's amounts payable and other liabilities and amounts due to related parties to foreign exchange risk is as follows:

Currency	As at December 31, 2009		As at December 31, 2008		As at January 1, 2008	
	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars
US dollars						
Amounts payable and other liabilities	$ 1	$ 1	$ –	$ –	$ 357	$ 353
Total financial liabilities	**$ 1**	**$ 1**	**$ –**	**$ –**	**$ 357**	**$ 353**

Based on the above net exposures and assuming that all other variables remain constant, a 10% depreciation of the Canadian dollar against the US dollar would result in a decrease in the loss of approximately $68 in the year (2008 – $125). This sensitivity analysis includes only outstanding foreign currency denominated monetary items, and excludes the effect of any translation adjustments for the investment in the Pebble Partnership.

Interest rate risk

The Group is subject to interest rate risk with respect to its investments in cash and cash equivalents. The Group's policy is to invest cash at fixed rates of interest and cash reserves are to be maintained in cash and cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when the cash and cash equivalents mature impact interest income earned.

Assuming that all other variables remain constant, a 10 basis point increase or decrease in interest rates would have resulted in a decrease or increase in the loss of approximately $33 in the year (2008 – $112).

Commodity price risk

While the value of the Group's core mineral resource property, held through its 50% interest in the Pebble Partnership, is related to the price of gold, copper and molybdenum and the outlook for these minerals, the Group currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities.

Gold, copper, and molybdenum prices historically have fluctuated widely and are affected by numerous factors outside of the Group's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Group consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements.

Fair value

The fair value of the Group's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

	Financial assets at fair value			
	Level 1	Level 2	Level 3	December 31, 2009
Available for sale financial asset				
Marketable securities	$ 2	$ –	$ –	$ 2
Total financial assets at fair value	$ 2	$ –	$ –	$ 2

	Financial assets at fair value			
	Level 1	Level 2	Level 3	December 31, 2008
Available for sale financial asset				
Marketable securities	$ 2	$ –	$ –	$ 2
Total financial assets at fair value	$ 2	$ –	$ –	$ 2

14. COMMITMENTS AND CONTINGENCIES

The Group has no commitments or contingencies.

15. SUBSEQUENT EVENTS

The Group issued 556,390 common shares pursuant to the exercise of share purchase options with various expiry dates at exercise prices of $3.00 and $5.00 per common share from January through March 29, 2010. The Group also cancelled 53,501 and 4,008 share purchase options with option prices of $5.00 and $3.00 respectively during the same period.

16. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these consolidated financial statements are for the period covered by the Group's first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the consolidated financial statements for the year ended December 31, 2009, the consolidated financial statements for the year ended December 31, 2008 and the opening IFRS statement of financial position on January 1, 2008, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the year ended December 31, 2008, the Group has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP.

An explanation of how the transition from GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Group elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations,* prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based payment*, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arose on adoption of IFRS.

Reconciliation of Assets, Liabilities & Equity

	As at January 1 2008 GAAP as previously reported	Note (a)	Effect of transition to IFRS (b)	(c)	(d)	(e)	As at January 1 2008 IFRS
ASSETS							
Non-current assets							
Property, plant and equipment	$ 674	$ (659)	$ –	$ –	$ –	$ –	$ 15
Mineral property interest	168,222	(105,983)	–	–	(62,239)	–	–
Investment in the Pebble Limited Partnership	–	98,976	–	–	–	–	98,976
Total non-current assets	168,896	(7,666)	–	–	(62,239)	–	98,991
Current assets							
Balances receivable from related parties	27	1,193	–	–	–	–	1,220
Amounts receivable and prepayments	1,000	(125)	–	–	–	–	875
Marketable securities	13	–	–	–	–	–	13
Cash and cash equivalents	40,341	(1,213)	–	–	–	–	39,128
Total current assets	41,381	(145)	–	–	–	–	41,236
Total assets	$ 210,277	$ (7,811)	$ –	$ –	$ (62,239)	$ –	$ 140,227
EQUITY							
		$ –					
Share capital	$ 365,202		$ –	$ –	$ –	$ –	$ 365,202
Reserves	18,015	(7,554)	7,554	(637)	–	–	17,378
Deficit	(273,906)	41,271	(7,554)	637	(4,453)	(3,614)	(247,619)
Total equity	109,311	33,717	–	–	(4,453)	(3,614)	134,961
LIABILITIES							
Current liabilities							
Balance payable to related parties	21	–	–	–	–	–	21
Accounts payable and accrued liabilities	7,607	(5,976)	–	–	–	–	1,631
Total current liabilities	7,628	(5,976)	–	–	–	–	1,652
Future income tax liability	57,786	–	–	–	(57,786)	3,614	3,614
Non-controlling interest	35,552	(35,552)	–	–	–	–	–
Total liabilities	100,966	(41,528)	–	–	(57,786)	3,614	5,266
Total equity and liabilities	$ 210,277	$ (7,811)	$ –	$ –	$ (62,239)	$ –	$ 140,227

Reconciliation of Assets, Liabilities & Equity (continued)

	As at December 31 2008 GAAP as previously reported	Note (a)	Effect of transition to IFRS (b)	(c)	(d)	(e)	As at December 31 2008 IFRS
ASSETS							
Non-current assets							
Property, plant and equipment	$ 619	$ (608)	$ –	$ –	$ –	$ –	$ 11
Mineral property interest	168,222	(105,983)	–	–	(62,239)	–	–
Investment in the Pebble Limited Partnership	–	98,976	22,635	–	–	–	121,611
Total non-current assets	168,841	(7,615)	22,635	–	(62,239)	–	121,622
Current assets							
Balances receivable from related parties	–	149	–	–	–	–	149
Amounts receivable and prepayments	1,109	(944)	–	–	–	–	165
Marketable securities	2	–	–	–	–	–	2
Cash and cash equivalents	59,201	(13,235)	–	–	–	–	45,966
Total current assets	60,312	(14,030)	–	–	–	–	46,282
			$	–			
Total assets	$ 229,153	$ (21,645)	$ 22,635		$ (62,239)	$ –	$ 167,904
EQUITY							
		$	–				
Share capital	$ 365,202	$ –	$	–	$ –	$ –	$ 365,202
Reserves	22,485	936	22,635	1,653	–	(827)	46,882
Deficit	(423,812)	184,796	–	(1,653)	(4,486)	(3,614)	(248,769)
Total equity	(36,125)	185,732	22,635	–	(4,486)	(4,441)	163,315
LIABILITIES			–				
Current liabilities							
Balance payable to related parties	1,328	(1,328)	–	–	–	–	–
Accounts payable and accrued liabilities	12,015	(11,867)	–	–	–	–	148
Total current liabilities	13,343	(13,195)	–	–	–	–	148
Future income tax liability	57,753	–	–	–	(57,753)	4,441	4,441
Non-controlling interest	194,182	(194,182)	–	–	–	–	–
Total liabilities	265,278	(207,377)	–	–	(57,753)	4,441	4,589
Total equity and liabilities	$ 229,153	$ (21,645)	$ 22,635	$ –	$ (62,239)	$ –	$ 167,904

Reconciliation of Loss (Income) and Comprehensive Loss (Income)

Year Ended December 31, 2008	GAAP as previously reported	Note (a)	Effect of transition to IFRS (b)	(c)	(d)	(e)	IFRS
Expenses (income)							
Depreciation	$ 182	$ (178)	$ –	$ –	$ –	$ –	$ 4
Conference and travel	1,756	(1,483)	–	–	–	–	273
Exploration	140,603	(140,195)	–	–	–	–	408
Foreign exchange gain	(9,168)	38	–	–	–	–	(9,130)
Insurance	676	(269)	–	–	–	–	407
Interest income	(1,268)	153	–	–	–	–	(1,115)
Legal, accounting and audit	1,141	(771)	–	–	–	–	370
Office costs	4,554	(4,328)	–	–	–	–	226
Salaries	5,427	(4,046)	–	–	–	–	1,381
Shareholder communication	384	–	–	–	–	–	384
Share-based compensation - exploration	1,641	(1)	–	–	–	–	1,640
Share-based compensation - administration	3,776	–	–	2,291	–	–	6,067
Trust and filing	235	–	–	–	–	–	235
Loss before taxes	149,939	(151,080)	–	2,291	–	–	1,150
Income taxes	–	–	–	–	–	–	–
Future income tax recovery	(33)	–	–	–	33	–	–
Loss for the year	**$ 149,906**	**$ (151,080)**	**$ –**	**$ 2,291**	**$ 33**	**$ –**	**$ 1,150**
Other comprehensive loss (income)							
Unrealized loss on available-for-sale marketable securities	11	–	–	–	–	–	11
Exchange difference on translation of investment in the Pebble Limited Partnership	936	(936)	(22,635)	–	–	–	(22,635)
Deferred income tax	–	–	–	–	–	827	827
Other comprehensive loss (income)	$ 947	$ (936)	$ (22,635)	$ –	$ –	$ 827	$ (21,797)
Total comprehensive loss (income)	**$ 150,853**	**$ (152,016)**	**$ (22,635)**	**$ 2,291**	**$ 33**	**$ 827**	**$ (20,647)**

Reconciliation of Cash Flows

Year Ended December 31, 2008	GAAP as previously reported	Reclassifications under GAAP	Total GAAP	Effect of transition to IFRS Note (a)	(b)	(c)	(d)	IFRS
Operating activities								
Loss for the year	$ (149,906)	$ –	$ (149,906)	$ 151,080	$ –	$ (2,291)	$ (33)	$ (1,150)
Contributions from non-controlling interest	158,630	(158,630)	–	–	–	–	–	–
Currency translation adjustment	(936)	–	(936)	936	–	–	–	–
Depreciation	182	–	182	(178)	–	–	–	4
Interest income	–	(1,268)	(1,268)	153	–	–	–	(1,115)
Foreign exchange gain	–	(9,168)	(9,168)	38	–	–	–	(9,130)
Future income tax recovery	(33)	–	(33)	–	–	–	33	–
Share-based compensation	5,417	–	5,417	(1)	–	2,291	–	7,707
Changes in non-cash working capital	5,633	–	5,633	(5,356)	–	–	–	277
Cash used in operating activities	18,987	(169,066)	(150,079)	146,672	–	–	–	(3,407)
Investing activities								
Interest income	–	1,268	1,268	(153)	–	–	–	1,115
Purchase of plant, property and equipment	(127)	–	(127)	127	–	–	–	–
Cash generated by investing activities	(127)	1,268	1,141	(26)	–	–	–	1,115
Financing activities								
Contributions from non-controlling interest	–	158,630	158,630	(158,630)	–	–	–	–
Cash provided from financing activities	–	158,630	158,630	(158,630)	–	–	–	–
Increase in cash and cash equivalents	18,860	(9,168)	9,692	(11,984)	–	–	–	(2,292)
Effect of foreign exchange on cash held	–	9,168	9,168	(38)	–	–	–	9,130
Cash and cash equivalents, beginning of year	40,341	–	40,341	(1,213)	–	–	–	39,128
Cash and cash equivalents, end of year	**$ 59,201**	**$ –**	**$ 59,201**	**$ (13,235)**	**$ –**	**$ –**	**$ –**	**$ 45,966**

Notes to Reconciliations

(a) **Basis of Consolidation**

Under GAAP, the Group accounted for its interest in the Pebble Partnership ("Partnership") as a variable interest entity ("VIE") with the Group as the primary beneficiary. The Partnership was determined to be a VIE because the total equity investment at risk is not sufficient to permit the Partnership to finance its mine development activities without additional financial support from its partners. The Partnership will be required to incur several hundred millions of dollars over several years to achieve its business objective to engineer, permit, construct and operate a modern, long-life mine. Although both Anglo and the Group each hold an equal 50% voting interest in the Partnership, the Group's exposure to the potential expected losses of the VIE is greater than Anglo's because at any point in time prior to Anglo completing its full cash contribution of US$1.425 billion to retain its 50% interest in the Pebble Partnership, Anglo has the ability to withdraw from the Partnership and the Group will be required to fund 100% of the remaining Partnership expenditures. Consequently, the Group concluded that the primary beneficiary of the Partnership would be the Group. Accordingly, the Group consolidated 100% of the Partnership, and previously reported a non-controlling interest.

IFRS does not include the concept of a variable interest entity. IFRS requires the Group to consolidate entities including Special Purpose Entities only where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. On application of IFRS, the Group has determined that it has joint control of the Pebble Partnership as the Group holds 50% of the voting interest of the Partnership with Anglo holding the other 50%. The Group does not control the Partnership based on voting interest and does not own more than half of the voting power. Furthermore, both Anglo and the Group have equal rights and powers in governing the financial and operating policies of the Partnership or appointing and removing members of the Partnership's board of directors. Decision making is governed by the Partnership's board of directors, with equal representation from Anglo and the Group. The structure of the board of directors and the voting requirements result in joint decision making by Anglo and the Group in all circumstances. Under IFRS, the Group can elect to use either the equity method or proportionate consolidation method to account for its interest in the Pebble Partnership. The Group has elected to apply the equity method to account for its interest in the Pebble Partnership, and the carrying value of the investment is the Group's cost of investment to date in US dollars.

Business combinations that occurred prior to January 1, 2008 were not accounted for in accordance with IFRS 3, *Business Combinations* ("IFRS 3") or IAS 27, *Consolidated and Separate Financial Statements* , in accordance with the IFRS 1 exemption discussed above.

(b) **Cumulative translation differences**

IFRS requires that the functional currency of each entity of the Group be determined separately. The Group has determined that as at the Transition Date the Canadian dollar was the functional currency of all entities in the Group except the Pebble Partnership which has a US dollar functional currency. In accordance with IFRS 1 optional exemptions, the Group elected to transfer the cumulative translation differences, recognized as a separate component of equity, to deficit at the Transition Date. Under GAAP, the Pebble Partnership was defined as an integrated foreign operation from the date the Pebble Partnership was formed ("formation date") to the Transition Date and therefore no foreign exchange translation in equity was noted. Under IFRS, the Pebble Partnership has a US dollar functional currency since the formation date and therefore as at the Transition Date a foreign exchange translation reserve of $7,554 had accumulated. In electing to take this

IFRS 1 exemption, the Group has transferred this foreign exchange translation reserve at the Transition Date to deficit.

The movement for the years ended December 31, 2009 and 2008 in shareholders' equity and the corresponding movement in the equity investment in the Pebble Partnership are as follows:

		2008
Shareholders' Equity		
(Decrease) increase in foreign currency translation reserve	$	22,635
Non-current Assets		
(Decrease) increase in investment in the Pebble Partnership		22,635

(c) **Share-based Payment**

Under GAAP, the Group measured share-based compensation related to share purchase options at fair value of the share purchase options granted using the Black-Scholes option pricing formula and recognized this expense over the vesting period of the options. For the purpose of accounting for share-based payment transactions an individual is classified as an employee when the individual is consistently represented to be an employee under law. The fair value of the share purchase options granted to employees is measured on the date of grant. The fair value of share purchase options granted to contractors and consultants is measured on the date the services are completed. Forfeitures are recognized as they occur.

IFRS 2, similar to GAAP, requires the Group to measure share-based compensation related to share purchase options granted to employees at the fair value of the share purchase options on the date of grant and to recognize such expense over the vesting period of the options. However, for share purchase options granted to non-employees, IFRS requires that share-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured. For the purpose of accounting for share based payment transactions an individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. This definition of an employee is broader than that previously applied by the Group and resulted in certain contractors and consultants being classified as employees under IFRS.

For the share purchase options granted to individuals reclassified, changes in fair value after the grant date previously recognized for GAAP purposes have been adjusted. The adjustments were calculated only for unvested share purchase options issued and outstanding as of and after the Transition Date.

(d) **Deferred Tax on Mineral Properties**

Under GAAP, the Group, in determination of the net loss from its interest in the Pebble Partnership, recognized a future income tax liability on temporary differences arising on the initial recognition of the Pebble Partnership mineral property interest (where the fair value of the asset acquired exceeded its tax basis) in a transaction which was not a business combination and affected neither accounting profit or loss nor taxable profit or loss. IAS 12, *Income Taxes* ("IAS 12") does not permit the recognition of deferred taxes on such transactions. As of the Transition Date and December 31, 2008, the Group has derecognized the impacts of all deferred tax liabilities which had previously been recognized on the initial acquisition of the investment in the Pebble Partnership through transactions deemed not to be business combinations and affecting neither accounting profit or loss nor taxable profit or loss.

(e) **Deferred Tax on Equity Investment in the Pebble Partnership**

The Group has determined that a deferred tax liability is required to be recognized under IAS 12 for temporary differences related inter alia to an interest in a joint venture. Although the Group does not see the temporary differences reversing in the foreseeable future given that the Pebble Partnership is still advancing the Pebble Project, the Group has determined it has joint control only, which does not meet the definition of control for the purposes of the section to allow the non recognition thereof.

	As at December 31 2008	As at January 1 2008
Shareholders' equity		
(Decrease) in reserves	$ (827)	$ –
(Increase) in deficit	–	(3,614)
Non-current liabilities		
Increase in deferred taxes	827	3,614



MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2009

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1.1 Date

This Management's 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, 2009, as publicly filed on SEDAR at www.sedar.com.

The Company adopted International Financial Reporting Standards ("IFRS") and the following disclosure, and associated Financial Statements, are presented in accordance with IFRS. The comparative periods for fiscal 2008 have been restated in accordance with IFRS.

This MD&A is prepared as of March 30, 2010. 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.*

Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. Factors and estimates that could cause actual results to differ materially from those in the forward-looking statements include market prices for metals, the conclusions of pre-feasibility, final feasibility and technical analyses, lower than expected grades and quantities of mineralization and resources, mining and recovery rates, availability of necessary capital, changes in and the effect of government policies, the ability to obtain required permits, delays in exploration and development projects and the possibility of adverse development in the financial markets. All statements, other than statements of historical facts, especially those that address estimated resource quantities, grades and contained metals, are forward-looking statements because they are generally made on the basis of estimation and extrapolation from a limited number of drill holes and metallurgical studies. Although diamond drill hole core provides valuable information about the size, shape and geology of an exploration project, there will always remain a significant degree of uncertainty in connection with these valuation factors until a deposit has been extensively drilled on closely spaced centers, which has occurred only in specific areas on the Pebble Project. Although the Company believes the expectations expressed in its forward-looking statements are based on reasonable assumptions, such statements should not be in any way be construed as guarantees of the ultimate size, quality or commercial feasibility of the Pebble Project or of the Company's future performance. The likelihood of future mining at the Pebble Project is subject to a large number of risks and will require achievement of a number of technical, economic and legal objectives, including obtaining necessary mining and construction permits, completion of pre-feasibility and final feasibility studies, preparation of all necessary engineering for underground workings and processing facilities as well as receipt of significant additional financing to fund these objectives as well as funding mine construction. Such funding may not be available to the Company on acceptable terms or on any terms at all. There is no known ore at the Pebble Project and there is no assurance that the mineralization at the Pebble Project will ever be classified as ore. The need for compliance with extensive environmental and socio- economic rules and practices and the requirement for the Company to obtain government permitting can cause a delay or even abandonment of a mineral project. The Company is also subject to the specific risks inherent in the mining business as well as general economic and business conditions.

The Company reviews its forward looking statements on an ongoing basis and updates this information when circumstances require it.

Unless otherwise noted, Northern Dynasty is solely responsible for the content of the disclosure set out herein.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

The following section uses the terms "measured resources" and "indicated resources". The Company advises investors that although 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

The following section uses the term "inferred resources". The Company advises investors that although 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 which owns 50% of the Pebble Limited Partnership (the "Pebble Partnership"). The Pebble Partnership owns the Pebble Copper-Gold-Molybdenum Project (the "Pebble Project"), which consists of the Pebble deposit and 153 square miles of associated resource lands; and has access to a stream of financing for comprehensive exploration, engineering, environmental and socioeconomic programs and, if warranted, development of the Project.

The Pebble property is located in southwest Alaska, 19 miles (30 kilometers) from the villages of Iliamna and Newhalen, and approximately 200 miles (320 kilometers) southwest of the city of Anchorage. It is situated approximately 1,000 feet above sea-level, 65 miles from tidewater on Cook Inlet and presents favorable conditions for successful mine site and infrastructure development.

An extensive, northeast-trending mineralized system underlies the Pebble property. Mineralization was discovered and an initial mineral resource outlined in the Pebble porphyry copper deposit through drilling by a previous operator during the period 1987-1997.

Northern Dynasty acquired the right to earn an interest in the Pebble property in late 2001, and in 2002 carried out an initial exploration program outside of the Pebble deposit area that resulted in the discovery of two other porphyry copper-gold-molybdenum deposits, a porphyry copper zone and a gold-copper skarn occurrence along the mineralized trend. Since 2002, work has focused on the main Pebble deposit, resulting in discovery of higher grade mineralization to the east and an overall expansion of the deposit. Comprehensive technical programs, including drilling, engineering, environmental and socioeconomic studies, have been underway since 2004.

In mid-2007, Northern Dynasty and Anglo American plc ("Anglo") established the Pebble Partnership (see section 1.2.2) to engineer, permit, construct and operate a modern, long-life mine at Pebble. To retain its 50% interest in the Pebble Partnership, Anglo is required to complete a staged investment of US$1.425 or US$1.5 billion if the feasibility study is completed after 2011, to advance the Pebble Project toward permitting and operations.

Work in 2009 and 2010

An update to the mineral resource estimate for the Pebble deposit was announced in February 2010. The results at a 0.30% copper equivalent (CuEQ)[1] cut-off are:

- 5.94 billion tonnes of Measured and Indicated Mineral Resources grading 0.2% copper, 0.35 g/t gold and 250 ppm molybdenum (0.78% CuEQ), containing 55 billion pounds of copper, 67 million ounces of gold, and 3.3 billion pounds of molybdenum; and
- 4.84 billion tonnes of Inferred Mineral Resources grading 0.24% copper, 0.26 g/t gold and 215 ppm molybdenum (0.53% CuEQ), containing 25.6 billion pounds of copper, 40.4 million ounces of gold, and 2.3 billion pounds of molybdenum.

The new estimate represents a 17% increase in resources within the measured and indicated categories, and a 12%, 14% and 16% increase in contained copper, gold and molybdenum, respectively.

The Pebble Partnership is currently working to advance a prefeasibility study (“PFS”) for the Pebble Project and prepare for permitting under the National Environmental Policy Act (“NEPA”). Activities in 2009, and those planned for 2010, are focused on these goals. It is expected that project permitting will be initiated in 2011, and the process is estimated to take 2 to 3 years to complete.

Budget expenditures of up to US$72.9 million have been approved by the board of the general partner (Pebble Mines Corp.) for 2010. A technical review will be undertaken in May 2010, at which time the engineering budget required to move the Pebble Project forward toward a timely completion of the PFS will be further reviewed.

Northern Dynasty has cash and cash equivalents on hand of $44.9 million for its operating requirements. With the project funding committed by Anglo for 2010, and given its holdings of cash and cash equivalents, management believes that the Company has sufficient sources to cover its short and long term cash requirements.

1.2.2 Limited Partnership Established to Advance the Pebble Project

On July 26, 2007, the Company converted a wholly-owned general partnership that held its Pebble Property interests into a limited partnership, the Pebble Partnership. An indirect wholly-owned subsidiary of Anglo subscribed for 50% of the Pebble Partnership's equity effective July 31, 2007. Each of the Company and Anglo effectively has equal rights in the Pebble Partnership through wholly-owned affiliates. To maintain its 50% interest in the Pebble Partnership, Anglo is required to commit staged cash investments into the Pebble Partnership aggregating to US$1.425 billion, potentially increasing to US$1.5 billion, as described below.

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[1] See notes to the Table in section 1.2.3.

Anglo's staged investment requirements include an initial minimum expenditure of US$125 million. This investment funded expenditures on the project approved by the Board of the general partner (Pebble Mines Corp.), with the goal of producing a prefeasibility study. After approval of a prefeasibility study, Anglo is required, in order to retain its 50% interest in the Pebble Partnership, to commit to further expenditures which bring its total investment to at least US$450 million which amount is to be expended towards producing a final feasibility study and in related activities, the completion of which is expected to take the Pebble Partnership to a production decision. The final feasibility study may require more than the cumulative US$450 million of expenditures. Upon an affirmative decision by the Pebble Partnership to develop a mine, Anglo is required to commit to the remainder of the total investment of US$1.425 billion in order to retain its interest in the Pebble Partnership. Following completion of the US$1.425 billion expenditure, any further expenditure will be funded by Anglo and the Company on a 50:50 basis (subject to dilution for non-contribution). If the feasibility study is completed after 2011, Anglo's overall funding requirement increases from US$1.425 billion to US$1.5 billion. The Pebble Partnership agreement provides for equal project control rights with no operator's fees payable to either party.

On adoption of IFRS, the Company determined that the investment in the Pebble Partnership qualifies as an interest in a jointly controlled entity in accordance with International Accounting Standard 31, *Interests in Joint Ventures*. The Company has elected to apply the equity method to account for its interest in the Pebble Partnership. Previously, under Canadian generally accepted accounting principles ("Canadian GAAP"), the Company considered the Pebble Partnership a variable interest entity with the Company the primary beneficiary and consequently had consolidated the activities of the Pebble Partnership and recognized a non-controlling interest.

Anglo's cash contribution since the formation of the Pebble Partnership on July 31, 2007 to December 31, 2009 amounts to $264 million (US$245.8 million) (year ended December 31, 2009 –$69.8 million (US$61.8 million)).

Senior management of the Pebble Partnership is now fully in place in Anchorage, Alaska. The Alaska-based operations are guided by the board of the general partner with equal representation from Anglo and Northern Dynasty.

1.2.3 Technical Programs

The Pebble Partnership has assembled an experienced engineering and permitting team to prepare a Prefeasibility Study for the Pebble Project, consisting of over 20 senior engineers and technical specialists (many of whom are from Anglo and others are from Northern Dynasty), as well as engineering firms and specialized consultancies from around the world.

The 2009 work plan, described in more detail below, included site investigations (resource and environmental drilling); engineering studies (evaluation of project options to optimize the project scale and completion of trade-off studies to determine the preferred project components); continuation of baseline data collection in key areas (e.g. hydrology, water quality, fish resources) and analysis of data collected in previous years for the Environmental Baseline Document; and a public affairs program to engage communities and project stakeholders, and to advance initiatives in the areas of workforce development, business development and public education.

Exploration and Resource Drilling

The 2009 drilling program included condemnation drilling in the area of site facilities to facilitate completion of PFS mine planning and exploration drilling outside of the main Pebble resource area.

Drilling was completed in two phases that took place during the periods of May to June and August to October 2009. Approximately 34,940 feet of drilling was completed in 36 holes.

On February 12, 2010, the Alaska Department of Natural Resources (DNR) announced that temporary land and water use permits granted to facilitate exploration drilling at the Pebble Project would be temporarily suspended, pending the submission of a plan to ensure that future water withdrawals comply with state permits. The Pebble Partnership was fined a total of $45,000 for instances between 2007 and 2009 in which water was drawn from unpermitted sources. The Pebble Partnership has taken steps to comply with the new permitting requirements put forward by the DNR and does not expect any delay to its 2010 field season.

Pebble Deposit Resources

The January 2010 updated mineral resources estimate for the Pebble deposit is based on 509 core holes, including 37 new holes drilled since mid-2008. The estimate was prepared for the Pebble Partnership by David Gaunt, P.Geo., a qualified person as defined under 43-101 who is not independent of Northern Dynasty. A technical report has been filed on www.sedar.com.

PEBBLE DEPOSIT MINERAL RESOURCES – JANUARY 2010

MEASURED MINERAL RESOURCES

Cut-Off	Size	Grade				Contained Metal		
CuEQ %	Tonnage	Cu %	Gold g/t	Mo ppm	CuEQ %	Copper B lb	Gold M oz	Mo B lb
0.30	527,000,000	0.33	0.35	178	0.65	3.8	5.9	0.21
0.40	508,000,000	0.34	0.36	180	0.66	3.8	5.9	0.20
0.60	277,000,000	0.40	0.42	203	0.77	2.4	3.7	0.12
1.00	27,000,000	0.62	0.62	301	1.16	0.4	0.5	0.02

INDICATED MINERAL RESOURCES

Cut-Off	Size	Grade				Contained Metal		
CuEQ %	Tonnage	Cu %	Gold g/t	Mo ppm	CuEQ %	Copper B lb	Gold M oz	Mo B lb
0.30	5,414,000,000	0.43	0.35	257	0.80	51.3	60.9	3.07
0.40	4,891,000,000	0.46	0.36	268	0.85	49.6	56.6	2.89
0.60	3,391,000,000	0.56	0.41	301	1.00	41.9	44.7	2.25
1.00	1,422,000,000	0.77	0.51	342	1.30	24.1	23.3	1.07

MEASURED + INDICATED MINERAL RESOURCES

Cut-Off	Size	Grade				Contained Metal		
CuEQ %	Tonnage	Cu %	Gold g/t	Mo ppm	CuEQ %	Copper B lb	Gold M oz	Mo B lb
0.30	5,942,000,000	0.42	0.35	250	0.78	55.0	66.9	3.28
0.40	5,399,000,000	0.45	0.36	260	0.83	53.6	62.5	3.09
0.60	3,668,000,000	0.55	0.41	293	0.98	44.5	48.3	2.37
1.00	1,449,000,000	0.76	0.52	341	1.29	24.3	24.2	1.09

INFERRED MINERAL RESOURCES

Cut-Off	Size	Grade				Contained Metal		
CuEQ %	Tonnage	Cu %	Gold g/t	Mo ppm	CuEQ %	Copper B lb	Gold M oz	Mo B lb
0.30	4,835,000,000	0.24	0.26	215	0.53	25.6	40.4	2.29
0.40	2,845,000,000	0.32	0.30	259	0.66	20.1	27.4	1.62
0.60	1,322,000,000	0.48	0.37	289	0.89	14.0	15.7	0.84
1.00	353,000,000	0.69	0.45	379	1.20	5.4	5.1	0.29

Note 1 Copper equivalent calculations used metal prices of US$1.85/lb for copper, US$902/oz for gold and US$12.50/lb for molybdenum, and metallurgical recoveries of 85% for copper, 69.6% for gold, and 77.8% for molybdenum in the Pebble West area and 89.3% for copper, 76.8% for gold, 83.7% for molybdenum in the Pebble East area. Recovery values reflect average results of metallurgical testwork completed to date and are subject to revision pending ongoing metallurgical studies. Revenue is calculated for each metal based on grades, recoveries and selected metal prices: accumulated revenues are then divided by the revenue at 1% copper. Recoveries for gold and molybdenum are normalized to the copper recovery as show below:

CuEQ (Pebble West) = Cu % + (Au g/t x 69.6%/85% x 29.00/40.79) + (Mo % x 77.8%/85% x 275.58/40.79)
CuEQ (Pebble East) = Cu% + (Au g/t x 76.8%/89.3% x 29.00/40.79) + (Mo % x 83.7%/89.3% x 275.58/40.79)

Note 2 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. The mineral resources fall within a volume or shell defined by long-term metal price estimates of US$2.50/lb for copper, US$900/oz for gold and US$25/lb for molybdenum.

Note 3 For bulk underground mining, cut-offs such as 0.60% CuEQ, are typically used for porphyry deposit bulk underground mining operations at copper porphyry deposits located around the world. A 0.30% CuEQ cut-off is considered to be comparable to that used for porphyry deposit open pit mining operations in the Americas.

Note 4 All mineral resource estimates, cut-offs and metallurgical recoveries are subject to a feasibility study.

Engineering

The 2009 engineering program was designed to assess a range of options to optimize the project scale, including trade-off studies of major project components; metallurgical studies to determine the optimal conventional processing systems and designs; and evaluations of the major infrastructure elements to identify the optimum alternatives and designs for these project components.

Metallurgy

In 2009, work was focused on assessing the Pebble West supergene zone and advancing variability testwork for the entire deposit. Following detailed copper speciation analyses in 2007 and early 2008, the relative metallurgical responses of the various types of mineralization throughout the deposit were tested. In the second quarter, additional analysis to clarify the supergene metallurgy commenced in conjunction with an ongoing geo-metallurgical program on material from both the Pebble East and Pebble West areas, which will be used to refine the metallurgical flowsheet for the completion of the prefeasibility study. Work was further advanced, in particular on the geo-metallurgy, in the third and fourth quarters.

Infrastructure

A base case for project infrastructure has been developed in conjunction with the ongoing prefeasibility study program. Infrastructure for the project includes port, road, and power options that will be necessary to support future mine operations. Alternatives were developed and assessed in 2008 and reviewed in 2009 to identify the optimal infrastructure plans and to determine any opportunities for cost savings and improvements to the time table for development.

Environmental and Socioeconomic Studies

Comprehensive environmental and socioeconomic baseline study programs are ongoing, with the objectives of collecting data in the Pebble East area and comparing 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 areas of focus for 2009 field programs were hydrology, water quality and fish resources.

The Environmental Baseline Document (EBD) remains on schedule to be finalized in late 2010. This document will be submitted with permit applications once mine engineering and a proposed development plan is completed. The EBD will present information and analysis on baseline physical, biological and social conditions based upon ongoing data collection by the Pebble Partnership's environmental study team since 2004. Its purpose is to provide the public, regulatory agencies and the Pebble Partnership with a detailed compendium of pre-development environmental and socioeconomic conditions in the project area.

A lawsuit filed on July 29, 2009, in Anchorage Superior Court by Trustees for Alaska (an environmental law firm) on behalf of certain activists asserts that the Alaska Department of Natural Resources violated Alaska's Constitution by granting exploration and temporary water use permits to the Pebble Partnership. Neither the Company nor the Pebble Partnership is named as parties, however the Pebble Partnership has been granted intervener status in the case. While plaintiffs had requested a preliminary injunction to halt exploration activity at Pebble until the case is resolved, the court denied this request on November 27, 2009. The court is expected to hear the Trustees' constitutional challenge in late 2010. The lawsuit is considered unlikely to succeed as it seeks to impugn the State's regulatory regime for resource management.

Cultural Studies

Archaeological studies have been carried out on all areas that might be disturbed by the project, with the exception of possible road and port locations. Examination of the road and port sites are not expected until 2010, once a decision is made regarding the exact location of these project features.

Community Engagement

An active program of stakeholder outreach continued in 2009, including community meetings, stakeholder visits, presentations and event appearances, as well as stakeholder tours to the Pebble Project site and to operating mines in Alaska. The focus of these outreach activities is to update stakeholders on the Pebble Project, to receive feedback on stakeholder priorities and concerns, and to educate participants about modern mining practices.

The Keystone Center, a non-profit organization that specializes in developing stakeholder dialogue processes, has initiated an independent dialogue process around the Pebble Project. The 2009 program included the recruitment of independent technical and scientific experts to review the Pebble Partnership's work and serve as a credible and objective arbiter for project stakeholders.

The Pebble Partnership has a number of other initiatives underway to enhance stakeholder relationships, including:

1. The *Pebble Fund for Sustainable Bristol Bay Fisheries & Communities* – a five-year, US$5 million endowment, established in February 2008, to enhance the health and sustainability of regional fisheries and the communities they support. An advisory board of citizens representing communities from throughout Bristol Bay developed the grant criteria and awards *Pebble Fund* grants. Approximately US$1.6 million was dispensed in 2009.

2. The Pebble Project Pre-Permitting Environmental & Socio-Economic Data Release Series is a voluntary initiative to share the preliminary findings of the comprehensive environmental study program with project stakeholders prior to the beginning of project permitting. In 2009, the Pebble Partnership issued 7 data reports, namely: trace elements (vegetation, fish, mammal and mussel tissue); aquatic macroinvertebrates and periphyton; marine nearshore habitats; marine nearshore fish and benthic invertebrates; noise; Lake Iliamna Studies; and Visual Resources.

Workforce development initiatives included additional training in the areas of equipment operations, health, safety and environment. Working with the U.S. and Alaska Departments of Labor, the Pebble Partnership has established the first-ever registered apprenticeship training program to help local drill helpers become certified drillers. The Company is also investing in programs to train local workers to become environmental technicians, emergency medical technicians and bear guards. College scholarship programs for Bristol Bay high school students also continued in 2009.

Plans for 2010

Approved budget expenditures for the US$72.9 million program at the Pebble Project in 2010 include:

- an engineering program to finalize a Prefeasibility Study and prepare for project permitting in 2011;

- an environmental and socioeconomic study program to continue baseline data collection in key areas (e.g. hydrology, water quality, fish resources) and to complete an Environmental Baseline Document in preparation for project permitting;
- a geology and site investigation program headquartered in Iliamna, Alaska to undertake ongoing exploration drilling, and support engineering and environmental studies;
- a public affairs program to engage project stakeholders and local communities, and advance key initiatives in the areas of workforce development, business development and public consultation; and
- corporate and administrative costs.

1.2.4 Market Trends

Copper prices increased significantly between late 2003 and mid 2008, and then dropped in late 2008. The average price in 2008 was approximately US$3.16/lb. Prices in 2009 ranged from US$1.39/lb in early January to US$3.33/lb at year end, averaging US$2.34/lb for the year.

Prices remain strong in 2010. The average price for the year to the date of this report is US$3.28/lb.

Although there has been periodic volatility in the gold market, the average annual price has increased for the past four years. The average gold price in 2008 was approximately US$872/oz. In response to the global economic uncertainty that began in mid 2008, gold prices were strong in 2009. Prices ranged from US$802/oz in early January to US$1200/oz in early December and averaged US$974/oz over the year.

Prices remain strong in 2010. The average price for the year to the date of this report is US$1,110/oz.

Molybdenum prices increased from US$7.60/lb in 2003 to peak at US$34/lb in 2005. Prices averaged US$25.53/lb in 2006 and US$30.47/lb in 2007. Although dropping significantly in the latter part of 2008, the average price for the year was US$28.98/lb.

Molybdenum prices continued to decrease in 2009 to early May, then began to increase, averaging US$11.28/lb for the year.

Prices have been stronger in 2010. The average price to the date of this report is US$15.74/lb.

1.3 Selected Annual Information

The Company adopted and transitioned to International Financial Reporting Standards ("IFRS") as of January 1, 2008. The comparative periods for fiscal 2008 have been restated in accordance with IFRS as part of the transition to IFRS. The reconciliation from Canadian GAAP ("GAAP") to IFRS is included in Note 16 in the notes to the consolidated financial statements. All figures are expressed in thousands of Canadian dollars, except per share amounts.

Statements of Financial Position	In accordance with IFRS As at December 31 2009	In accordance with IFRS As at December 31 2008	In accordance with IFRS As at January 1 2008	In accordance with GAAP As at December 31 2007
Other assets	$ –	$ 11	$ 15	$ 674
Mineral property interests	–	–	–	168,222
Investment in the Pebble Partnership	104,937	121,611	98,976	–
Current assets	45,133	46,282	41,236	41,381
Total assets	**150,070**	**167,904**	**140,227**	**210,277**
Shareholders' equity	146,070	163,315	134,961	109,311
Other liabilities	3,807	4,441	3,614	93,338
Current liabilities	193	148	1,652	7,628
Total shareholders' equity and liabilities	**150,070**	**167,904**	**140,227**	**210,277**
Working capital	**44,940**	**46,134**	**39,584**	**33,753**

Statements of Comprehensive Loss (Income) Expenses (income)	In accordance with IFRS Year ended December 31 2009	In accordance with IFRS Year ended December 31 2008	In accordance with GAAP Year ended December 31 2007
Conference and travel	$ 349	$ 273	$ 1,161
Depreciation	–	4	146
Donations	445	–	–
Exploration	321	408	86,424
Insurance	263	407	405
Legal, accounting and audit	354	370	1,649
Office costs	331	226	2,565
Salaries	1,453	1,381	2,092
Shareholder communication	750	384	623
Trust and filing	199	235	485
Foreign exchange loss (gain)	130	(9,130)	3,878
Future (deferred) income tax recovery	(25)	–	(3,815)
Impairment of marketable securities	15	–	–
Impairment of property, plant and equipment ("PPE")	11	–	–
Loss on disposal of fixed assets	–	–	11
Gain on disposal of marketable securities	–	–	(1)
Interest income	(335)	(1,115)	(2,749)
Share-based compensation	8,479	7,707	11,133
Loss for the year	**$ 12,740**	**$ 1,150**	**$ 104,007**
Basic and diluted loss per common share	$ 0.14	$ 0.01	$ 1.13
Weighted average number of common shares outstanding	92,828,293	92,543,639	91,978,571

1.4 Summary of Quarterly Results

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

	Presented in accordance with IFRS							
	Dec 31 2009	Sep 30 2009	Jun 30 2009	Mar 31 2009	Dec 31 2008	Sep 30 2008	Jun 30 2008	Mar 31 2008
					$			
Other assets	$ –	$ –	$ 1	$ 2	11	$ 15	$ 15	$ 15
Equity Investment	104,937	106,904	116,120	125,935	121,611	106,255	101,812	102,631
Current assets	45,133	45,236	45,641	45,316	46,282	40,665	40,124	40,726
Total assets	**150,070**	**152,140**	**161,762**	**171,253**	**167,904**	**146,935**	**141,951**	**143,372**
Equity	146,070	151,797	161,693	171,087	163,315	146,021	141,837	143,282
Other liabilities	3,807	–	–	–	4,441	–	–	–
Current liabilities	193	343	69	166	148	914	114	90
Total shareholders' equity and liabilities	**150,070**	**152,140**	**161,762**	**171,253**	**167,904**	**146,935**	**141,951**	**143,372**
Working capital	44,940	44,893	45,572	45,150	46,134	39,751	40,010	40,636
Comprehensive Loss								
Expenses								
Conference and travel	59	101	79	110	61	109	41	62
Depreciation	(11)	1	1	9	4	–	–	–
Donations	–	–	–	445	–	–	–	–
Exploration	241	11	17	52	(212)	551	2	66
Foreign exchange loss (gain)	12	74	86	(42)	(6,513)	(1,580)	255	(1,291)
Insurance	64	66	65	67	76	111	111	110
Impairment on marketable securities	15	–	–	–	–	–	–	–
Legal, accounting and audit	128	130	55	41	246	48	136	(60)
Office costs	34	51	168	77	(158)	272	55	53
Salaries	249	361	393	450	280	766	162	173
Shareholder communication	113	230	213	194	167	79	86	52
Share-based compensation	1,346	1,313	1,352	4,468	2,369	893	3,777	670
Trust and filing	9	18	28	146	8	39	16	171
Total before undernoted	2,259	2,356	2,457	6,017	(3,672)	1,288	4,641	6
Interest income	(89)	(111)	(47)	(88)	(338)	(150)	(235)	(392)
Impairment loss on PPE	11	–	–	–	–	–	–	–
Loss (income) for the period	2,181	2,245	2,410	5,929	(4,010)	1,138	4,406	(386)
Loss (gain) on marketable securities	–	2	(1)	–	1	9	(1)	2
Exchange arising on translation of the Pebble Partnership	1,967	9,216	9,815	(4,324)	(15,356)	(4,443)	818	(3,654)
Defered income tax recovery	(25)	–	–	–	–	–	–	–
Deferred income tax	(609)	–	–	–	827	–	–	–
Comprehensive loss (income)	**$ 3,514**	**$ 11,463**	**$ 12,224**	**$ 1,605**	**$ (18,538)**	**$ (3,296)**	**$ 5,223**	**$ (4,038)**
Basic and diluted loss (income) per common share	$ 0.02	$ 0.02	$ 0.03	$ 0.06	$ (0.04)	$ 0.01	$ 0.05	$ 0.00
Weighted average number of common shares outstanding YTD (thousands)	93,063	92,958	92,728	92,557	92,544	92,544	92,544	92,544

1.5 Results of Operations

The following financial data has been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and are expressed in Canadian dollars unless otherwise stated.

The Company's operations and business are not driven by seasonal trends, but rather the achievement of project milestones such as the achievement of various technical, environmental, socio-economic and legal objectives, including obtaining the necessary permits, completion of pre-feasibility and final feasibility studies, preparation of engineering designs, as well as receipt of financings to fund these objectives along with mine construction.

Results of Comprehensive Loss for the Year Ended December 31, 2009 vs. 2008

Loss for the year ended December 31, 2009 was $12.7 million, compared to a loss of $1.2 million for the previous fiscal year. The increase in loss was due to a significant foreign exchange gain realized in the prior year as a result of the Company's converting its US dollar cash into Canadian dollars.

In the current year, share-based compensation expense increased to $8.5 million (2008 – $7.7 million) as a result of share purchase options granted during the year. $4.5 million of the total share-based compensation expense recognized during the year was in the first quarter due to the vesting of share purchase options in the first quarter. The Company recognizes the fair value of options at the grant date and each tranche is recognized on a straight line basis over the period during which the share purchase options vest. The higher expense in the first quarter of 2009 was due to the vesting of certain tranches share purchase options during the period. The Company also donated shares in the Company in the first quarter to the Britannia Beach Historical Society, a registered charitable organization that owns the British Columbia Musuem of Mining, at a cost of $0.4 million (being the fair market value of the shares at the time of donation). Office costs increased marginally by $0.1 million compared to the previous year due to subscription costs and set-up fees related to a datasite. Shareholder communication costs increased to $0.8 million in 2009 from $0.4 million in 2008 due mainly to increased investor relations activities in Europe.

The Company recorded a foreign exchange loss of $0.1 million for the year compared to a $9.1 million gain in fiscal 2008. In 2008, the Company's cash and cash equivalents were held mainly in US dollars which resulted in gains on translation as the Canadian dollar depreciated against the US dollar from $0.99 at the end of December 2007 to $1.22 at the end of December 2008. However, cash and cash equivalents are now predominately held in Canadian dollars and as such, the Company's exposure to foreign exchange fluctuations have been minimal during 2009.

As a result of the credit crisis, interest rates earned on cash deposits were at record lows and resulted in the Company earning only $0.3 million in interest in 2009 as compared to $1.1 million in 2008.

As a result of the depreciation of the US dollar in 2009 (from approximately 1USD=1.22CAD on January 1, 2009 to 1USD=1.05CAD at December 31, 2009), the Company recorded an exchange loss in other comprehensive loss of $16.7 million during the year relating to the exchange differences arising on translation of the Company's equity investment in the Pebble Partnership, which has a US dollar functional currency. During the year, the US dollar appreciated from 1USD=1.22CAD at January 1, 2009 to 1USD=1.26CAD at March 31, 2009 (resulting in a Q1 exchange gain of $4.3 million on on the Company's equity investment in the Pebble Partnership); followed by a depreciation in the US dollar to 1USD=1.16CAD at June 30, 2009 (resulting in an Q2 exchange loss of $9.8 million); a further depreciation to 1USD=1.07CAD at September 30, 2009 (resulting in an Q3 exchange loss of $9.2 million); and a depreciation in to 1USD=1.05CAD at December 31, 2009 (resulting in an Q4 exchange loss of $2 million). This is in comparison to an exchange gain in fiscal 2008 where the US dollar appreciated from 1USD=0.99CAD on January 1, 2008 to 1USD=1.22CAD December 31, 2008, resulting in a exchange gain in other comprehensive income of $22.6 million for the fiscal 2008 year.

Investment in the Pebble Partnership

As indicated in section 1.2.2, the Company adopted IFRS from January 1, 2009 with a transition date of January 1, 2008. The Company has determined that, in accordance with IFRS, it has joint control of the Pebble Partnership and has elected to account for its investment in the Pebble Partnership under the equity method. The transition to IFRS is explained further in section 1.13.

Expenditures incurred on the Pebble Project through the Pebble Partnership are being funded 100% by Anglo. Anglo's total contributions from inception to December 31, 2009 are $264 million (US$245.8 million).

For the year ended December 31, 2009, the Pebble Partnership incurred total losses of $68.3 million (2008 – $151.0 million). Exploration costs decreased to $59.3 million from $142.2 million in the previous year as the Pebble Partnership continued to focus on preparing a Pre-Feasibility study for the Pebble Project. The main exploration expenditures during the year were for:

- engineering (2009 – $11.7 million; 2008 – $29.4 million);
- environmental planning and testing (2009 – $18 million; 2008 – $27.1 million);
- site activities (2009 – $22 million; 2008 – $71.6 million); and
- public affairs (2009 – $7.6 million; 2008 – $14.1 million).

For further discussion on exploration activities and the technical programs undertaken during 2009, please refer to section 1.2.3.

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. Except for 2008, the Company has issued common shares in each of the past few years pursuant to private placement financings and the exercise of warrants and/or share purchase 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.

The funding of expenditures on the Pebble Project held through the Pebble Partnership is currently being provided by Anglo (described below). Excluding cash and cash equivalents in the Pebble Partnership, Northern Dynasty has approximately $45 million in cash and cash equivalents for its own operating requirements. With the project funding committed by Anglo for 2010, and given its holdings of cash and cash equivalents, the Company believes it has sufficient sources to cover its short and long term cash requirements.

As discussed in section 1.2.2. , the Company is in a 50:50 limited partnership with Anglo. Each of the Company and Anglo effectively has equal rights in the Pebble Partnership through wholly-owned affiliates. To maintain its 50% interest in the Pebble Partnership, Anglo is required to make staged cash investments into the Pebble Partnership aggregating to US$1.425 billion, increasing to US$1.5 billion if the feasibility study is completed past 2011, over a period of several years. This includes an initial minimum expenditure of US$125 million to be expended towards a prefeasibility study (funding completed as of 2008), plus a requirement to fund any additional expenditures approved. Thereafter in order to retain its 50% interest, Anglo is required to commit to further expenditures which bring its total investment to at least US$450 million, which amount is to be expended producing a final feasibility study and in related activities, the completion of which is expected to take the Pebble Partnership to a production decision. Upon an affirmative decision to develop a mine, Anglo is required to commit to the remainder of the total investment of US$1.425 billion to US$1.5 billion in order to retain its 50% interest in the Pebble Partnership.

At December 31, 2009, the Company had working capital of approximately $44.9 million as compared to $46.1 million at December 31, 2008.

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 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.

The Pebble Partnership has purchase orders for goods and services relating to engineering, environmental, stakeholder affairs and site operations activities on the Pebble Project. It also is responsible for all maintenance payments on the property and routine office leases. All costs are funded through existing cash resources in the Pebble Partnership which are being funded by Anglo and are in the normal course of operations.

1.7 Capital Resources

The Company has no long-term debt and had 93,173,976 common shares issued and outstanding at December 31, 2009.

The Company had no commitments for material capital expenditures as of December 31, 2009.

The Pebble Partnership, which is being funded by Anglo, has a US$3.4 million commitment to the Pebble Fund for Sustainable Bristol Bay Fisheries & Communities over the next three years (refer to C*ommunity Engagement* in 1.2.3)

The Company has no lines of credit or other sources of financing.

1.8 Off-Balance Sheet Arrangements

None.

1.9 Transactions with Related Parties

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

Costs for services rendered by HDSI to the Company for year ended December 31, 2009 were $1.6 million as compared to $1.3 million for the year ended December 31, 2008. The increase over 2008 is due to the Company using resources provided by HDSI to assist with ongoing administration and management of the Company including continuous disclosure obligations, shareholder communications and investor relations, as well as assisting with the Company's role as partner in the Pebble Partnership. Costs for expenses paid by HDSI and reimbursed by the Company for the year ended December 31, 2009 amounted to $0.6 million as compared to $0.9 million for the year ended December 31, 2008.

The Company also paid $3,000 (2008 – $16,000) to Sidev Holdings Ltd., a private company controlled by a former director of Pebble East Claims Corp., a wholly owned private US subsidiary of the Pebble Partnership, which provided project management services at market rates.

1.10 Fourth Quarter

The Company recorded a loss for the fourth quarter of 2009 of $2.2 million as compared to an income of $4.0 million in the fourth quarter of 2008, mainly due to foreign exchange gains recognized on the Company's US dollar cash balances in 2008. In the fourth quarter of 2008, there was a foreign exchange gain of $6.5 million as compared to loss of $0.01 million in the fourth quarter of 2009. The gain in 2008 was the result of foreign exchange gains realized by the Company when it converted the majority of its US dollar cash and equivalents (approx. US$35 million) into Canadian dollars and the appreciation of the US dollar by approximately twenty (20) basis points relative to the Canadian dollar.

The increase in loss was also due to exploration expenses and office and administration expenses which increased over the prior year quarter. The Company conducted certain engineering studies for its own account in relation to the Pebble Project. Share-based compensation decreased to $1.3 million for the quarter compared to $2.4 million in the previous year due to the vesting of previously granted share options. The Company recognizes the fair value of options at the grant date and each tranche is recognized on a straight line basis over the period during which the share purchase options vest. Once options become fully vested, no further share-based compensation is recognized on the fully vested options. The Company also earned only $0.1 million in interest as compared to $0.4 million due to lower interest rates in 2009.

As a result of the depreciation of the US dollar in the fourth quarter of 2009 (from approximately 1USD=1.07CAD on October 1, 2009 to 1USD=1.05CAD at December 31, 2009), the Company also recorded an exchange loss in other comprehensive loss of $2.0 million during the fourth quarter relating to the exchange differences arising on translation of the Company's equity investment in the Pebble Partnership, which has a US dollar functional currency. In the fourth quarter of 2008, the US dollar appreciated from 1USD=1.06CAD to 1USD=1.22CAD, resulting in an exchange gain in other comprehensive income of $15.4 million on the Company's equity investment in the Pebble Partnership.

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 significant accounting policies are presented in Note 2 in the notes to the consolidated financial statements for the year ended December 31, 2009. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, include, but are not limited to, the following:

i. the recoverability of amounts receivable which are included in the consolidated statements of financial position;

ii. the carrying value of the investment in the Pebble Partnership and the recoverability of the carrying value included in the consolidated statements of financial position;

iii. the estimated useful lives of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in profit or loss;

iv. the inputs used in accounting for share-based compensation expense in profit or loss; and

v. the provision for income taxes which is included in profit or loss and the composition of deferred income tax assets and liabilities included in the consolidated statements of financial position at December 31, 2009.

1) Mineral resources and reserves, and the carrying values of the Company's investment in the Pebble Partnership

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 the Company's investment in the Pebble Partnership.

2) Impairment analysis of assets

At each financial reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective assets.

Changes in any of the assumptions used to determine impairment testing could materially affect the results of the analysis.

At December 31, 2009, the Company reviewed the carrying value of its assets and determined that there were no indicators of impairment.

3) Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions, and when applicable the environment in which the mine operates.

Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be, affected from time to time in varying degree by changes in environmental regulations or changes in estimates used in determining restoration and rehabilitation obligations. Both the likelihood of new regulations or degree of changes in estimates and their overall effect upon the Company are not predictable.

At December 31, 2009, the Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is minimal.

4) Share-based compensation expense

From time to time, the Company grants 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 share-based compensation expense charged in a period.

The following weighted average assumptions and inputs were used to estimate the fair value of options granted during the year:

- Risk free rate – 1.79%
- Expected life – 3.9 years
- Expected volatility – 64%
- Grant date share price – $5.41
- Expected dividend yield – nil

5) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, generally using the substantively enacted or 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. Deferred income tax assets also result from unused loss carry forwards, resource-related pools, and other deductions. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of deferred income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

A deferred tax difference would arise on the carrying value of the investment in the Pebble Partnership as a result of historical transactions. The Company recognizes net deferred tax liabilities as it believes it does not control the timing of the reversal of these temporary differences even though management has made the judgment that the reversal is not expected to occur in the foreseeable future.

1.13 Changes in Accounting Policies including Initial Adoption

(a) Transition to and Initial Adoption of IFRS

Effective January 1, 2009 the Company early adopted IFRS following the exemption received from the applicable Canadian Securities Administrators under National Instrument 52-107, Acceptable Accounting Principles, Auditing Standards and Reporting Currency ("NI 52-107") on March 2, 2009.

The accounting policies as set out in Note 2 of the consolidated financial statements have been applied consistently to all periods presented in the consolidated financial statements.

Impact of IFRS on Our Organization

The result of the conversion to IFRS can be seen in the way the Company now presents its financial results. The Company's conversion involved reviewing and changing accounting policies; restating comparative period information; reviewing organizational and internal controls and determining if any changes were required in the Company's accounting systems. To facilitate the process and ensure that the full impact of the transition to IFRS was understood and managed appropriately, the Company retained the services of an external third party accounting firm and employed the services of an IFRS conversion project manager. During the transition the Company ensured that key accounting personnel were prepared and and had a thorough understanding of IFRS through external training whereby accounting personnel attended several training courses on the adoption and implementation of IFRS, and through assisting with the scoping and design phases of the transition including assistance with the preparation of reconciliations between Canadian GAAP historical information and IFRS. The Company also ensured that directors were kept informed through update presentations to ensure an appropriate understanding of IFRS during the transition process. The impact of the conversion to IFRS on the Company's accounting systems however, has been minimal as the Company is still in the exploration phase. The Company's internal and disclosure control processes, as currently designed, have not required significant modifications as a result of its conversion to IFRS. The Company has assessed the impacts of adopting IFRS on our contractual arrangements, and has not identified any material compliance issues. The Company has considered the impacts that the transition will have on our internal planning process and compensation arrangements and has not identified any significant impacts.

First Time Adoption of IFRS

The guidance for the first time adoption of IFRS is set out in IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations,* prospectively from January 1, 2008, the "Transition Date";
- to apply the requirements of IFRS 2, *Share-based payment*, to equity instruments granted which had not vested as of the Transition Date; and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arise on adoption of IFRS.

An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in Note 16 in the notes to the consolidated financial statements and which is also discussed below.

(i) Basis of Consolidation

Under GAAP, the Group accounted for its interest in the Pebble Partnership ("Partnership") as a variable interest entity ("VIE") with the Group as the primary beneficiary. The Partnership was determined to be a VIE because the total equity investment at risk is not sufficient to permit the Partnership to finance its mine development activities without additional financial support from its partners. The Partnership will be required to incur several hundred millions of dollars over several years to achieve its business objective to engineer, permit, construct and operate a modern, long-life mine. Although both Anglo and the Group each hold an equal 50% voting interest in the Partnership, the Group's exposure to the potential expected losses of the VIE is greater than Anglo's because at any point in time prior to Anglo completing its full cash contribution of US$1.425 billion to retain its 50% interest in the Pebble Partnership, Anglo has the ability to withdraw from the Partnership and the Group will be required to fund 100% of the remaining Partnership expenditures. Consequently, the Group concluded that the primary beneficiary of the Partnership would be the Group. Accordingly, the Group consolidated 100% of the Partnership, and previously reported a non-controlling interest.

IFRS does not include the concept of a variable interest entity. IFRS requires the Group to consolidate entities including Special Purpose Entities only where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. On application of IFRS, the Group has determined that it has joint control of the Pebble Partnership as the Group holds 50% of the voting interest of the Partnership with Anglo holding the other 50%. The Group does not control the Partnership based on voting interest and does not own more than half of the voting power. Furthermore, both Anglo and the Group have equal rights and powers in governing the financial and operating policies of the Partnership or appointing and removing members of the Partnership's board of directors. Decision making is governed by the Partnership's board of directors, with equal representation from Anglo and the Group. The structure of the board of directors and the voting requirements result in joint decision making by Anglo and the Group in all circumstances. Under IFRS, the Group can elect to use either the equity method or proportionate consolidation method to account for its interest in the Pebble Partnership. The Group has elected to apply the equity method to account for its interest in the Pebble Partnership, and the carrying value of the investment is the Group's cost of investment to date in US dollars.

Business combinations that occurred prior to January 1, 2008 were not accounted for in accordance with IFRS 3, Business Combinations ("IFRS 3") or IAS 27, Consolidated and Separate Financial Statements, in accordance with the IFRS 1 exemption discussed above.

(ii) Deferred Tax on Mineral Properties

Under Canadian GAAP, the Company recognized a future income tax liability on temporary differences arising on the acquisition of the Pebble mineral property interest from a related party (where the fair value of the asset acquired exceeded its tax basis) in a transaction which was not a business combination. IAS 12, *Income Taxes*, does not permit the recognition of deferred taxes on such transactions.

Upon the adoption of IFRS, the Company derecognized the impacts of all future income tax liabilities which had previously been recognized on the initial acquisition of the Pebble mineral property interest. The Company has also determined that a deferred tax liability is required to be recognized under IAS 12 for temporary differences related to its equity interest in the Pebble Partnership and has recorded such upon transition to IFRS.

(iii) Share-based Payment

Under Canadian GAAP, the Company measured share-based compensation related to share purchase options at the fair value of the options granted using the Black-Scholes option pricing formula and recognized this expense over the vesting period of the options. For the purpose of accounting for share-based payment transactions an individual is classified as an employee when the individual is consistently represented to be an employee under law. The fair value of the options granted to employees is measured on the date of grant. The fair value of options granted to contractors and consultants is measured on the date the services are completed. Forfeitures are recognized as they occur.

IFRS 2, *Share Based Payment,* is similar to Canadian GAAP and requires the Company to measure share-based compensation related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, for options granted to non-employees, IFRS requires that share-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured. Forfeitures are estimated at the time of grant. For the purpose of accounting for share-based payment transactions an individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. This definition of an employee is broader than that previously applied under Canadian GAAP and resulted in certain contractors and consultants being classified as employees under IFRS.

For the share purchase options granted to the individuals reclassified, changes in fair value after the grant date previously recognized for Canadian GAAP purposes has been adjusted. The adjustments were calculated only for unvested options issued and outstanding as of and after the Transition Date.

(iv) Cumulative Translation Differences

IFRS requires that the functional currency of each entity of the Company be determined separately. The Company has determined that as at the Transition Date the Canadian dollar was the functional currency of all entities in the Company except the Pebble Partnership, which has a US dollar functional currency. In accordance with IFRS 1 optional exemptions, the Company elected to transfer the cumulative foreign currency translation differences, recognized as a separate component of equity, to deficit at the Transition Date.

(b) Accounting Standards, Interpretations and Amendments to Existing Standards That Are Not Yet Effective

The group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after January 1, 2010 or later periods. These include:

- IFRS 3 (Revised), Business Combinations, effective for annual periods beginning on or after July 1, 2009;
- IFRS 9, Financial Instruments – Classification and Measurement, effective January 1, 2013;
- Amendments to IAS 24, Related Party Disclosures, effective January 1, 2011; and
- Amendments to IAS 27, Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31, Investments in Joint Ventures, effective for annual periods beginning on or after July 1, 2009

At the financial position reporting date, the following accounting interpretation was in issue but not yet effective: IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments. This interpretation is not expected to have any impact on the financial results of the Group.

The Company anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Group except for additional disclosures.

1.14 Financial Instruments and Other Instruments

The Group does not have any derivative financial instruments.

1) Non-derivative financial assets:

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Available-for-sale financial assets

The Group's investments in marketable securities are classified as available-for-sale ("AFS") financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from the amortized cost of the monetary asset is recognized in profit or loss. The change in fair value of AFS equity investments are recognized directly in equity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise amounts receivable and balances receivable from a related party.

2) Non-derivative financial liabilities:

The Group has the following non-derivative financial liabilities: amounts payable and other liabilities.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3) Financial Risk Management

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of potential loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents, amounts receivable and balances receivable from related parties. The Group limits the exposure to credit risk by only investing its cash and cash equivalents with high-credit quality financial institutions in business and saving accounts, guaranteed investment certificates, and in government treasury bills which are available on demand by the Group for its programs.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. The Group ensures, as far as reasonably possible, it will have sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Group's holdings of cash and cash equivalents. The Group believes that these sources will be sufficient to cover the likely short term cash requirements. The Group's cash and cash equivalents are currently invested in business accounts and guaranteed investment certificates which are available on demand by the Group for its programs.

The Group has no contractual obligations other than current trade payables.

Foreign Exchange Risk

The Group is exposed to foreign exchange risk as some of its cash and cash equivalents are held in US dollars. Also certain of the Group's corporate expenses are incurred in US dollars. The results of the Group's operations are subject to currency transaction risk and currency translation risk. The operating results and financial position of the Group are reported in Canadian dollars in the Group's consolidated financial statements. The fluctuation of the US dollar in relation to the Canadian dollar will consequently have an impact upon the losses incurred by the Group and may also affect the value of the Group's assets and the amount of shareholders' equity. The Group has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The exposure of the Group's cash and cash equivalents, amounts receivable and amounts receivable from related parties to foreign exchange risk is as follows:

Currency	As at December 31, 2009		As at December 31, 2008		As at January 1, 2008	
	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars
US dollars						
Cash and cash equivalents	$ 651	$ 684	$ 1,028	$ 1,250	$ 36,496	$ 36,177
Amounts receivable	–	–	–	–	18	18
Total financial assets	**$ 651**	**$ 684**	**$ 1,028**	**$ 1,250**	**$ 36,514**	**$ 36,195**

The exposure of the Group's amounts payable and other liabilities and amounts due to related parties to foreign exchange risk is as follows:

Currency	As at December 31, 2009		As at December 31, 2008		As at January 1, 2008	
	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars
US dollars						
Amounts payable and other liabilities	$ 1	$ 1	$ –	$ –	$ 357	$ 353
Total financial liabilities	**$ 1**	**$ 1**	**$ –**	**$ –**	**$ 357**	**$ 353**

Based on the above net exposures and assuming that all other variables remain constant, a 10% depreciation of the Canadian dollar against the US dollar would result in a decrease in the loss of approximately $68 in the year (2008 – $125). This sensitivity analysis includes only outstanding foreign currency denominated monetary items, and excludes the effect of any translation adjustments for the investment in the Pebble Partnership.

Interest rate risk

The Group is subject to interest rate risk with respect to its investments in cash and cash equivalents. The Group's policy is to invest cash at fixed rates of interest and cash reserves are to be maintained in cash and cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when the cash and cash equivalents mature impact interest income earned.

Assuming that all other variables remain constant, a 10 basis point increase or decrease in interest rates would have resulted in an increase or decrease in the loss of approximately $33 in the year (2008 – $112).

Commodity price risk

While the value of the Group's core mineral resource property, held through its 50% interest in the Pebble Partnership, is related to the price of gold, copper and molybdenum and the outlook for these minerals, the Group currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities.

Gold, copper, and molybdenum prices historically have fluctuated widely and are affected by numerous factors outside of the Group's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Group consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

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 the date of this MD&A.

	Expiry date	Exercise price	Number	Number
Common shares				93,730,366
Share purchase options	April 14, 2011	$9.74	27,500	
	April 30, 2011	$7.25	180,000	
	October 27, 2011	$3.00	118,519	
	February 2, 2012	$5.00	385,668	
	February 4, 2012	$5.00	1,350,317	
	February 20, 2012	$10.95	150,000	
	March 26, 2012	$8.25	25,000	
	April 11, 2013	$9.74	75,000	
	August 22, 2013	$5.35	40,000	
	October 27, 2013	$3.00	107,000	
	February 2, 2014	$5.00	1,993,000	
	February 4, 2014	$5.00	146,667	4,598,671

1.15.3 Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods.

1.15.4 Management's Report on Internal Control over Financial Reporting

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting ("ICFR") is a process designed by, or under the supervision of the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and
- 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, including its Chief Executive Officer and Chief Financial Officer, believe that any system of internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decisions-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making the assessment, it used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on their assessment, management has concluded that, as of December 31, 2009, the Company's internal control over financial reporting was effective based on those criteria.

The Company's internal control over financial reporting as of December 31 2009, has been audited by Deloitte & Touche LLP, Independent Registered Chartered Accountants who also audited the Company's Consolidated Financial Statements for the year ended December 31, 2009. Deloitte & Touche LLP as stated in their report, that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2009, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

1.15.5 Changes in Internal Control over Financial Reporting

There has been no change in the design of the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this Management's Discussion and Analysis.

1.15.6 Risk Factors

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 Pebble Project's mineral property interests 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 the Pebble Partnership has completed 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 the Company or the Pebble Partnership can ascertain if any mineralization may be economic and hence constitute "ore". Engineering, socioeconomic and environmental studies are ongoing. Exploration for minerals is a speculative venture necessarily involving substantial risk. If the expenditures the Company the Pebble Partnership incurred 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.

Feasibility work to determine the viability of the Pebble Project have not been completed

Final feasibility work has not been done to confirm the pit or underground mine design, mining methods, and processing methods. Final feasibility could determine that the currently assumed pit or other mine 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. Cost estimates used are 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 the Company believes that the State of Alaska favours the development of these facilities, 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.

Volatility in Metal Prices

The project has been evaluated using projected long-term price levels for copper, gold and molybdenum. Prices for these commodities are historically volatile, and the Company has no control of or influence on those prices, all of which are determined in international markets. 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. 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.

The prices of copper, gold and molybdenum have fluctuated in recent years, and future significant price declines could cause unfavorable changes in the economics of the project and may result in investors being unprepared to finance mineral projects, with the result that the Company may not have sufficient financing with which to funds its exploration and development activities.

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

The Pebble Partnership and the Company 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 the Pebble Partnership 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 the exploration and, if warranted, development activities.

Changes in government regulations and the presence of unknown environmental hazards 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 the Company. Northern Dynasty and the Pebble Partnership may not be able to obtain all necessary licenses and permits that may be required to carry out exploration at their projects. Obtaining the necessary governmental permits is a complex, time-consuming and costly process. The duration and success of efforts to obtain permits are contingent upon many variables not within our control. Obtaining environmental permits may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary approvals and permits will be obtained and, if obtained, that the costs involved will not exceed those that we previously estimated. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that we would not proceed with the development or operation.

General Mining Risks

Mining is an inherently risky business with large capital expenditures and cyclical metals markets.

Although the Company and the Pebble Partnership maintains high environmental standards for its project, like most major mining projects, there are almost always public concerns about new mining projects. The opponents of the Pebble Project are well organized and are trying to bring public and political pressure against the Pebble Project. If successful, the opponents could delay or prevent the commercialization of the Pebble Project even if it is found to be economically viable and technically legally permittable.

The Company and Pebble Partnership also competes with many companies possessing far greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees.

The project will also 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.



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2009

This annual information form ("AIF") is as of March 30, 2010

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ITEM 2. PRELIMINARY NOTES

Unless otherwise noted, Northern Dynasty Minerals Ltd. is solely responsible for the content of the disclosure set out herein.

This AIF will be incorporated into a filing with the United States Securities Exchange Commission under form 40F. It 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. The Company reviews its forward looking statements on an ongoing basis and updates this information when circumstances require it.

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 and affiliated partnerships 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, 2009 and 2008 together with the auditor's report thereon. These documents are available for review on SEDAR at www.sedar.com. All financial information in this AIF is prepared in accordance with International Financial Reporting Standard ("IFRS").

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, and include a technical report prepared pursuant to NI 43-101 dated March 17, 2010, copies of which are available on request from the offices of Northern Dynasty or by downloading from the SEDAR website (indicated above).

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 rate of exchange on December 31, 2009, as reported by the Bank of Canada for the conversion of one Canadian dollar into one United States dollar ("U.S. dollar"), was 0.9515.

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 one Canadian dollar into U.S. dollars.

	Year Ended December 31		
	2009	**2008**	**2007**
Rate at end of year	0.9515	0.8210	1.0088
Average rate for year	0.8760	0.9371	0.9311
High for year	0.9755	1.0009	1.0585
Low for year	0.7653	0.8100	0.8504

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

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 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 mineral resource and mineral reserve definitions and classification criteria developed by the Canadian Institute of Mining ("CIM") 2005. 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:

A "**Mineral Resource**" is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

An "**Inferred Mineral Resource**" is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An "**Indicated Mineral Resource"** is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

A "**Measured Mineral Resource"** is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

A "**Mineral Reserve**" is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

A '**Probable Mineral Reserve**' is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A "**Proven Mineral Reserve"** is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

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 law 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 October 30, 2007 when it began trading on the Toronto Stock Exchange ("TSX"). In November 2004, the common shares of Northern Dynasty were also listed on the American Stock Exchange ("AMEX"). AMEX was purchased by the New York Stock Exchange ("NYSE") and the Company now trades on the NYSE 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 LLP, Barristers & Solicitors, at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 4N7, telephone (604) 689-9111, facsimile (604) 685-7084

The Company's Alaska mineral resource exploration business is operated through an Alaskan registered limited partnership, the Pebble Limited Partnership (the "Pebble Partnership"), in which the Company owns a 50% interest through an Alaskan general partnership, the Northern Dynasty Partnership. The business address of the Northern Dynasty Partnership is Suite 604, 3201 C Street, Anchorage Alaska USA, 99503.

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

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, 19 miles (30 kilometers) from the village of Iliamna, and approximately 200 miles (320 kilometers) southwest of the city of Anchorage.

To December 31, 2009, approximately $452 million in exploration expenditures been spent on the Pebble Project. Of this amount, approximately $264 million (US$246 million) in funding has been provided to the Pebble Partnership by an affiliate of Anglo and expended from 2007 to 2009. Prior to the formation of the Pebble Partnership in 2007, Northern Dynasty had spent exploration expenditures on the Pebble Project of approximately $188 million and a further $106 million in acquisition costs.

Northern Dynasty does not have any operating revenue, although currently and historically it has had annual interest revenue as a consequence of investing surplus funds.

Significant Acquisitions, Dispositions and Group Reorganization

On July 26, 2007, the Company converted a wholly-owned general partnership formed in 2006 to hold its Pebble Property interests into the Pebble Limited Partnership (“Pebble Partnership”), so that an indirect wholly-owned subsidiary of Anglo could subscribe for 50% of the Pebble Partnership's equity effective July 31, 2007. Each of the Company and Anglo effectively has equal rights in the Pebble Partnership through wholly-owned affiliates. The Pebble Partnership's assets include the shares of two Alaskan subsidiaries which hold registered title to the Pebble mining claims. To maintain its 50% interest in the Pebble Partnership, Anglo will be required to make staged cash investments into the Pebble Partnership aggregating to US$1.425 billion to US$1.5 billion.

The purpose of the Pebble Partnership is to engineer, permit, construct and operate a modern, long-life mine at the Pebble Project.

The Pebble Partnership agreement provides for equal project control rights for both partners, with no operator’s fees payable to either party (redacted versions of the Pebble Partnership documents are available for download at www.SEDAR.com). After Anglo’s staged contribution is completed, both partners will be equally responsible to fund the Pebble Partnership operations going forward.

ITEM 5. DESCRIPTION OF BUSINESS

The Pebble Project

The following is a description of the Pebble Project at December 31, 2009.

The Pebble Project is Subject to Alaska Laws

The Pebble Partnership 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 Statute 38.05.185 among others establish the rights to mining claims 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 (which sets water quality standards), and Alaska Statute 46.14 (which sets air quality standards).

Historical Acquisition Agreements (2001-2006)

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 mining claims 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's remaining 20% contractual interests in these option agreements 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. The Company completed its commitment by managing the sale of 473,700 NDM Resource Lands shares for proceeds of US$2,039,902 in 2005 and managing the sale of 1,277,028 NDM Resource Lands shares for the balance in 2006. The remaining 22,047 unsold NDM Resource Lands shares relating to this acquisition were 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 until August 24, 2005, to elect to have the proceeds guaranteed.

Teck Cominco elected on July 18, 2005 to require the Company to manage the resale of these shares ("NDM Exploration Lands shares") for the guaranteed US$4 million in resale proceeds by August 24, 2006. The Company completed its commitment to Teck Cominco in 2006 through the sale of 654,502 shares for proceeds of approximately US$4 million. The remaining 323,293 unsold NDM Exploration Lands shares were returned to the Company's treasury.

In total, 345,340 unsold common shares of the Company at a value of $1,772,776 were returned to the treasury of the Company. 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 on SEDAR at www.sedar.com. The TSX Venture Exchange and the NYSE Amex accepted the acquisition transaction. Upon completion of the acquisition of HDGI, the Company, through two 100% owned Alaska subsidiaries, owned 100% of the Pebble Project (subject only to the Teck Cominco net profits interest in the Exploration Lands portion of the property). From September 30, 2006 the Pebble Project interests were held by a general partnership consisting of HDGI and the Company which partnership held the claims through two Alaskan subsidiary nominee title companies.

2006 Equity Purchase by Rio Tinto Affiliate

In 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 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. 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 the time. Currently, the holding represents approximately 19.4% .

Limited Partnership with Anglo American

On July 26, 2007, the Company converted the wholly-owned general partnership formed in 2006 to hold its Pebble Property interests into the Pebble Partnership, so that an indirect wholly-owned subsidiary of Anglo could subscribe for 50% of the Pebble Partnership's equity effective July 31, 2007. Each of the Company and Anglo effectively has equal rights in the Pebble Partnership through wholly-owned affiliates. The Pebble Partnership's assets include the shares of two Alaska subsidiaries which hold registered title to the claims. To maintain its 50% interest in the Pebble Partnership, Anglo will be required to make staged cash investments into the Pebble Partnership, aggregating US$1.425 billion to US$1.5 billion, as described below. The purpose of the Pebble Partnership is to engineer, permit, construct and operate a modern, long-life mine at the Pebble Project.

Anglo's staged investment requirements include an initial minimum expenditure of US$125 million. This investment funded expenditures on the project approved by the Board of the general partner (Pebble Mines Corp.), with the goal of producing a prefeasibility study. After approval of a prefeasibility study, Anglo is required, in order to retain its 50% interest in the Pebble Partnership, to elect to commit to further expenditures which bring its total investment to US$450 million which amount is to be expended towards producing a final feasibility study and in related activities, the completion of which is expected to take the Pebble Partnership to a production decision. The final feasibility study may require more than the cumulative US$450 million of expenditures. Upon an affirmative decision by the Pebble Partnership to develop a mine, Anglo is required to commit to the remainder of the total investment of US$1.425 billion in order to retain its interest in the Pebble Partnership. If the feasibility study is completed after 2011, Anglo's overall funding requirement increases from US$1.425 billion to US$1.5 billion. Following completion of the Anglo required expenditures, any further expenditure will be funded by Anglo and Northern Dynasty on a 50:50 basis (subject to dilution for non-contribution). The Pebble Partnership agreement provides for equal project control rights with no operator's fees payable to either party. Anglo's cash contributions to the Pebble Partnership from August 1, 2007 to December 31, 2009 amounted to $264 million (US$246 million). Under the Pebble Partnership Agreement and applicable tax regulations, neither the Company nor its affiliated general partnership will be entitled to the benefits for tax purposes of the expenditures incurred by the Pebble Partnership from Anglo's investment, as these benefits accrue exclusively to Anglo under the Pebble Partnership Agreement and applicable tax regulations.

Location, Access and Property Description

The Pebble Project is located in southwest Alaska. It is approximately 200 mi (320 km) southwest of Anchorage and 19 mi (30 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 65 mi (105 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 1,449 located Alaska State mineral claims totalling 118,960 acres (48,141 hectares). The Partnership obtained all of the permits necessary to carry out its 2009 program and has applied for permits to allow its currently proposed exploration work.

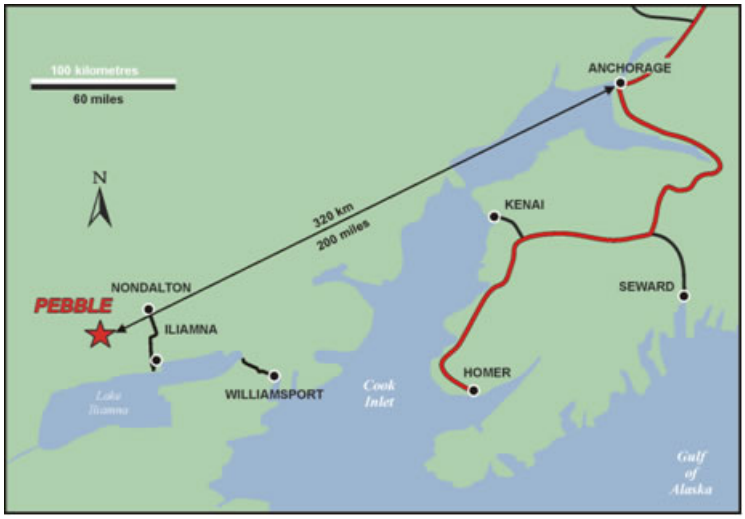


Figure 1 Location

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 (hereafter the “Pebble West Zone” and the “Pebble East Zone”, respectively) 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.

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 Zone 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.

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 copper-gold mineral occurrences, including the large Pebble copper-gold-molybdenum deposit and the Thirty-Eight porphyry copper-gold-molybdenum deposit, are related to this diverse group of intrusions (coarse grained igneous rocks).

The Pebble West Zone is a calc-alkalic porphyry (hosted by igneous rocks with quartz and 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 Zone, discovered in 2005, occurs in a large mineralized intrusion and adjacent volcaniclastic sedimentary rocks under a cover of younger and unmineralized rocks.

Exploration

During 2002, Northern Dynasty drilled 68 holes totaling 37,327 ft (11,350 m) exploring for additional porphyry deposits. Four new mineral zones were discovered. One of these, the 38 Zone, is a till-covered copper-gold porphyry deposit located 12 km south-southwest of the Pebble West Zone. In addition, some 86% of Teck Cominco's drill core from the Pebble West Zone was relogged and a sectional geological model was completed. Based on this model, the Pebble West 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 initial, independent mineral resource estimate was completed in early 2003; the inferred resources in the Pebble West Zone 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, including 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 Zone 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 Deposit. Drilling at the 37 Skarn Deposit 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 Zone was done in February 2004 and, in November 2004 a preliminary economic assessment was done based on this estimate to guide ongoing engineering work.

The 2004 site program involved collection of engineering, environmental and socioeconomic data for mine planning 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 Zone and others to collect geotechnical, metallurgical and hydrological data to use for mine planning. Some exploratory drilling for new zones and targets was also done, enabling 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 (scale 1:10,000) of the Exploration Lands and drilled 128,970 ft of core in the Pebble Resource Lands and 33,531 ft of core in the Exploration Lands (23,540 ft in 15 holes adjacent to the Pebble Resource Lands, 9,112 ft in 53 engineering holes, and 879 feet in one hole on the Exploration Lands). A significant, new porphyry centre was discovered on the eastern side of the Pebble West Zone beneath a cover of Tertiary rocks; further drilling expanded and deepened the new Pebble East Zone.

In 2006, Northern Dynasty drilled 73,700 ft (22,460 m) of core in 19 exploration holes and 3,200 ft (975 m) of core in 11 geotechnical holes in the Pebble East Zone. Fourteen percussion holes were also drilled for groundwater studies. Exploration drilling expanded the deposit to a north-south strike length exceeding 7,000 ft (2,100 m), and over a width exceeding 4,000 ft (1,220 m); intersected grades consistently exceeded 1% copper equivalent. The engineering effort was focused on collection of data to support the preparation of an integrated development plan with Pebble West, and included geotechnical evaluations of potential tailings storage sites; analysis of power supply options; collection of geotechnical and hydrogeological data to support design of a potential underground mine as well as initial evaluation of bulk underground mining options for Pebble East; initial scoping-level metallurgy on Pebble East and collection of samples for a metallurgy program in 2007.

In 2007, drilling continued at Pebble East: 151,500 ft (46,115 m) of delineation drilling in 34 holes extended the zone the northeast, northwest, south and southeast, but it remained open in these directions and also to the east in the East Graben. An updated estimate of the Pebble East Zone indicated that the inferred Mineral Resources had increased by 14%. Engineering work was focused on collection of additional site and underground geotechnical data to support ongoing mine design work; completion of metallurgical testwork on Pebble East to optimize conventional processing systems and designs; continuation of assessments of the major infrastructure elements (access road, port and power) to establish the optimum alternatives and designs, and consideration of potential project mine plans for a prefeasibility study. Engineering and environmental drilling included 10,170 ft (3,100 m) in 9 metallurgical holes in Pebble West, and 4,270 ft (1,300 m) in 26 engineering holes and 1,800 ft (560 m) in 47 percussion holes for monitoring wells across the district.

In 2008, the Partnership completed a major drilling program designed to continue delineation of a portion of the Pebble East Zone, obtain metallurgical samples in the Pebble West Zone, and obtain engineering data in areas of potential infrastructure across the district for prefeasibility studies. Approximately 179,000 ft (54,650 m) of core drilling was completed, including delineation and infill holes, holes to obtain material for metallurgical and comminution testwork; engineering and hydrology drilling to obtain geotechnical information in areas of possible infrastructure development, sample and monitor ground water, and determine the underlying bedrock type. An estimate of the overall mineral resources within the Pebble Deposit was completed.

2009 Program

Exploration and Resource Drilling

The 2009 drilling program included condemnation drilling in the area of site facilities for completion of prefeasibility mine planning and exploration drilling outside of the main Pebble resource area. Drilling was completed in two phases that took place during the periods of May to June and August to October. Approximately 34,940 feet was completed in 36 holes.

Engineering

The 2009 engineering program was designed to assess a range of options to optimize the project scale, including trade-off studies of major project components; metallurgical studies to determine the optimal conventional processing systems and designs; and evaluations of the major infrastructure elements to identify the optimum alternatives and designs for these project components.

Metallurgy

In 2009, work was focused on assessing the Pebble West supergene zone and advancing variability testwork for the entire deposit. Following detailed copper speciation analyses in 2007 and early 2008, the relative metallurgical responses of the various types of mineralization throughout the deposit were tested. Additional analysis to clarify the supergene metallurgy commenced in conjunction with an on-going geo-metallurgical program on material from both Pebble East and Pebble West areas, which will be used to refine the metallurgical flowsheet for the completion of the prefeasibility study.

Infrastructure

A base case for project infrastructure has been developed in conjunction with the ongoing prefeasibility study program. Infrastructure for the project includes port, road, and power options that will be necessary to support future mine operations. Alternatives were developed and assessed in 2008 and reviewed in 2009 to identify the optimal infrastructure plans and to determine any opportunities for cost savings and improvements to the time table for development.

Environmental and Socioeconomic Studies

Comprehensive environmental and socioeconomic baseline study programs are ongoing, with the objectives of collecting data in the Pebble East area and comparing 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 areas were hydrology, water quality and fish resources.

The Environmental Baseline Document (EBD) remains on schedule to be finalized in late 2010. This document will be submitted with permit applications once mine engineering and a proposed development plan is completed. The EBD will present information and analysis on baseline physical, biological and social conditions based upon ongoing data collection by the Pebble Partnership's environmental study team since 2004. Its purpose is to provide the public, regulatory agencies and the Pebble Partnership with a detailed compendium of pre-development environmental and socioeconomic conditions in the project area.

Cultural Studies

Archaeological studies have been carried out on all areas that might be disturbed by the project, with the exception of possible road and port locations. Examination of the road and port sites are not expected until 2010, once a decision is made regarding the exact location of these project features.

Community Engagement

An active program of stakeholder outreach continued in 2009, including community meetings, stakeholder visits, presentations and event appearances, as well as stakeholder tours to the Pebble Project site and to operating mines in Alaska. The focus of these outreach activities is to update stakeholders on the Pebble Project, to receive feedback on stakeholder priorities and concerns, and to educate participants about modern mining practices.

The Keystone Center, a non-profit organization that specializes in developing stakeholder dialogue processes, has initiated an independent dialogue process around the Pebble Project. The 2009 program included the recruitment of independent technical and scientific experts to review the Pebble Partnership's work and serve as a credible and objective arbiter for project stakeholders.

The Pebble Partnership has a number of other initiatives underway to enhance stakeholder relationships, including:

1. The Pebble Fund for Sustainable Bristol Bay Fisheries & Communities – a five-year, US$5 million endowment, established in February 2008, to enhance the health and sustainability of regional fisheries and the communities they support. An advisory board of citizens representing communities from throughout Bristol Bay developed the grant criteria and awards Pebble Fund grants. Approximately US$1.6 million was dispensed in 2009.

2. The Pebble Project Pre-Permitting Environmental & Socio-Economic Data Release Series is a voluntary initiative to share the preliminary findings of the comprehensive environmental study program with project stakeholders prior to the beginning of project permitting. In 2009, the Pebble Partnership issued 7 data reports, namely: trace elements (vegetation, fish, mammal and mussel tissue); aquatic macroinvertebrates and periphyton; marine nearshore habitats; marine nearshore fish and benthic invertebrates; noise; Lake Iliamna Studies; and Visual Resources.

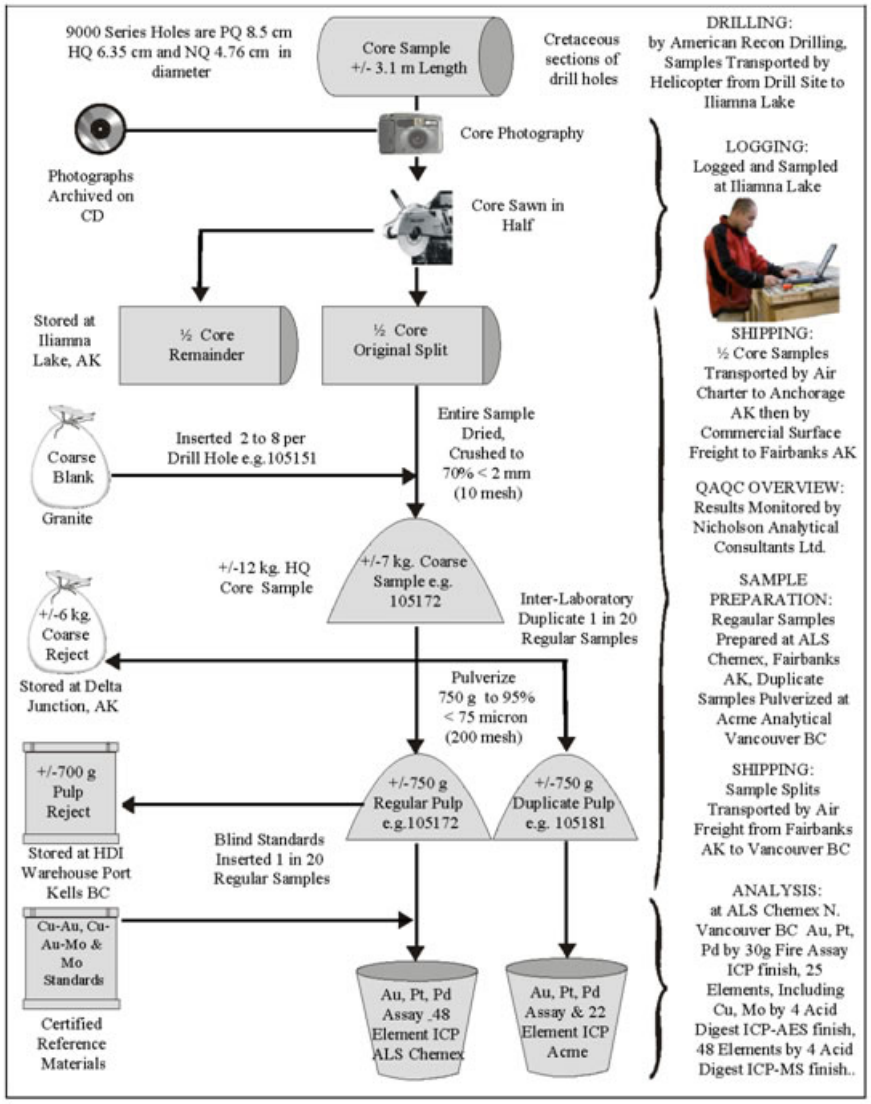
Workforce development initiatives included additional training in the areas of equipment operations, health, safety and environment. Working with the U.S. and Alaska Departments of Labour, the Pebble Partnership has established the first-ever registered apprenticeship training program to help local drill helpers become certified drillers. The Company is also investing in programs to train local workers to become environmental technicians, emergency medical technicians and bear guards. College scholarship programs for Bristol Bay high school students also continued in 2009.

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

For all the Pebble Partnership 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 facility. 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 in Fairbanks, Alaska.

Drilling, sampling and QAQC are supervised by qualified persons employed by the Pebble Partnership. 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.

Sampling and analytical procedures at Pebble prior to 2009 are described in the 2008 technical report. Procedures in 2009 are shown in the flow chart below:


9000 Series Holes are PQ 8.5 cm HQ 6.35 cm and NQ 4.76 cm in diameter
Core Sample +/- 3.1 m Length
Cretaceous sections of drill holes
DRILLING: by American Recon Drilling, Samples Transported by Helicopter from Drill Site to Iliamna Lake
Core Photography
Photographs Archived on CD
Core Sawn in Half
LOGGING: Logged and Sampled at Iliamna Lake
Stored at Iliamna Lake, AK
½ Core Remainder
½ Core Original Split
SHIPPING: ½ Core Samples Transported by Air Charter to Anchorage AK then by Commercial Surface Freight to Fairbanks AK
Coarse Blank
Granite
Inserted 2 to 8 per Drill Hole e.g.105151
Entire Sample Dried, Crushed to 70% < 2 mm (10 mesh)
QAQC OVERVIEW: Results Monitored by Nicholson Analytical Consultants Ltd.
+/-12 kg. HQ Core Sample
+/-7 kg. Coarse Sample e.g. 105172
+/-6 kg. Coarse Reject
Stored at Delta Junction, AK
Inter-Laboratory Duplicate 1 in 20 Regular Samples
SAMPLE PREPARATION: Regaular Samples Prepared at ALS Chemex, Fairbanks AK, Duplicate Samples Pulverized at Acme Analytical Vancouver BC
Pulverize 750 g to 95% < 75 micron (200 mesh)
+/-700 g Pulp Reject
Stored at HDI Warehouse Port Kells BC
+/-750 g Regular Pulp e.g.105172
+/-750 g Duplicate Pulp e.g. 105181
SHIPPING: Sample Splits Transported by Air Freight from Fairbanks AK to Vancouver BC
Blind Standards Inserted 1 in 20 Regular Samples
Cu-Au, Cu-Au-Mo & Mo Standards
Certified Reference Materials
ANALYSIS: at ALS Chemex N. Vancouver BC Au, Pt, Pd by 30g Fire Assay ICP finish, 25 Elements, Including Cu, Mo by 4 Acid Digest ICP-AES finish, 48 Elements by 4 Acid Digest ICP-MS finish..
Au, Pt, Pd Assay ,48 Element ICP ALS Chemex
Au, Pt, Pd Assay & 22 Element ICP Acme

Mineralization

Mineralization in the Pebble East and Pebble West areas precipitated during formation of early K-silicate alteration and associated quartz-sulphide veins; additional gold-copper mineralization precipitated in the eastern part of Pebble East during a structurally-controlled overprint by advanced argillic alteration. Mineralization is dominated by hypogene pyrite, chalcopyrite and molybdenite; bornite is an important component in some parts of the Pebble East Zone. The Pebble West Zone contains irregularly distributed, mostly thin, volumetrically subordinate zones of supergene mineralization and a very minor zone of oxide mineralization; the Pebble East Zone contains only hypogene mineralization.

Copper-gold-molybdenum mineralization, as currently known, extends over an east-elongated area of 4.9 by 3.3 km (2.8 by 1.9 mi), and to a depth of 610 m (2,000 ft) in the Pebble West area and to at least 1,525 m (5000 ft) in the Pebble East area. Mineralization in the Pebble East area remains open to the east, north and south. A much larger zone of strong alteration and low-grade mineralization extends north, south and west of the known Pebble deposit.

Estimates of Mineralization

The January 2010 updated mineral resources estimate for the Pebble deposit is based on 509 core holes, including 37 new holes drilled since mid-2008. The estimate was prepared for the Pebble Partnership by David Gaunt, P.Geo., a qualified person as defined under 43-101 who is not independent of Northern Dynasty. A technical report has been filed on www.sedar.com.

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.**

MEASURED MINERAL RESOURCES

Cut-Off	Size	Grade				Contained Metal		
CuEQ %	Tonnage	Cu %	Gold g/t	Mo ppm	CuEQ%	Copper B lb	Gold M oz	Mo B lb
0.30	527,000,000	0.33	0.35	178	0.65	3.8	5.9	0.21
0.40	508,000,000	0.34	0.36	180	0.66	3.8	5.9	0.20
0.60	277,000,000	0.40	0.42	203	0.77	2.4	3.7	0.12
1.00	27,000,000	0.62	0.62	301	1.16	0.4	0.5	0.02

INDICATED MINERAL RESOURCES

Cut-Off	Size	Grade				Contained Metal		
CuEQ %	Tonnage	Cu %	Gold g/t	Mo ppm	CuEQ%	Copper B lb	Gold M oz	Mo B lb
0.30	5,414,000,000	0.43	0.35	257	0.80	51.3	60.9	3.07
0.40	4,891,000,000	0.46	0.36	268	0.85	49.6	56.6	2.89
0.60	3,391,000,000	0.56	0.41	301	1.00	41.9	44.7	2.25
1.00	1,422,000,000	0.77	0.51	342	1.30	24.1	23.3	1.07

MEASURED + INDICATED MINERAL RESOURCES

Cut-Off	Size	Grade				Contained Metal		
CuEQ %	Tonnage	Cu %	Gold g/t	Mo ppm	CuEQ %	Copper B lb	Gold M oz	Mo B lb
0.30	5,942,000,000	0.42	0.35	250	0.78	55.0	66.9	3.28
0.40	5,399,000,000	0.45	0.36	260	0.83	53.6	62.5	3.09
0.60	3,668,000,000	0.55	0.41	293	0.98	44.5	48.3	2.37
1.00	1,449,000,000	0.76	0.52	341	1.29	24.3	24.2	1.09

Cautionary Note to Investors Concerning Estimates of Inferred Resources

The following section uses the term "inferred mineral 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 mineral 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.**

INFERRED MINERAL RESOURCES

Cut-Off	Size	Grade				Contained Metal		
CuEQ %	Tonnage	Cu %	Gold g/t	Mo ppm	CuEQ %	Copper B lb	Gold M oz	Mo B lb
0.30	4,835,000,000	0.24	0.26	215	0.53	25.6	40.4	2.29
0.40	2,845,000,000	0.32	0.30	259	0.66	20.1	27.4	1.62
0.60	1,322,000,000	0.48	0.37	289	0.89	14.0	15.7	0.84
1.00	353,000,000	0.69	0.45	379	1.20	5.4	5.1	0.29

Note 1 Copper equivalent calculations used metal prices of US$1.85/lb for copper, US$902/oz for gold and US$12.50/lb for molybdenum, and metallurgical recoveries of 85% for copper, 69.6% for gold, and 77.8% for molybdenum in the Pebble West area and 89.3% for copper, 76.8% for gold, 83.7% for molybdenum in the Pebble East area. Recovery values reflect average results of metallurgical testwork completed to date and are subject to revision pending ongoing metallurgical studies. Revenue is calculated for each metal based on grades, recoveries and selected metal prices: accumulated revenues are then divided by the revenue at 1% copper. Recoveries for gold and molybdenum are normalized to the copper recovery as show below:

CuEQ (Pebble West) = Cu % + (Au g/t x 69.6%/85% x 29.00/40.79) + (Mo % x 77.8%/85% x 275.58/40.79)
CuEQ (Pebble East) = Cu% + (Au g/t x 76.8%/89.3% x 29.00/40.79) + (Mo % x 83.7%/89.3% x 275.58/40.79)

Note 2 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. The mineral resources fall within a volume or shell defined by long-term metal price estimates of US$2.50/lb for copper, US$900/oz for gold and US$25/lb for molybdenum.

Note 3 For bulk underground mining, cut-offs such as 0.60% CuEQ, are typically used for porphyry deposit bulk underground mining operations at copper porphyry deposits located around the world. A 0.30% CuEQ cut-off is considered to be comparable to that used for porphyry deposit open pit mining operations in the Americas.

Note 4 All mineral resource estimates, cut-offs and metallurgical recoveries are subject to a feasibility study.

Cut-off information:

Pebble West (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)
BEGrade = 0.29% Cu

The above operating costs and economic analysis were derived from the preliminary economic assessment on the Pebble West Zone. The preliminary economic assessment was based, in part, 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 is 0.6% CuEQ.

Plans for 2010

Approved budget expenditures for the US$72.9 million program at the Pebble Project in 2010 include:

- an engineering program to finalize a Prefeasibility Study and prepare for project permitting in 2011;
- an environmental and socioeconomic study program to continue baseline data collection in key areas (e.g. hydrology, water quality, fish resources) and to complete an Environmental Baseline Document in preparation for project permitting;
- a geology and site investigation program headquartered in Iliamna, Alaska to undertake ongoing exploration drilling, and support engineering and environmental studies;
- a public affairs program to engage project stakeholders and local communities, and advance key initiatives in the areas of workforce development, business development and public consultation; and
- corporate and administrative costs.

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:

The Pebble Partnership's mineral property interests 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 the Pebble Partnership has completed 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 or the Pebble Partnership can ascertain if any mineralization may be economic and hence constitute "ore". Engineering, socioeconomic and environmental studies are ongoing. Exploration for minerals is a speculative venture necessarily involving substantial risk. If the expenditures incurred 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 or the Pebble Partnership 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 prefeasibility 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) ore body 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 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 the Pebble Project is successfully developed, 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, 2009, Northern Dynasty had working capital of approximately $45 million, which is sufficient to fund its operations in fiscal 2010. Northern Dynasty'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 finance the completion of the exploration and development of the mineral property interests, obtaining the necessary permits to mine, and on future profitable production. 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 interest, the failure to establish that the Pebble Project possesses commercially viable and legally mineable 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, through the Pebble Partnership, Northern Dynasty's principal mineral property interest. 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 is 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. Although Anglo was only committed to fund the Pebble Partnership for US$125 million (completed as of 2008) to be expended towards a prefeasibility study, Anglo is required to continue funding additional expenditures approved by the board of the general partner to maintain its interest in the Pebble Partnership. There is no certainty that Anglo will continue funding the Pebble Partnership if Anglo is not satisfied with the outlook for the Pebble Project, economically or politically. 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.

The Pebble Project, like many major mining projects, has opponents. The opponents of the Pebble Project are well organized and are trying to bring public and political pressure against the Pebble Project. If successful, the opponents could delay or prevent the development of the Pebble Project even if it is found to be economically viable and technically legally permittable.

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

The ability of Northern Dynasty to raise financing to fund its part of the 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. 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

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 possesses. 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 developing the Pebble Project and could delay these activities.

The Pebble Partnership and 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 the Pebble Partnership 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 the 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 and the Pebble Partnership may not be able to obtain all necessary licenses and permits that may be required to carry out exploration at our projects. Obtaining the necessary governmental permits is a complex, time-consuming and costly process. The duration and success of efforts to obtain permits are contingent upon many variables not within our control. Obtaining environmental permits may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary approvals and permits will be obtained and, if obtained, that the costs involved will not exceed those that we previously estimated. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that we would not proceed with the development or operation.

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 and the Pebble Partnership maintain liability insurance in an amount which we consider 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 and the Pebble Partnership might elect not 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 markets for resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public markets 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 activities, 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 Services Inc ("HDSI"). The Company has access to the full resources of HDSI, 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 HDSI to bring to the Company all corporate opportunities that come to HDSI's attention.

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 93,173,976 common shares without par value were issued and outstanding as fully paid and non-assessable as of December 31, 2009. As of March 25, 2010, there were 93,730,366 common shares issued and outstanding as fully paid and non-assessable. The accompanying audited consolidated financial statements provide share issuances effected by Northern Dynasty and the total issue price for shares since January 1, 2008.

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 voting and 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 Toronto Stock Exchange ("TSX") and NYSE Amex for the periods listed.

	Toronto Stock Exchange			NYSE Amex		
	High (Cdn$)	Low (Cdn$)	Average Daily Trading Volume	High (US$)	Low (US$)	Average Daily Trading Volume
Monthly						
December 2009	9.15	7.85	109,800	8.74	7.54	351,800
November 2009	8.28	6.98	95,900	7.93	6.45	292,100
October 2009	8.15	6.86	105,900	7.95	6.34	300,800
September 2009	8.31	6.80	103,900	7.75	6.14	353,100
August 2009	8.10	6.25	82,300	7.70	5.58	265,000
July 2009	8.24	6.57	82,100	7.60	5.63	286,100
June 2009	9.60	7.75	109,500	8.89	6.77	371,800
May 2009	9.42	7.05	153,400	8.45	6.00	478,700
April 2009	9.00	7.08	205,800	7.29	5.71	379,400
March 2009	9.49	5.20	298,600	7.74	4.03	568,900
February 2009	6.64	4.78	220,100	5.43	3.85	306,600
January 2009	5.26	4.23	116,100	4.42	3.35	186,800

Northern Dynasty share trading information is also available through free internet search services (for example, refer to www.yahoo.com, enter NDM.TO (for TSX) or NAK (for NYSE Amex))

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 presented in the table below. 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 29, 2010.

Name, Position and Country of Residence	Period a Director of Northern Dynasty	Securities Beneficially Owned or Controlled (11)
David J. Copeland Director Vancouver, British Columbia	Since June 1996	2,056,783 Common Shares 220,000 Options (1)
Scott D. Cousens Director Vancouver, British Columbia	Since June 1996	1,137,433 Common Shares 220,000 Options (1)
Robert A. Dickinson Chairman of the Board and Director Lions Bay, British Columbia	Since June 1995	3,420,083 Common Shares (10) 309,000 Options (2)
David Elliott Director Vancouver, British Columbia	Since July 2004	13,000 Common Shares 240,000 Options (1)(3)
Gordon J. Fretwell Director West Vancouver, British Columbia	Since July 2004	Nil Common Shares 167,000 Options (9)
Russell E. Hallbauer Director West Vancouver, British Columbia	Since April 2008	86,300 Common Shares 157,500 Options (3)(4)
Wayne Kirk Director Orcas Island, Washington	Since July 2004	20,000 Common Shares 310,000 Options (5)
Stephen Scott Director West Vancouver, British Columbia	Since November 2007	Nil
Marchand Snyman Chief Financial Officer and Director North Vancouver, British Columbia	Since August 2008	40,000 Common Shares 185,000 Options (6)
Ronald W. Thiessen President, CEO and Director West Vancouver, British Columbia	Since November 1995	2,095,838 Common Shares 331,500 Options (7)
Trevor Thomas Secretary Vancouver, British Columbia	Since February 2008	Nil Common Shares 25,260 Options (8)

Notes:

1. Messrs. Copeland, Cousens and Elliott each hold options to purchase 220,000 Common Shares at $5.00 per share expiring on February 2, 2014.

2. Mr. Dickinson holds options to purchase 309,000 Common Shares at an exercise price of $5.00 per share expiring on February 2, 2014.

3. Messrs. Elliott and Hallbauer each hold options to purchase 20,000 Common Shares at an exercise price of $3.00 per share expiring on October 27, 2013.

4. Mr. Hallbauer holds options to purchase 137,500 Common Shares at $5.00 per share expiring on February 2, 2014.

5. Mr. Kirk holds options to purchase 40,000 Common Shares at an exercise price of $5.35 per share expiring on August 22, 2013, 10,000 Common Shares at an exercise price of $3.00 per share expiring October 27, 2013 and 260,000 Common Shares at an exercise price of $5.00 per share expiring on February 2, 2014.

6. Mr. Snyman holds options to purchase 50,000 Common Shares at an exercise price of $3.00 per share expiring on October 27, 2013 and 135,000 Common Shares at an exercise price of $5.00 per share expiring on February 2, 2014.

7. Mr. Thiessen holds options to purchase 331,500 Common Shares at an exercise price of $5.00 per share expiring on February 2, 2014.

8. Mr. Thomas holds options to purchase 1,760 Common Shares at an exercise price of $3.00 per share expiring on October 27, 2011 and 23,500 Common Shares at an exercise price of $5.00 per share expiring on February 2, 2012.

9. Mr. Fretwell holds options to purchase 7,000 Common shares at an exercise price of $3.00 per share expiring on October 27, 2013 and 160,000 Common Shares at an exercise price of $5.00 per share expiring on February 2, 2014.

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

11. Information was derived from insider reporting filings available at www.sedi.com.

At the annual general meeting of the Company held on June 10, 2009, directors listed above were reelected to a one-year term of office expiring at the next annual general meeting of Northern Dynasty, which is currently scheduled for June 2010. Several of the directors serve together on a number of boards of other publicly listed companies.

Although the directors oversee the management of the Company's affairs, a cost sharing arrangement exists between a number of the public resource companies on which several of the directors serve pursuant to administrative and geological service agreements with Hunter Dickinson Services Inc. ("HDSI"), a private company which until recently was owned equally by several public companies, one of which was Northern Dynasty. HDSI provides executive, 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 29, 2010, the above directors and officers beneficially owned, directly or indirectly, or exercised control or direction over 8,869,437 common shares of the Company (9.5%), or 11,034,697 common shares on a fully diluted basis (11.2%) ..

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
Nominating and Governance Committee	David Elliott Gordon Fretwell Wayne Kirk
Pebble Limited Partnership Oversight Committee	Wayne Kirk

The mandate of each of these committees is more particularly described in Northern Dynasty's corporate governance Policies and Procedures manual available on the Company's website at www.northerndynastyminerals.com.

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

DAVID J. COPELAND, P.Eng. – Director

David 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 of Northern Dynasty and other companies for which Hunter Dickinson Services Inc. provides services. He is also a director of Hunter Dickinson Services 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
Continental Minerals Corporation	Director	November 1995	Present
	President and Chief Executive Officer	January 2008	Present
Farallon Mining Ltd.	Director	December 1995	April 2009
Great Basin Gold Ltd.	Director	February 1994	March 2008
Heatherdale Resources Ltd.	Director, President and Chief Executive Officer	November 2009	Present
Rockwell Diamonds Inc.	Director	September 2006	Present
	Chief Executive Officer	September 2006	September 2007
	Chairman	September 2007	Present
Taseko Mines Limited	Director	March 1994	Present

SCOTT D. COUSENS – Director

Scott 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. He is also a director of Hunter Dickinson Services Inc.

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	June 2009
Continental Minerals Corporation	Director	June 1994	Present
Farallon Mining Ltd.	Director	December 1995	April 2007
Great Basin Gold Ltd.	Director	March 1993	November 2006
Heatherdale Resources Ltd.	Director and Chairman	November 2009	Present
Rockwell Diamonds Inc.	Director	November 2000	November 2008
Taseko Mines Limited	Director	October 1992	Present

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

Robert Dickinson is an economic geologist who serves as a member of management of several mineral exploration companies, primarily those for whom Hunter Dickinson Services 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 Services Inc. He is also President and Director of United Mineral Services Ltd., a private resource 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
	Chairman	April 2004	Present
Amarc Resources Ltd.	Director	April 1993	Present
	Chairman	April 2004	Present
Anooraq Resources Corporation	Director	October 2004	June 2009
	Co-Chairman	October 2004	June 2009
Continental Minerals Corporation	Director	June 2004	Present
	Chairman	June 2004	January 2006

Company	Positions Held	From	To
	Co-Chairman	January 2006	December 2006
Detour Gold Corporation	Director	August 2006	February 2009
Farallon Mining Ltd.	Director	July 1991	April 2007
	Co-Chairman	September 2004	April 2006
Great Basin Gold Ltd.	Director	May 1986	November 2006
	Chairman	April 2004	December 2005
	Co-Chairman	December 2005	November 2006
Heatherdale Resources Ltd.	Director	November 2009	Present
Rockwell Diamonds Inc.	Director	November 2000	September 2006
	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 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	April 2005	June 2009
Great Basin Gold Ltd.	Director	July 2004	Present
Taseko Mines Limited	Director	July 2004	Present

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

Gordon 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 J. 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
Bell Copper Corporation	Director	June 2001	Present
	Secretary	December 2008	Present
Benton Resources Corp.	Director	March 2005	Present
Continental Minerals Corporation	Director	February 2001	Present
Copper Ridge Explorations Inc.	Director and Secretary	September 1999	Present
Fronterra Copper Corporation	Director	February 2009	June 2009
Grandcru Resources Corp.	Director	December 2002	May 2008
ICN Resources Ltd. (formerly Icon Industries Limited)	VP of Legal Services	December 2000	March 2009
	Director	July 2004	March 2009
	Secretary	March 2009	Present
International Royalty Corporation	Director	February 2005	Present
Keegan Resources Inc.	Director	February 2004	Present
Lignol Energy Corporation	Director	January 2007	Present
Meritus Minerals Ltd.	Director	June 2007	Present
Pine Valley Mining Corp.	Director	August 2003	September 2007
Quartz Mountain Resources Ltd.	Director and Secretary	January 2003	Present
Rockwell Diamonds Inc.	Secretary	March 1998	November 2007
	Director	March 1998	September 2006
Quadro Resources Ltd. (formerly Tri-Gold Resources Corp.)	CFO	November 2005	January 2006

RUSSELL E. HALLBAUER, P.Eng. – Director

Mr. Hallbauer graduated from the Colorado School of Mines with a B.Sc. in Mining Engineering in 1979. He is a Registered Professional Engineer with the Association of Professional Engineers of British Columbia. He has been a member of the Canadian Institute of Mining and Metallurgy since 1975 and is a director and former chairman of the Mining Association of B.C.

In 1983, he joined Teck Corporation's Bullmoose mine, advancing through Engineering and Supervisory positions to become Mine Superintendent in 1987, and in 1992, became General Manager of Quintette. In 1995, he assumed new responsibilities in Vancouver when he was appointed General Manager, Coal Operations, overseeing Teck's three operating coal mines in British Columbia. In 2002, he was appointed General Manager, Base Metal Joint Ventures, responsible for Teck Cominco's interests in Highland Valley Copper, Antamina in Peru, and Louvicourt in Quebec. Mr. Hallbauer is a director of Hunter Dickinson Services Inc.

Mr. Hallbauer 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	April 2008	Present
Taseko Mines Limited	Director, President and Chief Executive Officer	July 2005	Present

WAYNE KIRK, LLB – Director

Wayne Kirk is a retired attorney and consultant. With over 35 years of professional experience, Mr. Kirk also has over 9 years of senior executive experience in the mining industry.

Mr. Kirk is a citizen of the United States and is a resident of the state of Washington. 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
Gabriel Resources Ltd.	Director	June 2008	Present
Great Basin Gold Ltd.	Director	July 2004	Present
Taseko Mines Limited	Director	July 2004	Present

STEPHEN V. SCOTT, CPA – Director

Mr. Scott has over 20 years of experience in the mining industry, encompassing both international and domestic assignments. He is currently General Manager Commercial, Rio Tinto Exploration, Project Generation Group, a position that he has held since 2005. Between 2000 and 2005, he held other senior managerial positions within the Rio Tinto plc group. Rio Tinto plc owns, or controls indirectly through affiliates, approximately 19.4% of Northern Dynasty's outstanding shares. Mr. Scott is not an officer and/or director of any other public companies.

MARCHAND SNYMAN, CA(SA), CA(Aus) – Director, Chief Financial Officer

With over 14 years of progressive experience in the mining sector, Mr. Snyman was a director of Muratie Investments Pty Limited between 2003 and 2006, an Australian mining consultant providing advisory services to businesses in Australia, China, South Africa and the USA. Mr. Snyman was General Manager Corporate Finance and Development for Anglo Platinum Limited, the world's premier platinum producer from 1999 – 2002, responsible for managing diverse projects including joint venture negotiations, corporate tax structures and offshore corporate operations, having joined Anglo Platinum in 1996 as Corporate Finance Manager. Prior to that, he was a senior financial advisor for a multi-modal transportation company in South Africa. He is a director and Chief Operating Officer of Hunter Dickinson Services Inc.

Mr. Snyman is a member of the Institute of Chartered Accountants in Australia and of the South African Institute of Chartered Accountants.

Mr. Snyman 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	August 2008	Present
	Chief Financial Officer	August 2008	Present
Continental Minerals Corporation	Chief Financial Officer	January 2008	Present
Heatherdale Resources Ltd.	Chief Financial Officer	November 2009	Present

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

Ronald 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 Services 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 and Chief Executive Officer of Hunter Dickinson Services 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
Northern Dynasty Minerals Ltd.	Director	November 1995	Present
	President and Chief Executive Officer	November 2001	Present
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	August 2007
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	July 2006	Present
	Chairman	July 2006	March 2009
Farallon Mining Ltd.	Director	August 1994	Present
	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
Rockwell Diamonds Inc.	Director	November 2000	September 2007
	President and Chief Executive Officer	November 2000	September 2006
	Chairman	September 2006	September 2007
Taseko Mines Limited	Director	October 1993	Present
	President and Chief Executive Officer	September 2000	July 2005
	Co-Chairman	July 2005	May 2006
	Chairman	May 2006	Present
Quadro Resources Ltd. (formerly Tri- Gold Resources Corp.	Director	July 1992	December 2006

TREVOR THOMAS, LLB – Secretary

Trevor Thomas has practiced in the areas of corporate commercial, corporate finance, securities and mining law since 1995, both in private practice environment as well as in house positions and is currently in-house counsel for Hunter Dickinson Services Inc. Prior to joining Hunter Dickinson Services Inc., he served as in-house legal counsel with Placer Dome Inc.

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

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Secretary	February 2008	Present
Amarc Resources Ltd.	Secretary	February 2008	Present
Anooraq Resources Corporation	Assistant Secretary	November 2007	Present
Continental Minerals Corporation	Secretary	February 2008	Present
Farallon Mining Ltd.	Secretary	December 2007	Present
Heatherdale Resources Ltd.	Secretary	November 2009	Present
Rockwell Diamonds Inc.	Secretary	February 2008	Present
Taseko Mines Limited	Secretary	July 2008	Present

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

None.

ITEM 13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors or senior officers of the Company, nor any person who has held such a position since the beginning of the last completed financial year end of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any material transactions of the Company other than as set out herein.

Hunter Dickinson Services Inc. ("HDSI") is a private company which until recently was owned equally by several public companies, one of which was Northern Dynasty. HDSI 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 June 1, 2008. During the year ended December 31, 2009, the Company paid HDSI approximately $1.6 million (2008 – $1.3 million) for their services rendered and $0.6 million (2008 – $0.9 million) for third party costs incurred on the Company's behalf. Certain members of the company's senior management are employed by HDSI rather than by Northern Dynasty directly.

To the knowledge of management, the following parties own more than 10% of the Company's outstanding voting securities:

1) Rio Tinto

In 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 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. 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 the time. Currently, the holding represents approximately 19.4% .

2) Mitsubishi Corporation

On February 14, 2008, the Company was advised that Mitsubishi Corporation had acquired an aggregate of 8,296,108 shares in the open market for a total shareholding in Northern Dynasty of 9.0% . Further purchases of common shares in the Company were made by Mitsubishi Corporation increasing its shareholding to 10,179,800 common shares or 11% as of March 8, 2010 based on filings made with the United States Securities and Exchange Commission.

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

The Company has the following material contracts that is in effect during the fiscal year ended December 31, 2009:

1) Pebble Limited Partnership Agreement between Pebble Mines Corp., Anglo American US (Pebble) LLC, and Northern Dynasty Partnership, dated for reference July 31, 2007, originally filed on SEDAR on March 26, 2008, and re-filed on March 31, 2010. The particulars of this material contract are described under Item 5. Description of Business – "Limited Partnership with Anglo American".

2) Stockholders' Agreement by and among Anglo American US (Pebble) LLC, Northern Dynasty Partnership, and Pebble Mines Corp, dated for reference July 31, 2007, originally filed on SEDAR on March 26, 2008, and re-filed on March 31, 2010. The particulars of this material contract are described under Item 5. Description of Business – "Limited Partnership with Anglo American".

3) Corporate Services Agreement between Hunter Dickinson Services Inc. and Northern Dynasty Minerals, dated for reference June 1, 2008, and filed on SEDAR on April 17, 2009. The particulars of this material contract are described under Item 13. Interest of Management and Others in Material Transactions.

ITEM 16. INTERESTS OF EXPERTS

Mark Rebagliati, P.Eng., James Lang, P.Geo., Eric Titley, P.Geo., David Rennie, P.Eng., David Gaunt, P.Geo., Lawrence Melis, P.Eng., Derek Barratt, P.Eng., and Stephen Hodgson, P.Eng., 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. Rebagliati, Lang, Titley, Rennie, Gaunt, Melis, Barratt and Hodgson hold interests in the common shares of the Company, directly or indirectly, or through stock options, representing 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 the Company, available on SEDAR at 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 AIF, together with any document incorporated herein by reference;
(ii) the Annual Report of the Company and any interim consolidated financial statements filed with Securities Commissions subsequent to the audited consolidated 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

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods.

Management's Report on Internal Control over Financial Reporting

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting ("ICFR") is a process designed by, or under the supervision of the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and

- 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, including its Chief Executive Officer and Chief Financial Officer, believe that any system of internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decisions-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making the assessment, it used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on their assessment, management has concluded that, as of December 31, 2009, the Company's internal control over financial reporting was effective based on those criteria.

The Company's internal control over financial reporting as of December 31, 2009 has been audited by Deloitte & Touche LLP, Independent Registered Chartered Accountants who also audited the Company's Consolidated Financial Statements for the year ended December 31, 2009. Deloitte & Touche LLP as stated in their report, that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2009, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There has been no change in the design of the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this Annual Information Form.

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 Canadian National Instrument 58-101 the rules of the NYSE Amex. 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. The Code of Ethics was updated in 2007 and again in 2009 and is publicly available on the Company's website at www.northerndynastyminerals.com.

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, 2009	Year ended December 31, 2008
	Audit Fees	$ 226,000	$ 85,000
	Audit-Related Fees (1)	–	–
	Tax Fees	–	–
	All Other Fees	–	–
		$ 226,000	$ 85,000

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.

(2) During the year ended December 31, 2009, the Company appointed Deloitte and Touche LLP as its auditors. Fees disclosed for the year ended December 31, 2009 are to Deloitte and Touche LLP. Fees disclosed for the year ended December 31, 2008 are to its previous auditors, DeVisser Gray LLP.

From time to time, management of the Company recommends to and requests approval from the audit committee for audit and 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 audit and 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 non-audit services requested would be considered "prohibited services" as contemplated by the US Securities and Exchange Commission, and whether the non-audit 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

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.

NORTHERN DYNASTY MINERALS LTD.

CORPORATE GOVERNANCE POLICIES AND PROCEDURES MANUAL NOVEMBER 12, 2009

NORTHERN DYNASTY MINERALS LTD.
(the "Company")

Corporate Governance Policies and Procedures Manual (the "Manual")

Amended effective November 12, 2009

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CORPORATE GOVERNANCE OVERVIEW AND GUIDELINES

1. Introduction

The Board of Directors of the Company has adopted these Corporate Governance Guidelines to assist the Board in the exercise of its responsibilities. The Board may modify or make exceptions to the Guidelines from time to time in its discretion and consistent with the duties and responsibilities owed to the Company and its shareholders.

2. Director Responsibilities

(a) **Oversee Management of the Company**. The principal responsibility of the directors is to oversee the management of the Company in the best interests of the Company and its shareholders. This responsibility require that the directors attend to the following:

- review and approve on a regular basis, and as the need arises, fundamental operating, financial, and other strategic corporate plans which take into account, among other things, the opportunities and risks of the business;
- evaluate the performance of the Company, including the appropriate use of corporate resources;
- evaluate the performance of, and oversee the progress and development of, senior management and take appropriate action, such as promotion, change in responsibility and termination;
- implement senior management succession plans;
- evaluate the Company's compensation programs;
- establish a corporate environment that promotes timely and effective disclosure (including appropriate controls), fiscal accountability, high ethical standards and compliance with applicable laws and industry and community standards;
- evaluate the Company's systems to identify and manage the risks faced by the Company;
- review and decide upon material transactions and commitments;
- develop a corporate governance structure that allows and encourages the Board to fulfill its responsibilities;
- provide assistance to the Company's senior management, including guidance on those matters that require Board involvement; and
- evaluate the overall effectiveness of the Board and its committees.

(b) **Exercise Business Judgment**. In discharging their fiduciary duties of care, loyalty and candour, directors are expected to exercise their business judgment to act in what they reasonably and honestly believe to be the best interests of the Company and its shareholders free from personal interests. In discharging their duties, the directors normally are entitled to rely on the Company's senior executives, other employees believed to be responsible, and its outside advisors, auditors and legal counsel, but also should consider second opinions where circumstances warrant.

(c) **Understand the Company and its Business**. With the assistance of the Company, directors are expected to become and remain informed about the Company and its business, properties, risks and prospects.

(d) **Establish Effective Systems**. Directors are responsible for determining that effective systems are in place for the periodic and timely reporting to the Board on important matters concerning the Company. Directors should also provide for periodic reviews of the integrity of the Company's internal controls and management information systems.

(e) **Protect Confidentiality and Proprietary Information**. Directors are responsible for establishing policies that are intended to protect the Company's confidential and proprietary information from unauthorized or inappropriate disclosure. Likewise, all discussions and proceedings of the Board of Directors must be treated as strictly confidential and privileged to preserve open discussions between directors and to protect the confidentiality of Board discussions.

(f) **Board, Committee and Shareholder Meetings**. Directors are responsible for adequately preparing for and attending Board meetings and meetings of committees on which they serve. They must devote the time needed, and meet as frequently as necessary, to properly discharge their responsibilities. Directors who reside in or near the city where the Company holds a shareholders' meeting are expected to make a reasonable effort to attend such meeting.

(g) **Indemnification**. The directors are entitled to Company-provided indemnification through corporate articles and by-laws, corporate statutes, indemnity agreements and, when available on reasonable terms, directors' and officers' liability insurance.

3. Director Qualification Standards

(a) **Independence**. The Board will ensure that it has at all times at least the minimum number of directors who meet applicable standards of director independence. For members of the Audit Committee, director independence is to be determined in accordance with those legal and stock exchange independence standards applicable to the Company's Audit Committee. For other purposes, the Board will, from time to time, establish independence standards that (i) comply with applicable legal and stock exchange requirements and (ii) are designed to ensure that the director does not have, directly or indirectly, a financial, legal or other relationship with the Company that, in the Board's judgment, would reasonably interfere with the exercise of independent judgment

in carrying out the responsibilities of the director. The standards currently in effect are contained in Appendix 2.

(b) **Size and Skills of Board**. The Board believes that a Board comprised of 7 to 12 members is an appropriate size given the Company's present circumstances. The Board also will consider the competencies and skills that the Board, as a whole, should possess and the competencies and skills of each director.

(c) **Other Directorships**. The Board does not believe that its members should be prohibited or discouraged from serving on boards of other organizations, and the Board does not propose any specific policies limiting such activities, providing they do not reduce a director's effectiveness or result in a continuing conflict of interest. However, the Nominating and Governance Committee should take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and in making its recommendations.

(d) **Tenure**. The Board does not believe it should establish director term limits. Term limits could result in the loss of directors who have been able to develop, over a period of time, significant insight into the Company and its operations and an institutional memory that benefits the Board as well as management. As an alternative to term limits, the Nominating and Governance Committee will review each director's continuation on the Board annually. This will allow each director the opportunity to confirm his or her desire to continue as a member of the Board and allow the Company to replace directors where, upon recommendation of the Nominating and Governance Committee, the Board makes a determination in that regard. [A 2008 survey of Canadian companies (O'Callaghan Report) showed around 23% with mandatory retirement ages. The most recent Spencer Stuart survey of S&P 500 companies found that a substantial number are setting mandatory retirement ages ranging from 70 to 75, with 72+ being the most frequent, and with the mandatory retirement age rising during the past several years. Bernie Zinkhofer has advised that mandatory retirement age policies may be inconsistent with Canadian anti-age discrimination principles, and has suggested as an alternative a policy of mandatory retirement after serving a specified number of years' service. Anooraq Resources Corporation and Great Basin Gold have elected not to adopt mandatory retirement policies based on either age or number of years served.]

(e) **Separation of the Offices of Chairman and CEO**. The Board will select a Chairman of the Board in a manner and upon the criteria that the Board deems appropriate at the time of selection. The Board believes the offices of Chairman of the Board and CEO should not be held by the same persons.

(f) **Selection of New Director Candidates**. Except where the Company is legally required by contract, law or otherwise to provide third parties with the right to nominate directors, the Nominating and Governance Committee will be responsible for (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board, (ii) recommending to the Board the persons to be nominated for election as directors at any meeting of shareholders and (iii) recommending to the Board persons to be elected by the Board to fill any vacancies on the Board. The Nominating

and Governance Committee's recommendations will be considered by the plenary board but the recommendations are not binding upon it.

(g) **Extending the Invitation to a New Director Candidate to Join the Board** . An invitation to join the Board will be extended by the Chairman of the Board when authorized by the Board.

(h) **Majority Vote Policy**. If the votes "for" the election of a director nominee at a meeting of shareholders are fewer than the number voted "withhold", the nominee is expected to submit his or her resignation promptly after the meeting for the consideration of the Nominating and Governance Committee. The Nominating and Governance Committee will make a recommendation to the Board of Directors after reviewing the matter, and the Board of Directors will then decide whether to accept or reject the resignation. The Board's decision to accept or reject the resignation will be disclosed to shareholders. The nominee will not participate in any Nominating and Governance Committee deliberations whether to accept or reject the resignation. This policy does not apply in circumstances involving contested director elections.

4. Board Meetings

(a) **Selection of Agenda Items**. The Chairman of the Board shall propose an agenda for each Board meeting. Each Board member is free to request the inclusion of other agenda items and is generally free to request at any Board meeting the consideration of subjects that are not on the agenda for that meeting, although voting on matters so raised may be deferred to another meeting to permit proper preparation for a vote on an unscheduled matter (emergencies excepted).

(b) **Frequency and Length of Meetings**. The Chairman of the Board, in consultation with the members of the Board, will normally determine the frequency and length of Board meetings; however, the ultimate power in this regard rests with the plenary Board. Special meetings may be called from time to time as required to address the needs of the Company's business.

(c) **Advance Distribution of Materials**. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting will normally be distributed in writing to the directors reasonably before the meeting (with a goal of 7 calendar days) and directors should review these materials in advance of the meeting. The Board acknowledges that certain items to be discussed at a Board or committee meeting may be of a very time-sensitive nature and that the distribution of materials on these matters before the meeting may not be practicable.

(d) **Executive Session of Independent Directors**. At least one executive session of independent directors will be held on an annual basis.

5. Board Committees

(a) **Key Committees**. The Board will at all times have an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. The Board may, from time to time, establish or maintain additional committees or subcommittees as

it deems necessary. The Board may delegate any of its powers to committees of the Board, except that it may not delegate the powers to fill Board vacancies, remove a director, change the membership or fill vacancies in a Board Committee, or remove or appoint officers who are appointed by the Board.

(b) **Committee Charters**. Each committee will have a charter that has been approved by the Board. The committee charters will set forth the purposes, goals and responsibilities of the committees. The Board will, from time to time as it deems appropriate, but at least annually, review and reassess the adequacy of each charter and make appropriate changes. Each charter must address those matters required by applicable laws and stock exchange rules.

(c) **Assignment of Committee Members**. The Nominating and Governance Committee will be responsible for recommending to the Board the persons to be appointed to each committee of the Board. All members of the Audit Committee must meet the independence standards applicable to the Audit Committee as required by applicable laws and regulations and stock exchange rules. A majority of the members of the Compensation Committee and the Nominating and Governance Committee must be "independent directors" in accordance with the director independence standards established by the Board of Directors from time to time. The Board of Directors has adopted the uniform independence standards set out in Appendix 2. The Audit, Compensation and Nominating and Governance Committees will have a minimum of three directors. Other committees shall have at least one member or the minimum number of members required by applicable law and the Company's charter documents.

(d) **Selection of Agenda Items**. Each committee chairman, in consultation with the other committee members, will develop the committee's agenda.

(e) **Frequency of Committee Meetings**. The chairman of each committee, in consultation with the other committee members, will determine the frequency of the committee meetings consistent with any requirements set forth in the committee's charter. Special meetings may be called by any member from time to time as required to address the needs of the Company's business and fulfill the responsibilities of the committees.

6. Director's Access to Management and Independent Advisors

(a) **Access to Officers and Employees**. All directors have at all reasonable times, and on reasonable notice, full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate should normally be arranged through the CEO or the CFO. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company. The directors are normally expected to provide a copy or otherwise inform the CEO or CFO of any communication between a director and an officer or employee of the Company.

(b) **Access to Independent Advisors**. The Board and each committee shall have the power to hire and consult with independent legal, financial or other advisors for the benefit of the Board or such committee, as they may deem necessary, without consulting

or obtaining the approval of any officer of the Company. Such independent advisors may be the regular advisors to the Company. The Board or any such committee is empowered, without further action by the Company, to cause the Company to pay the appropriate compensation of such advisors as established by the Board or any such committee.

7. Director Compensation, Stock Ownership and Stock Trading

(a) **Role of Board and Compensation Committee**. The form and amount of director compensation will be recommended by the Compensation Committee and approved by the Board in accordance with the general principles set forth herein and in the Compensation Committee Charter. The Compensation Committee will also conduct an annual review of the compensation of the Company's directors and make recommendations to the Board.

(b) **Form of Compensation**. The Board believes that directors should be provided with incentives to focus on long-term shareholder value. The Board believes that including equity options as part of director compensation helps align the interests of directors with those of the Company's shareholders.

(c) **Amount of Compensation**. The Company seeks to attract exceptional talent to its Board. Therefore, the Company's policy is to compensate directors competitively relative to comparable companies. The Company's management will, from time to time, present a report to the Compensation Committee comparing the Company's director compensation with that of comparable companies. The Board believes that it is appropriate for the Chairman of the Board and the chairmen of the committees, if not members of management, to receive additional compensation for their additional duties in these positions. Directors who are also employees of the Company may receive additional compensation for Board or committee service if they are not already compensated at full industry rates in their capacities as employees.

(d) **Compensation for Director Service by Company Employee While Serving on Other Boards of Directors** . When any employee of the Company serves as a director of another company at the request of the Company or as the representative of the Company, that employee may not accept compensation from that other company for such service. If any such compensation is nonetheless received, it shall be received on behalf of and paid over to the Company.

(e) **Director Stock Ownership.** The Board believes that each director should acquire and hold shares of Company stock in an amount that is meaningful to shareholders and appropriate to each such director. Therefore, the Board, in consultation with each director, will establish a target for stock ownership by each director and a time period during which this target is to be met. In general, stock having a value equal to three times annual base cash compensation is an appropriate level of ownership, to be acquired over a period of not more than five years. The Board will periodically review the targets to take into account market circumstances.

(f) **Stock Trading**. Prior to purchasing or selling shares of Company stock, directors must advise the CEO, CFO or counsel for the Company so as to avoid trading at a time when there may be undisclosed material information and so that Company Spokespersons will be aware of such transactions and be able to respond to questions regarding changes in share ownership from shareholders and others.

8. Director Orientation and Continuing Education

(a) **Director Orientation**. The Board and the Company's senior management will conduct orientation programs for new directors as soon as possible after their appointment as directors. The orientation programs will include presentations by management to familiarize new directors with the Company's projects and strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its code of business conduct and ethics, its principal officers, its internal and independent auditors and its outside legal advisors. In addition, the orientation programs will include a review of the Company's expectations of its directors in terms of time and effort, a review of the directors' fiduciary duties, and visits to Company headquarters and, to the extent practical, the Company's significant facilities.

(b) **Continuing Education**. To enable each director to better perform his or her duties and to recognize and deal appropriately with issues that arise, the Company will provide the directors with suggestions to undertake continuing director education, the cost of which will be borne by the Company.

9. Management Evaluation and Succession and Executive Compensation

(a) **Selection of CEO**. The Board selects the Company's CEO in the manner that it determines to be in the best interests of the Company. The Board, together with the CEO, will develop a clear position description for the CEO. The board will also develop the corporate goals and objectives that the CEO is responsible for meeting.

(b) **Evaluation of Senior Management**. The Compensation Committee will be responsible for overseeing the evaluation of the performance of the CEO and other members of senior management. The Compensation Committee will determine the nature and frequency of the evaluation supervise the conduct of the evaluation and prepare an assessment of the performance of the CEO, to be discussed with the Board. The Board will review the assessment to ensure that the CEO is providing the best leadership for the Company over the long- and short-term. The Compensation Committee will also discuss with the Board the recommendations of the CEO with regards to the compensation of the other members of senior management.

(c) **Succession of Senior Management**. The Compensation Committee will be responsible for overseeing an annual evaluation of senior management succession planning.

(d) **Expectations of Senior Management**. The Board will establish, and review on an annual basis, its expectations for senior management generally.

(e) **Executive Compensation**. Compensation of the CEO must be determined, or recommended to the Board for determination, by the Compensation Committee. The CEO must not be present during voting or deliberations. Compensation for all other members of senior management must be determined, or recommended to the Board for determination, by the Compensation Committee.

10. Code of Ethics

The Board of Directors, on the recommendation of the Nominating and Governance Committee, will adopt and maintain a Code of Ethics that will apply to the employees, officers and directors of the Company. The Code of Ethics will meet the definition and coverage of a “code of ethics” under Item 406 of SEC Regulation S-K and other applicable laws and regulations.

11. Annual Performance Evaluation of the Board

The Nominating and Governance Committee will oversee an annual self-evaluation of the Board to determine whether it and its committees are functioning effectively. The Nominating and Governance Committee will determine the nature of the evaluation, supervise the conduct of the evaluation and prepare an assessment of the Board’s performance. This evaluation will be discussed by the Board.

12. Board Interaction with Shareholders, Institutional Investors, the Press, Customers, etc.

The Board believes that the CEO and his or her designees should normally speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. It is, however, expected that Board members would do so with the knowledge of and, absent unusual circumstances, only at the request of the CEO.

The Board will give appropriate attention to written communications that are submitted by shareholders and other interested parties, and will respond if and as appropriate. Absent unusual circumstances, the Chairman of the Board monitors communications from shareholders and other interested parties, and will provide copies or summaries of such communications to the other directors as he or she considers appropriate.

13. Periodic Review of the Corporate Governance Guidelines

The Board will, from time to time, with or without recommendations of the Nominating and Governance Committee, review and reassess the adequacy of these Guidelines and consider any proposed changes.

The Company will ensure that a current version of the Governance Manual, inclusive of the Index, is posted on the Company’s Internet site.

APPENDIX 1

MATTERS REQUIRING BOARD APPROVAL (Non-delegation Policy)

This Policy identifies items which must be approved by the Board or a committee of the Board and are not delegated to management without Board approval. A general overriding consideration is that the directors are required under law to manage, or supervise the management of, the business and affairs of the Company. Accordingly, even if an action might fall outside these guidelines, management should consider whether the matter, nevertheless, should be referred to the Board for consideration.

The following is a list of items which officers must refer to the Board, or an appropriate committee thereof, for consideration. Under these guidelines, the "Threshold Amount" is equal to C$1,500,000 and an "Out of Budget Transaction" is a transaction that exceeds the Threshold Amount and that is not otherwise already part of the Company's approved operating budget.

1. The approval of annual corporate budgets.

2. The approval of all financial information and other disclosure documents that are required by law to be approved by the Board before they are released to the public.

3. Allotment of any securities. This includes shares, options, warrants or other convertible or debt securities, and the payment of a commission to any person as consideration for purchasing securities of the Company or providing purchasers for any such securities. Securities may be issued by executive officers where previously allotted by the Board (e.g. exercise of previously allotted options and warrants upon exercise).

4. Entering into transactions of a fundamental nature such as amalgamations, mergers and material acquisitions or dispositions.

5. Agreeing to redeem, purchase or otherwise acquire any of the Company's shares.

6. Entering into any agreement or commitment to acquire or dispose of assets that are material to the Company including, but not limited to, those that are an Out of Budget Transaction.

7. Entering into, or making a material modification of, any agreement or commitment to become liable for any indebtedness, including the granting of a guarantee or similar standby obligation, if (a) the amount of such indebtedness is an Out of Budget Transaction or (b) any assets of the Company are made subject to a security interest in an Out of Budget Transaction.

8. Committing to making any capital expenditure which is an Out of Budget Transaction.

9. Entering into any contract, agreement or commitment out of the ordinary course of business if such agreement involves a commitment of financial resources which exceeds the Threshold Amount.

10. Entering into any agreement with an officer, director or 10% shareholder of the Company or any parent or subsidiary of the Company outside of the ordinary course of business.

11. Entering into or amending any agreement with Hunter Dickinson Services Inc. (“HDSI”).

12. Terminating, suspending or significantly modifying any material business activity or business strategy of the Company.

13. Undertaking a new business activity that requires an allocation of resources that exceed the Threshold Amount.

14. Making any material change to a business or strategic plan that has been approved by the Board.

15. Initiating or settling any legal proceeding involving a payment that may exceed the Threshold Amount.

16. Employing or terminating the Company’s independent auditor.

17. Hiring or terminating the employment, or determining the compensation, of any person who is an executive officer of the Company.

18. Offering any material employment or consulting terms to any individual or entity which are not customary for the Company. This determination is to be made by reference to terms of employment or consultancy that have generally been offered to other employees or consultants in similar positions or with similar status.

19. The approval of a request by the CEO or the CFO of the Company to serve on the board of another entity, other than not-for-profit entities or family businesses that in no material way compete with the Company or do any material business with the Company.

20. Any other matter specified by the Board as requiring its prior approval.

APPENDIX 2

DIRECTOR INDEPENDENCE STANDARDS

The following standards are to be used in determining whether a director is "independent" for purposes of determining independence from Management, including for determination of independence in selecting members of Board committees. These standards have been prepared by Canadian Securities Regulators, the NYSE Amex, the Toronto Stock Exchange, and the Securities and Exchange Commission. To be independent, a director must meet the requirements of all of the standards. Notwithstanding the foregoing, no director qualifies as an independent director unless the Board of Directors affirmatively determines that the director does not have a relationship with the Company that would interfere with the exercise of independent judgment.

This governance manual also uses the term "outside" director. An outside director is a director who is not independent under the applicable standards but who does not have full-time (or substantially full-time) employment with the Company or a remunerated consulting services relationship of a similar nature. For greater certainty, an outside director may be classified as outside but may not be independent where, for instance, that person owns (or represents a shareholder who owns) more than 10% of the Company's shares.

NYSE Amex Section 803A

"Independent director" means a person other than an executive officer or employee of the company. No director qualifies as independent unless the issuer's board of directors affirmatively determines that the director does not have a relationship that would interfere with the exercise of independent judgment. In addition to the requirements contained in this Section 803A, directors serving on the audit committee must also comply with the requirements set forth in Section 803B(2) [compliance with SEC Rule 10A-3]. The following is a non-exclusive list of persons who shall not be considered independent:

(a) a director who is, or during the past three years was, employed by the company, other than prior employment as an interim executive officer (provided the interim employment did not last longer, then one year);

(b) a director who accepted or has an immediate family member who accepted any compensation from the company in excess of US$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:

(i) compensation for board or board committee service,

(ii) compensation paid to an immediate family member who is an employee (other than an executive officer) of the company,

(iii) compensation received for former service as an interim executive officer (provided the interim employment did not last longer than one year), or

(iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation;

(c) a director who is an immediate family member of an individual who is, or at any time during the past three years was, employed by the company as an executive officer;

(d) a director who is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments (other than those arising solely from investments in the company's securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization's consolidated gross revenues for that year, or US$200,000, whichever is more, in any of the most recent three fiscal years;

(e) a director who is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years any of the issuer's executive officers serve on the compensation committee of such other entity; or

(f) a director who is, or has an immediate family member who is, a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor who worked on the company's audit at any time during any of the past three years.

Securities Exchange Act Rule 10A-3

In order to be considered independent for the purposes of Rule 10A-3, a director must meet the following independence standards.

(i) Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent.

(ii) In order to be considered to be independent, a member of an audit committee may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or

(B) Be an affiliated person of the issuer or any subsidiary thereof.

The following definitions apply to the determination of independence under Rule 10A-3:

(1) (i) The term "affiliate" of, or a person "affiliated" with, a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(ii) A person will be deemed not to be in control of a specified person for purposes of this section if the person:

(1) Is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting equity securities of the specified person; and

(2) Is not an executive officer of the specified person.

(iii) The following will be deemed to be affiliates:

(1) An executive officer of an affiliate;

(2) A director who also is an employee of an affiliate;

(3) A general partner of an affiliate; and

(4) A managing member of an affiliate.

(2) The term "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or

cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

(3) The term "executive officer" has the meaning set forth in § 240.3b-7, and generally includes the president, any vice-president in charge of a principal business unit or function, or person who performs a policy-making function for the issuer.

(4) The term "indirect acceptance" by a member of an audit committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a spouse, a minor child or stepchild or a child or stepchild sharing a home with the member or by an entity in which such member is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary of the issuer.

(5) The terms "listed" and "listing" refer to securities listed on a national securities exchange or listed in an automated inter-dealer quotation system of a national securities association or to issuers of such securities.

Sections 1.4 and 1.5 of Multilateral Instrument 52-110

1.4 Meaning of Independence

(1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

(2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;

(c) an individual who:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation

committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than $75,000 in direct compensation from the issuer during any 12 month period within the last three years.

(4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because:

(a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or

(b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.

(5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

(6) For the purposes of clause (3)(f), direct compensation does not include:

(a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and

(b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

(7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

(8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

1.5 Additional Independence Requirements

(1) Despite any determination made under section 1.4, an individual who

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part- time chair or vice-chair of the board or any board committee; or

(b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with the issuer.

(2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by:

(a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

(3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

An independent director is defined as a person who:

a) is not a member of management and is free from any interest and any business and other relationship which in the opinion of the Exchange could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the company; and

b) is a beneficial holder, directly or indirectly, or is a nominee or associate of a beneficial holder, collectively of 10% or less of the votes attaching to all issued and outstanding securities of the company.

The Exchange will consider all relevant factors in assessing the independence of the director. As a general rule, the following persons would not be considered an independent director:

i) a person who is currently, or has been within the past three years, an officer, employee of or service provider to the company or any of its subsidiaries or affiliates; or

ii) a person who is an officer, employee or controlling shareholder of a company that has a material business relationship with the company.

APPENDIX 3

OUR COMMITMENTS

Human Resources

We are committed to having an employment environment that is supportive and that demonstrates the value that we place on teamwork and individual contributions. We expect all of our employees to treat their fellow employees with the courtesy, dignity and respect that they would like to receive. An integral part of that policy is that the Company does not practice or permit discrimination against any person because of race, colour, religion, national origin, sex, sexual orientation, age or disability. We are also committed to having a friendly workplace that is free of harassment, intimidation and hostility. Not only is it the law; it is good practice.

We are committed to treating all of our employees fairly. To that end, we encourage our employees to confer with the appropriate person if they have employment related issues that they believe should be addressed.

We want to known as the employer of choice in every community in which we operate.

Health and Safety

We are committed to having work sites that are healthy and safe. We expect all of our employees to comply with all applicable health and safety requirements and policies. The health and safety of all of our employees, and all who come in contact with our company locations, is paramount. In addition to following all applicable laws and company safety policies, we expect all of our employees to use common sense in matters involving health and safety. We are committed to the policy that it is always better to be safe than sorry!

Environment

We are committed to standards of excellence in our environmental practices. We will meet all legal requirements applicable to our activity. Where feasible, we will exceed the legal requirements. Where there are no applicable legal standards, we will apply responsible practices. To this end, we expect our employees to (1) comply with applicable environmental requirements, (2) seek guidance when they are unsure of the standards, (3) consider what extra steps we may follow to enhance our environmental performance, and (4) report violations or suspected violations to the appropriate persons.

Community and other Stakeholders

We are committed to maintaining the best possible relationships with the communities in which we operate. We cannot function as a company unless we are accepted in the communities in which we operate, and we cannot be accepted in our communities unless we act responsibly

toward our neighbours and those who are impacted by our activity. We must remember that in many instances we are guests in the community and that if we eventually leave, the community and its members will remain in place. If we are to be welcomed in other communities in the future, it is imperative that we leave a legacy of good will in those places where we have conducted business in the past. The Company's policy is to make positive contributions to the communities in which we operate, including encouragement of local employment in our operations and financial contributions to an appropriate extent, so that the community is enriched by our presence. We also encourage all of our employees to participate in community activity.

Our suppliers and customers are critical to our success in many ways. We are committed to maintaining honest and mutually beneficial relationships with our suppliers and customers. We expect to be treated fairly by our suppliers and customers, and our suppliers and customers are entitled to the same treatment from us. Our reputation for fair dealing will serve to benefit us whenever and wherever we engage in business.

Our relationships with governmental entities can be especially important in our success as a company. We are committed to dealing in an honest and forthright manner with all governmental entities with which we have relationships. While we will exercise and protect our legal rights, we will also cooperate with all governmental entities in recognition of our civic duties.

Our employees make our Company successful in many ways. We recognize their participation and importance through our commitments to human resources and health and safety.

Our shareholders are our most important stakeholders. As the owners of the Company, they have entrusted us with the care of their assets, and they rely on us to manage those assets responsibly, with a view to providing them with a suitable return on their investment. We are committed to managing their assets responsibly and to providing them with timely and complete disclosure.

Ethical Conduct and Compliance with Law

We are committed to conduct our business in an ethical way and in compliance with applicable laws and regulations. As a part of our commitment, we have established our Code of Ethics and Trading Restrictions. The Code of Ethics contains some specific provisions dealing with such matters as corporate opportunity, conflicts of interest, and securities trading. It also deals with more general matters, such as compliance with law and honesty and fair dealing. The Company strives to operate in an ethical and legal way in all of its activities, and we expect our employees to do the same. The Code of Ethics cannot cover everything that may come up. For that reason, when one of our employees is confronted with a matter that is not covered by the Ethics Policy, we expect that employee to ask himself or herself two questions before proceeding: (1) does it feel right, and (2) how would I feel if my actions were the subject of a front-page news report?

What to Do

Our Code of Ethics and Trading Restrictions contains a set of suggested procedures that our employees can use to raise issues that they believe may violate the Company's Code of Ethics and Trading Restrictions. But those procedures are equally available for any employee to report any instances where he or she believes that we or any of our employees are falling down on our commitments. We want to know if we can do better, and we encourage all of our employees to tell us anytime they believe we are not fulfilling our commitments.

APPENDIX 4

CODE OF ETHICS AND TRADING RESTRICTIONS

Introduction

The Company's policy is to conduct its business in accordance with the highest ethical and legal standards. To assist the Company in achieving this policy, the Board of Directors has adopted this Code of Ethics and Trading Restrictions. The Code is designed to deter wrongdoing and to promote:

(1) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;

(2) Full, fair, accurate, timely and understandable disclosure in reports and documents that the Company submits to regulatory authorities and communicates to the public;

(3) Compliance with applicable governmental laws and regulations;

(4) Prompt internal reporting of violations of the Code to appropriate persons identified in the Code; and

(5) Accountability for adherence to the Code.

The Code applies to all employees, officers, and directors of the Company and its subsidiaries. Because Hunter Dickinson Services Inc. ("HDSI") employees and officers may provide services to the Company the Code also applies to all employees, officers and directors of HDSI with respect to their activities relating to the Company. Depending on the circumstances, it may also apply to agents and other representatives of the Company. ("You" as used in this Code refers to all such persons, as appropriate.) In addition to your complying with the Code, it is your responsibility to prevent others from violating these standards if you are in a position to do so. If you are not in a position to do so, it is your responsibility to bring the matter to the attention of a member of senior management who is in a position to take appropriate action, or to the attention of an independent member of the Board of Directors.

1. Avoiding Questionable or Illegal Practices

The Company's policy is to comply with all laws and regulations that apply to its business, and to avoid any activity that may be regarded as questionable or unethical. Fraudulent, illegal or unethical acts will not be tolerated. No action that would otherwise be questionable is permissible simply because it is customary in a particular location or business.

If you are confronted with a situation that raises an issue under this policy, ask yourself these questions:

- Is the life, health or safety of anyone, or the environment, endangered by the action?

- Is it legal?
- Does it feel honest, fair and ethical?
- Does it compromise anyone's trust or integrity?
- Would the public disclosure of the activity in any way be embarrassing to you, the Company or any other affected employees?

You should be sufficiently familiar with any laws and regulations and Company policies and procedures that apply to your area of work and responsibility. That will permit you to recognize possible breaches and to know when to seek advice. If in doubt, you should discuss the matter with a member of senior management.

2. Honesty and Fair Dealing.

When representing the Company, it is important that you deal honestly and fairly with the Company's joint venture partners, suppliers, customers, professional advisors, competitors, other employees, and anyone else with whom you have contact in the course of performing your job. You should not take any advantage of anyone through actions such as manipulation, concealment, misappropriation or abuse of confidential information, falsification, misrepresentation of material facts, undue influence or any other unfair dealing practice. You also should not give any advantage to anyone for reason of personal relationship, personal benefit or other reasons not involving the best interest of the Company.

3. Policy to Prevent the Corruption of Foreign Public Officials

Both Canada and the United States have laws making it illegal to corrupt officials of foreign governments or to engage in certain related acts. In Canada, the law is entitled *Corruption of Foreign Public Officials Act* and in the United States the law is entitled *Foreign Corrupt Practices Act*. In the discussion that follows, we have always adopted the more stringent requirement of the two laws.

(a) Persons to Whom the Laws Apply . Both laws apply to the Company and its subsidiaries; their employees, officers and directors; and their agents and representatives. For these purposes, action by a foreign agent or representative is the equivalent of action by the Company.

The laws may apply in whole or in part to foreign companies and joint ventures if a U.S. or Canadian company controls the foreign company or joint venture or otherwise authorizes, directs or participates in activity by the foreign company or joint venture. Deciding whether activities of a foreign company or joint venture are authorized, directed or participated in by the Company in any particular instance will be an uncertain exercise with uncertain results. In addition, allegations of illegal conduct by any company or joint venture in which the Company has a significant interest can only cause damage to the reputation of the Company. For this reason, you should assume that any action of any foreign companies and joint ventures in which the Company has a significant interest,

including the actions of the employees and agents of such foreign companies and joint ventures, will be attributable to the Company.

(b) Prohibition. The laws make it illegal to offer or provide money or anything of value for the personal benefit of (i) any foreign government official or any official of a public international organization (such as the International Monetary Fund, regional development banks or other multilateral organizations) or (ii) any foreign political party or its officials or any political candidate for the purpose of: influencing that official in the exercise of his or her duties (or non-exercise of those duties); having any such person influence foreign government activity; or otherwise securing an improper advantage for the purpose of aiding the Company in obtaining, retaining or directing business. The laws may be violated if the Company knows, or if it should have been obvious to the Company, that the payments were made for an illegal purpose.

The laws also apply to indirect payments, *i.e.*, where the Company offers or provides money or anything of value to any person with the knowledge that the person will make a payment to a foreign government official, official of a public international organization, foreign political party or its officials, or any political candidate for such a prohibited purpose.

The laws also make it illegal to possess property or proceeds from property known to have been obtained as a result of the bribery of a public official or to "launder" (*i.e.*, deal with intent to conceal) property or proceeds from property obtained as a result of the bribery of a public official.

Foreign government-owned corporations and other instrumentalities are generally treated as if they are governments, and their employees, officers and directors are treated as government officials.

(c) Exception to Prohibition. There is an exception in the laws for "facilitating payments." "Facilitating payments" are payments made to expedite routine governmental action that does not involve obtaining, retaining or directing business. Example include payments to (i) secure processing of papers such as visas, work orders and permits, (ii) induce customs officials to process legally transmitted goods, (iii) obtain police protection, (iv) obtain installation and maintenance of utility connections, and (v) induce minor government functionaries (government employees without discretionary authority over a project or transaction) to complete their jobs in the manner required and where the situation does not involve the securing of business.

There are three additional exceptions:

- It is an affirmative defence if it can be shown that the payment was legal under the written laws and regulations of the foreign country. As an example, in some foreign countries, the Company may be required by law to hire as an agent a national of that country who also is connected to the government of that country in some way or other.

- It also is an affirmative defence if it can be shown that the payment was a reimbursement of travel, lodging and other reasonable and bona fide expenses directly related to the business promotion, demonstration or explanation of the Company's business, or the execution or performance of a contract with the foreign government. As an example, payment of the travel expenses of a foreign government official to visit one of our mines, as a part of an effort to promote the Company in that country, would fit into this category.
- Unconditional gifts having nominal value, when made openly and as a social amenity, or as a token of esteem, regard or gratitude in accordance with local custom, generally will not be regarded as a bribe.

(d) Company Policy. The Company's policy is firm and unconditional. Under no circumstances will the Company ever pay a bribe prohibited by the laws. If you are ever solicited for such a bribe, or if you become aware of any instance where any Company employee, officer, director, agent or representative of the Company or its subsidiaries or its joint ventures proposes to offer such a bribe or is otherwise involved in such illegal activity, you are to report the matter to your immediate superior, or directly to the CEO or CFO of the Company. Any employee, officer, director, agent or representative who participates in any scheme to pay such an illegal bribe will be terminated immediately.

With respect to payments that fall within the exceptions noted above:

- No "facilitating payments" may be made without the prior written approval of the CEO.
- No payment that would otherwise be an illegal bribe may be made on the basis that it is legal under the written laws and regulations of the foreign country without the prior written approval of the CEO.
- No payment that would otherwise be an illegal bribe may be made on the basis that it is a reimbursement of travel, lodging or other reasonable and bona fide expenses directly related to the business promotion, demonstration or explanation of the Company's business or the execution or performance of a contract with the foreign government without the prior written approval of the CEO.
- With respect to unconditional gifts of nominal value made openly and as a social amenity, or as a token of esteem, regard or gratitude in accordance with local custom, the CEO will establish a monetary limit on the value of any such gift. Any gifts with a value in excess of that limit must be approved in advance by the CEO.

(e) Accounting Requirements. The Company and its affiliated foreign companies and joint ventures must:

- Keep financial records which, in reasonable detail, accurately and fairly reflect transactions; and

- Maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management authorization, (ii) transactions are properly recorded as needed to permit preparation of financial statements and to maintain accountability for assets, (iii) all assets are recorded on the books of the Company and access to assets is only permitted in accordance with management authorization, and (iv) periodic auditing is done at reasonable intervals and action is taken to resolve discrepancies.

  As an example, the accounting provisions require that the Company properly record “facilitating payments” as such and prohibit their characterization in some other form. The accounting provisions also prohibit the Company from maintaining off-record cash “slush” funds or cash that may be accessed without senior management authorization.

(f) Things to Look For. The following is a list of “red flags” that may indicate the possible existence of corrupt practices:

- Foreign agent with a poor reputation or with links to the government.
- Unusually large commission payments or commission payments where the agent does not appear to have provided significant services.
- Cash payments, or payments without paper trail or compliance with normal internal controls.
- Unusual bonuses to foreign personnel for which there is little support.
- Payments to third country accounts.

4. Corporate Opportunities and Duty of Loyalty

You have a duty of loyalty to the Company, which includes a duty to advance the Company’s legitimate interests when the opportunity to do so arises. Accordingly, you may not use your position or the Company’s name, property, information or good will for personal gain or for the gain of others. You are further prohibited from taking advantage of an opportunity that is discovered through the use of any corporate property, information, contacts or your position with the Company. All such opportunities, actual or perceived, should be reported to your immediate supervisor.

From time to time, business opportunities come to the employees, officers and directors of HDSI. Because HDSI is equally owned by and provides services to a number of public companies ("HDSI Owner Companies"), the Company does not have the right to require HDSI to bring to the Company all corporate opportunities that come to its attention. Rather, the Company and the other HDSI Owner Companies have agreed with HDSI as to standards that govern the allocation of business opportunities that come to the attention of HDSI personnel. The Audit Committee of the Board of Directors is charged with the responsibility of reviewing relationships with HDSI, and it will consider such matters as a part of its periodic review of the relationship.

Outside directors of the Company may have a variety of other business relationships involving duties of loyalty. In addition, outside directors do not, as a general matter, have the same obligation as officers and employees to bring corporate opportunities to the Company. For these reasons, the Code does not apply to outside directors of the Company with respect to issues involving duties of loyalty or corporate opportunities and such issues, to the extent they arise, are to be resolved directly with the Board of Directors.

5. Avoiding Conflicts of Interest

A conflict of interest occurs when your private interests, or the private interests of your family, interfere, or appear to interfere, in any way with the best interests of the Company. For these purposes, "family" would generally include your parents and grandparents, spouse, children and grandchildren, siblings, in-laws and other persons who share a residence with you or another member of your family. You must take care to avoid any direct or indirect involvement or understanding that might result in such a conflict or create the appearance of such a conflict. Whether a situation involves a conflict of interest depends on all of the circumstances. Generally, the Company would not consider it a conflict of interest if an employee's brother or sister were an officer of a competitor. However, the Company would consider it a conflict of interest if a Company employee in charge of procurement were to purchase products or services from a company owned by the employee's brother or sister or from a company owned by a close personal friend of the employee. The following are examples of conflict of interest situations which generally must be avoided or which may raise a question:

- Acting as an employee, officer or director of, or a consultant to, a competitor or potential competitor of the Company;
- Having a financial interest in or loan from a business which is a joint venture partner, optionor or optionee, competitor, customer or supplier of the Company or which otherwise does business with the Company (an investment in the securities of a publicly traded company normally would not be considered to present a conflict of interest unless it represented a material part of your savings);
- Placing of Company business with any other company that is directly or beneficially owned or controlled by you or by members of your family.

Some conflicts are clear-cut; others are less obvious. In addition, there may be circumstances where it is necessary or in the best interests of the Company to have a business relationship with a business or company in which an employee or officer, or his or her family, may have an interest. For example, where Company operations are in a remote location, it may be necessary from time to time to enter into a business relationship with a business controlled by an employee's family members. For these reasons, you must fully disclose to your supervisor, the CEO or the CFO all circumstances that could be perceived as involving a conflict of interest between the Company and you or members of your family. Full disclosure enables the Company to resolve unclear situations and to ethically handle conflicts of interest before any difficulty can arise. To the extent a conflict of interest cannot be avoided in a reasonable fashion, then appropriate procedures will be put in place to ensure that there is full disclosure and to minimize the involvement of the conflicted individuals in the relationship giving rise to the conflict.

The Company recognizes that there is a potential for a conflict of interest inherent in the Company's relationship with HDSI. The Board of Directors believe that the Company derives substantial benefits on a cost-effective basis from its continuing relationship with HDSI. The Audit Committee of the Board of Directors will periodically (not less than annually) review the service agreements with HDSI and transactions under such agreements to confirm the fairness to the Company.

Outside directors of the Company are not expected to devote their time and effort solely on behalf of the Company, and they may have a variety of other business relationships that could give rise to a conflict of interest. Any such potential conflicts of interest are not subject to the Code and are to be resolved directly with the Board of Directors.

6. Giving or Accepting Gifts

The giving or accepting of gifts can adversely affect the Company's reputation for fair dealing and also create conflicts of interest. You should avoid:

- Giving or offering to give any gift, favour, entertainment, reward, or any other thing of value that might influence or appear to influence the judgment or conduct of the recipient in the performance of his or her job. This includes transactions with government personnel, customers and suppliers. Such action may damage the Company's reputation for fair dealing and may be illegal.
- Accepting or soliciting a gift, favour, or other thing of value that is intended to, or might appear to, influence your decision-making or professional conduct. In addition to damaging the Company's reputation for fair dealing, receipt of such gifts could interfere with your ability to make judgments solely in the best interest of the Company, and thus create the appearance of a conflict of interest.

You may give or receive unsolicited gifts or entertainment only in cases where the gifts or entertainment are of nominal value, are customary to the industry, will not violate any laws, and will not influence nor appear to influence the recipient's judgment or conduct.

7. Outside Activities

Outside activities must not conflict with the proper performance of your duties.

(a) Other Business Activity. Full-time employees and officers are expected to devote substantial effort and attention to the furtherance of the Company's business. In the usual case, this would make it difficult for you to properly perform your duties while also being engaged in other business ventures. For this reason, you may not serve as the proprietor, general partner, officer or director of any other business without first obtaining the written consent of the CEO or CFO. In the case of family owned businesses, the CEO or CFO will normally grant such consent if he or she is satisfied that the involvement in the family business will not conflict with your duties and will not involve any conflict with the interests of the Company. In addition, the CEO may grant consent to an officer or employee serving as a member of the board of directors of another company in special circumstances. (The Board of Directors will consider any proposal for the CEO or the

CFO of the Company to serve on the board of another entity, other than not-for-profit entities or family businesses that in no material way compete with the Company or do any material business with the Company.)

This policy does not apply to employees or officers who are also employees or employees of HDSI with respect to services performed by them for other HDSI-related companies.

(b) Professional Associations and Charitable Organizations. The Company encourages employees and officers to participate in geological, engineering and other professional associations and activities that do not conflict with their duties for the Company and do not involve conflicts of interest. The Company also encourages officers and employees to participate in charitable organizations and activities. However, you should consult with the CEO or CFO before you undertake any such outside activities requiring a substantial amount of time. In addition, you should not accept a position as an officer or director of a professional or charitable organization without prior consultation with the CEO or CFO, so that they can be satisfied that your activity on behalf of such organizations cannot be attributed to the Company.

(c) Political and Government Affairs. No Company contributions may be made, directly or indirectly, to any election or issue campaign in any jurisdiction or circumstance that would be unlawful. Corporate contributions may be made in appropriate cases where and when permitted by applicable law, but only with the approval of the CEO. Use of Company equipment, supplies or facilities to support any political party, candidate or campaign, as well as employee activity during normal business hours, may constitute a political contribution. You may not engage in any such activity where it involves Company equipment, supplies or facilities or activity during normal business hours without the prior approval of the CEO. In addition, no action which presents, or may appear to present, the position of the Company with respect to any political or governmental matter may be taken without the prior approval of the CEO.

The Company encourages employees and officers, as individuals, to take part in political and governmental affairs to the extent that such activity does not interfere with the proper performance of their duties or involve the use of Company assets or a conflict of interest. However, if you wish to run for public office or hold an appointed public position, you must confer with the CEO and counsel for the Company to ensure that the proposed activity is consistent with your duties to the Company and does not involve a conflict of interest.

The outside directors of the Company are not expected to devote their full time and effort solely on behalf of the Company and accordingly this policy does not apply to them.

8. Accounting and Recordkeeping, Internal Accounting Controls and Auditing Matters.

Many employees of the Company, not just accountants and controllers, participate in the financial control and reporting processes of the Company. If you have ANY responsibility for any aspect of the Company's financial activities (for example: processing or approval of

payments; creation, processing or approval of invoices and credit memos; payroll and benefits decisions; approval of expense reports and other transactions; the estimation of financial reserves or other claims or the amount of any accrual of deferral; or the recording of any of the foregoing in the Company's records) and/or the preparation of the Company's financial statements or other financial reports, you must ensure your involvement complies with complete and accurate procedures as per established Company practice.

(a) Accounting and Recordkeeping. You may not maintain funds or assets for any improper purposes or make false or misleading statements in any Company documents, reports or records. No undisclosed or unrecorded accounts may be established using the Company's funds or other assets. All accounting records and the financial reports produced from those records must be kept and presented in accordance with applicable law, must accurately and fairly reflect in reasonable detail the Company's assets, liabilities, revenue and expenses and, where applicable, must be in accordance with applicable accounting principles.

Transactions must be supported by accurate and reasonably detailed documentation and recorded in the proper account. Best efforts are to be made to record transactions in the proper accounting time period. To the extent that estimates are necessary, they must be based on your good faith judgment and be supported by appropriate documentation. No payment or the related accounting entry may be approved or made with the intention or understanding that any part of the payment will be used for any purpose other than that described by the document supporting the entry or payment.

(b) Internal Accounting Controls. Internal accounting controls have been established to provide reasonable assurances that (i) transactions are executed in accordance with management authorization, (ii) transactions are properly recorded as needed to permit preparation of financial statements and to maintain accountability for assets, (iii) all assets are recorded on the books of the Company and access to assets is only permitted in accordance with management authorization, and (iv) periodic auditing is done at reasonable intervals and action is taken to resolve discrepancies. You must comply with all internal control requirements and ensure that no action is taken to avoid the internal controls requirements.

(c) Auditing. The Company employs a firm of independent chartered accountants to audit the Company's annual financial statements. The annual audit has a number of purposes, including (i) compliance with regulatory requirements, (ii) providing an independent assessment of whether the Company's financial statements fairly present the financial condition, results of operations and cash flow of the Company, (iii) assessment of the accounting principles used and significant estimates made by the Company in preparing its financial statements, and (iv) assessment of the Company's system of internal controls over financial reporting as required by applicable law and regulatory policies. Each employee is responsible for providing whatever assistance may be required by the auditors. If you receive inquiries from the Company's independent accountants, you must respond promptly, fully and accurately.

If you have any concerns as to weaknesses in the Company's accounting system or in the Company's internal controls; or if you believe that any instances of fraud,* or incorrect or questionable accounting practices may have occurred; or if you believe that any instances of fraudulent, incorrect or questionable practices may have occurred in connection with the annual audit of the Company's financial statements, you should consult with your immediate supervisor or with the Company's CEO or CFO. Alternatively, you may contact the Audit Committee of the Board of Directors using the procedures outlined below under the heading "Reporting of Possible Violations or Other Questionable Practices - Procedures to Submit a Report." Those procedures include a procedure for confidential, anonymous submission of concerns.

9. Use of Company Property

You are entrusted with the care, management and cost-effective use of the Company's property and you are not to make use of these resources for your own personal benefit or for the personal benefit of anyone else. Passwords are to be kept confidential and use of the computer systems is limited to authorized business purposes, although occasional personal use of the internet, e-mail and voice mail will normally be permitted unless your supervisor believes that this privilege is being abused.

However, in order to protect the Company's interests - including for example, to ensure that the Company's computers and voice mail are not being used for improper purposes, such as sexual harassment - the Company reserves the right to review the contents of the Company's computers, its e-mail system, and its voice mail system. No employee has a right of personal privacy with respect to information that is placed in the Company's computers, the e-mail system, or the voice mail system.

You are responsible to ensure that all Company property assigned to you is maintained in good condition, and you should be able to account for such equipment. Any disposition of Company property should be for the benefit of the Company and not for personal benefit.

Company letterhead stationery is to be used only for correspondence related to the Company's business. Do not use it for personal correspondence or charitable solicitation.

You are to return all documents and property in your possession upon termination of your employment for any reason.

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*For purposes of the Code, "fraud" includes any deliberate misstatements or omissions in connection with preparation or reporting (internal or external) of financial and/or operating information about the Company, whether or not material and without regard to whether the employee receives any personal benefit.

10. Proprietary Information

We want our employees to be well informed about our business, our plans for the future, and the successes and challenges we have along the way. In return for this openness, the Company places trust in its employees to maintain, without need for court orders or other legal requirement.

You are to take all reasonable measures to protect the confidentiality of proprietary information obtained or created by you, or otherwise made known to you, in connection with your activities on behalf of the Company. In addition, you must use proprietary information only for the Company's legitimate business purposes, and not for your personal benefit or the benefit of anyone else.

To provide the Company with reasonable protection against unauthorized disclosure or unauthorized use of its proprietary information, all employees are required to sign an employment agreement prior to their start with the Company that includes provisions addressing confidentiality. These agreements state in part that the Company retains exclusive ownership of all project information and opportunities arising out of employment or consulting relationships and any information pertaining to the exploration plans of the Company.

For these purposes, "proprietary information" means information developed or secured for use of the Company in its business, where that information is not generally known to or otherwise readily available to the public and members of our industry. Proprietary information includes, without limitation:

- The Company's ideas, discoveries, projects, data, contact information and production processes.
- Information concerning actual or projected expenditures, corporate transactions, earnings or operating results or business transactions that has not been disclosed by the Company.
- Investor lists, relationships with consultants, contracts, business plans and strategies.
- Personnel information.

It is your responsibility to know what information is proprietary and ensure that you use and disclose it only in the performance of your duties with the Company. If you are unsure, consider the information to be confidential until you obtain clarification.

If your employment terminates, you will continue to be bound to your obligations of confidentiality to the maximum extent permitted by law.

11. Outside Ideas

The purpose of this policy is to avoid the risk of allegation of unauthorized use or disclosure of another person's proprietary rights, ideas or information.

When an idea, prospect, opportunity, or other confidential or proprietary information is submitted to the Company by an outsider, care must be taken to ensure that the outsider signs an agreement defining the Company's rights and obligations before the idea or prospect or information is disclosed to employees qualified to evaluate it or use it. Outsiders who propose to submit information should be told to submit the information in writing. Outsiders should also be told that any submission constitutes their agreement that the Company's brief review to determine possible interest will not create any non-use, confidentiality or area of interest agreement or obligation of the Company. If they do not so agree, they should be told not to submit their information.

On its receipt, any such information should be sent to the CEO or CFO or persons authorized by them to evaluate outside submissions. No one other than the CEO or CFO and persons authorized by them are to evaluate any outside submission.

Each written submission will first be reviewed to see if it purports to impose non-use, confidentiality or area of interest obligations. If it does, no further review should be made and, unless the CEO upon being notified otherwise directs, the material should be returned without further review. If the material does not purport to impose such an obligation, it should be reviewed briefly to see if it might be of interest. If it is not of interest, it is to be returned with a letter stating that the information was briefly reviewed to determine possible interest, that the information is not of interest, and that the Company has no non-use, confidentiality or area of interest agreement or obligation to the sender. If the sender was previously so informed, the letter should also refer to that prior advice. If the material appears to be of interest, then the Company will need to enter into an appropriate confidentiality agreement setting out the parties' rights and obligations before any further review or use of the information.

Third party data subject to confidentiality obligations should be so marked, all confidentiality obligations should be noted on the relevant document or file, and all such obligations must be strictly adhered to.

12. Disclosure Policy

The Company has both legal and ethical obligations to provide appropriate disclosure of material information, and to ensure that employees and others do not benefit from having and using undisclosed material information. "Material information" is any information that reasonably could be expected to affect the market for the Company's stock or to influence an investor's decision to buy, sell or hold the stock. The wrongful use of undisclosed material information may make both the Company and the individual involved liable for criminal and/or civil penalties and damage awards.

(a) Control of Confidential Information. All employees have the responsibility to inform senior management on a timely basis of events or developments that might have a material effect on the Company. Such information should be communicated to your superior or to members of senior management.

Strict confidentiality must be maintained with regard to disclosure of confidential information to persons within the Company who have no need to know, and to anyone

outside of the Company. Care must be taken when handling confidential correspondence, assay results, reports, documents, memos and facsimiles. Documents containing confidential information should be shredded or otherwise destroyed, and not placed in rubbish bins. Visitors to the offices or work sites of the Company are not to be left unattended at any time, except in designated "safe" locations, *e.g.* reception area and conference rooms. Discussions by Company personnel concerning Company business should be confined to Company personnel only and on a "need to know" basis, and should never occur in public places such as elevators.

(b) Public Disclosure Responsibilities. The Company has a variety of disclosure obligations under laws and stock exchange rules. The Company fulfills those obligations through regulatory filings, periodic reports to shareholders, press releases, and web site disclosure. The Company also provides information to shareholders and others through communications with the media, analysts and others in the financial community, by way of industry presentations, and in response to inquiries. In carrying out the Company's disclosure responsibilities:

- The CEO, the CFO, and other members of senior management, as appropriate, have the sole responsibility to determine (i) whether a particular matter is sufficiently material to the Company to require disclosure, and (ii) the content, time and manner of disclosure.

- Company Spokespersons have the exclusive authority to speak for the Company with respect to matters of public disclosure. The Company Spokespersons consist of the CEO and any other persons who are authorized by the CEO, generally or in a specific instance, to speak for the Company. **NO OTHER PERSONS ARE AUTHORIZED TO COMMUNICATE AS TO MATTERS OF PUBLIC DISCLOSURE ON BEHALF OF THE COMPANY**.

- It is the responsibility of the Company to ensure that that undisclosed material information is disseminated in such a way that all members of the public have equal access to the information. Substantial security holders and analysts in particular MUST NOT receive preferential treatment in the matter of information disclosure. Persons given early access to undisclosed material information may not use that information to trade in the Company's securities, and they, the Company and the individual who causes the early disclosure may be liable for civil and criminal penalties and damage awards if there is trading on undisclosed material information.

(c) External Communications and Inquiries from Analysts, Media and Other Outsiders. Communications intended for dissemination outside of the Company and concerning the Company's business must be referred to the CEO or to one of the designated Company Spokespersons prior to dissemination. This includes presentations to analysts and papers or presentations to professional groups and others.

All inquiries from the press, securities analysts, investors and other outsiders concerning the Company's business and affairs must be referred to one of the designated Company

Spokespersons. This will ensure that information is disclosed consistently and equitably. Unless specifically authorized, no one is authorized to respond to such inquiries.

(d) Comments on and Dissemination of Analysts' Reports and Other Media Stories . From time to time, the Company may be asked to review or comment on analysts' reports or other media stories about the Company. No employee, officer or director is to review or comment on analysts' reports or media stories except an authorized Company Spokesperson, and any such inquiry should be forwarded to such an authorized person without any comments. If a Company Spokesperson does review such a report or story, the Company Spokesperson should review the report or story ONLY for factual information and limit his/her comments to discussion or correction of facts. Furthermore, no undisclosed material information is to be communicated in the course of such a review and comment. If factual correction would result in the disclosure of undisclosed material information, the Company Spokesperson must take the necessary steps to ensure that such information is communicated to the public generally before it is communicated to the particular analyst or other person making the inquiry.

Employees, officers or directors of the Company may be asked to forward or recommend analysts' reports or may consider forwarding analysts' reports or media stories about the Company. The forwarding or recommending of such reports or stories may be regarded as verifying or validating the information contained in the reports or stories. If any of the information in the report or story is not accurate, the act of forwarding or recommending the report or story may constitute the dissemination of false or misleading information in violation of securities laws. In addition, if any of the information in the report or story is accurate but has not been generally disseminated by the Company, the forwarding or recommending of the report or story may constitute selective disclosure in violation of securities laws. Finally, copying and dissemination of analysts' reports and media stories may violate copyright laws or the proprietary rights of the authors of the reports or stories. For these reasons, no employee, officer or director should reproduce and distribute or otherwise disseminate such reports and stories unless specifically approved by the CEO. Persons requesting such materials should be referred to the author or organization that published the material. In addition, employees, officers and directors should not recommend particular analysts' reports on the Company to any person.

(e) Comments on Rumours and Correction of Selective Disclosure . Employees, officers and directors must not comment, whether positively or negatively, on rumours about the Company's business. Information about such rumours should be reported to the Company Spokespersons. In general, the Company's policy is not to comment on rumours. If a stock exchange or securities regulatory authority requests the Company to make a definitive statement in response to rumours, a Company Spokesperson will consider the matter in consultation with legal counsel.

If any employee, officer or director makes an unauthorized or premature disclosure of undisclosed material information (inadvertently or otherwise), the person responsible for the disclosure, and any other employee, officer or director learning of it, must contact the CEO or other Company Spokesperson as soon as possible, and the CEO and other

Company Spokespersons will consider the Company's responsibilities under applicable law.

13. Securities Transactions

(a) Restrictions on Trading. In general, employees, officers and directors, and their family members, may trade in Company securities unless:

- A Blackout Period (see below) is in place, or
- The person has knowledge of undisclosed material information.

If a Blackout Period exists, or if you have knowledge of undisclosed material information, neither you nor your family members may trade in Company securities. For purposes of this policy, "family member" means your spouse, your minor children, any person substantially dependent on you for support, and other persons who share a residence with you. There are two exceptions to this policy: (i) you may exercise any fixed price option or warrant issued by the Company, BUT you may not sell the security acquired on exercise of the option or warrant so long as either condition exists; and (ii) you may sell securities pursuant to a previously existing Trading Plan entered into with a qualifying broker under Section 161 of the rules to the Securities Act of British Columbia and pursuant to SEC Rule 10b5-1, provided that you were not in possession of undisclosed material information (unless it has since been disclosed) at the time you established the Trading Plan.

In addition, while you are in possession of undisclosed material information, you and your family members must not trade in the securities of companies that have a significant legal or financial business relationship, direct or indirect, with the Company (generally joint venture partners) if the undisclosed material information relates to the subject matter of that business relationship.

(b) Blackout Period. From time to time, the CEO or other Company Spokesperson may institute a Blackout Period because of the existence of undisclosed material information. If a Blackout Period is instituted, you will be notified, generally by e-mail. Once notified of the existence of a Blackout Period, except as noted above, you and your family members may not trade in the Company's securities until you have been notified that the Blackout Period has been terminated. The existence of a Blackout Period is itself an item of confidential information that is not to be disclosed to persons outside of the Company.

(c) Special Considerations in Investing in Company Securities . You and your family members are urged not to purchase securities of the Company using borrowed funds in an amount or on terms and conditions which are not prudent in light of your financial condition. In addition, careful consideration should be given before pledging Company securities for a loan because of the potential insider trading liability that could arise if the lender should seek to sell the securities at a time when there is undisclosed material information about the Company.

(d) Certain Additional Policies. These additional policies apply to officers and directors and in regards to short sales, employees, of the Company.

- No employee, officer or director shall engage in short sales of securities of the Company or sales of borrowed securities of the Company. For purposes hereof, the short sale of Company shares as a method of facilitating the exercise of a valid option granted by the Company shall be deemed not to be a short sale for purposes of the aforementioned restriction notwithstanding any such sale-against-an-option must be treated as a short sale under Canadian securities legislation. Before selling short against an option, the holder of the option should bring the proposed transaction to the attention of the Company's CEO or CFO so as to ensure the transaction is treated properly.

- No officer or director shall place automatic buy or sell orders with brokers except for a Trading Plan entered into with a qualifying broker under Section 161 of the rules to the Securities Act of British Columbia and pursuant to SEC Rule 10b5-1, provided that you were not in possession of undisclosed material information (unless it has since been disclosed) at the time you established the Trading Plan.

- No officer or director of the Company shall buy or sell equity securities of the Company during the period that begins five trading days before and ends one trading day after the public release of quarterly and annual results of operation of the Company.

14. Administration and Distribution

The Company's Board of Directors, the Audit Committee, and the Nominating and Governance Committee have established the standards of business ethics and conduct contained in the Code, and it is their responsibility to oversee compliance with the Code. Any change in or waiver of any provision of the Code shall require approval of the Audit Committee or the Nominating and Governance Committee, as applicable, and shall be publicly disclosed in the time period and manner as required by law or regulation.

The Code is to be distributed to each employee, officer and director of the Company and to the employees, officers and directors of HDSI. It will also be made available via the Company's Internet site.

Strict adherence to the Code is vital. Directors will confirm on an annual basis in connection with the preparation of the Management Information Circular that they have read and understand the Code of Ethics. Management will adopt appropriate policies to ensure that officers and employees are provided with and have read the Code of Ethics. All managers are responsible for ensuring that employees under their supervision are aware of and understand the provisions of the Code For clarification or guidance on any point in the Code, please consult the CEO or CFO.

15. Reporting of Possible Violations or Other Questionable Practices

The following procedures govern the reporting and treatment of reports of possible violations of the Code. The Company's Audit Committee Charter provides that the Audit Committee is to establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee has adopted these procedures as to complaints and submissions regarding accounting, internal accounting controls or auditing matters, and the Nominating and Governance Committee has adopted these procedures as to all other complaints and submissions regarding the Code.

(a) When to Make a Report. You should make a report if you believe that any employee, officer or director of the Company or HDSI, or any agent or representative of the Company, may have or is about to engage in any conduct which you believe may be:

- A violation of the Code or any internal policy or code of practice,
- A violation or otherwise involve questionable practices in connection with accounting, internal accounting controls or auditing matters,
- A violation of any law or regulation,
- Corruption, mismanagement or fraud, or
- A danger to the public or danger to worker health and safety or the environment.

If you are unsure about the matter but concerned about the possibility of a violation or questionable practice, you should nonetheless report the matter. Delays in bringing the information to the attention of senior management, the Audit Committee, or the Nominating and Governance Committee may cause damage, complications, and irreversible consequences for the Company. Following the steps outlined below will allow the Company to address the issues and ensure that timely remedial action is taken.

(b) Procedures to Submit a Report. You may make a report under this procedure in one of the following ways:

- Bring the matter to the attention of your immediate supervisor. Any supervisor receiving such a report is to immediately bring the matter to the attention of the CEO, the CFO, or other member of senior management.
- Bring the matter to the attention of the CEO, the CFO, or any other member of senior management.
- Bring the matter to the attention of an independent director of the Company. Matters relating to accounting, internal accounting controls or auditing matters should be reported to the Chairman of the Audit Committee. All other matters should be reported to the Chairman of the Nominating and Governance Committee. If you are

uncertain as to whether the matter should go to the Audit Committee or the Nominating and Governance Committee, you may choose either one. You may make the report orally, in writing, or by e-mail. All reports will be treated as confidential to the extent possible, and only revealed on a need-to-know basis or as required by law or court order. Contact information for the Chairman of the Audit Committee and the Chairman of the Nominating and Governance Committee is as follows:

Chairman of the Audit Committee	**Chairman of the Nominating and Governance Committee**
Name: David Elliott Address 3111 West 42 Ave Vancouver, BC V6N 3H1 Telephone No. (604) 267-9694 Fax No. (604) 267-9693 e-mail address davidelliott@hdgold.com	Name: Wayne Kirk Address: PO Box 558 Orcas, WA 98280 Telephone No. (360) 376-1013 Fax No. (360) 376-2545 e-mail address: waynekirk01@comcast.net

- If you prefer to report on an anonymous basis, call on the Northern Dynasty hotline at 1-877-874-8416. Any calls to this number will be forwarded to the Chairman of the Audit Committee for further handling.

With respect to matters involving the possible violation of laws or regulations, you also may choose to bring such concerns to an outside regulatory authority. However, the Company is committed to taking internal action in response to employee concerns, and would appreciate the opportunity to do so, if appropriate.

(c) Follow-up and Outcome.

(i) On receipt of a complaint, the complaint will be reported promptly to the Chairman of the Audit Committee if it relates to accounting, internal accounting controls or auditing matters, and to the Chairman of the Nominating and Governance Committee if it relates to other matters under the Code. In the case of an oral complaint, the party receiving the complaint is to report it orally and also to prepare a written summary for the Chairman of the Audit Committee or Nominating and Governance Committee, as applicable.

(ii) The appropriate Committee Chairman will promptly commission the conduct of an investigation. At the election of the Committee Chairman, the investigation may be conducted by Company personnel, or by outside counsel, accountants or other persons employed by the appropriate Committee.

(iii) The identity of a person filing a complaint will be treated as confidential to the extent possible, and only revealed on a need-to-know basis or as required by law or court order.

(iv) On completion of the investigation, an oral and/or written investigative report will be provided to management and the Audit Committee or Nominating and Governance Committee, as applicable. If any unlawful, violative or other questionable conduct is discovered, the appropriate Committee will cause to be taken such remedial action as the Committee deems appropriate under the circumstances to achieve compliance with the applicable law, regulation or policy and to otherwise remedy the unlawful, violative or other questionable conduct. The Chairman of the appropriate Committee will prepare, or cause to be prepared, a written summary of the remedial action taken.

(v) In each case, the written investigative report (or summary of any oral report), and a written summary of the remedial action taken in response to the investigative report will be retained along with the original complaint/report by or under the authority of the appropriate Committee Chairman for a period of four years after the resolution of the matter.

(d) Prohibition Against Retaliation. The Company welcomes the courage and honesty of an employee who voices concern over a particular matter that he or she believes to be unlawful or harmful. Any attempts to intimidate, threaten, harass or retaliate against any employee based upon a good faith report made by an employee pursuant to the Code is strictly prohibited and will result in disciplinary action up to and including termination of the person responsible for any such intimidation, threat, harassment or retaliation.

However, groundless or unwarranted complaints - including those with vindictive intent –are not acceptable. Appropriate disciplinary measures will be taken if allegations are initiated for malicious reasons or in bad faith.

(e) Governmental or Company Inquiry . If you receive an inquiry from a governmental authority concerning suspected unlawful conduct, you should immediately direct the inquiry to your immediate superior, the CEO, the CFO or other member of senior management. In such circumstances, you should take measures to preserve documents and other items relevant to the investigation. To conceal an offence or to alter or destroy evidence is illegal and may result in criminal prosecution. It also violates the Company's commitment of conducting its business in a legal and ethical manner and is strictly prohibited.

If you receive an inquiry from the Company representative or a Board committee in connection with an investigation under the Code, you are equally obligated to take measures to preserve documents and other items relevant to the investigation.

(f) Failure to Comply or File a Report . The Company is committed to complying with all applicable laws, regulations and policies. Such compliance is only possible if all employees, officers and directors ensure that they follow all applicable laws, and Company policies and guidelines. When in doubt, ask the CEO, CFO or other members of senior management. Personnel who violate the law or the Company's compliance policies or knowingly fail to report a violation of law or compliance policy may be

subject to disciplinary action, up to and including dismissal. The nature and extent of the action will be determined on a case-by-case basis. In reviewing the situation, the following is a partial list of considerations:

- The nature and severity of the offence.
- Whether the persons involved acted reasonably.
- The efforts by the persons involved to obtain guidance before the offence occurred.
- Whether the persons involved reported themselves.

Personnel are encouraged to report their own wrongdoing or possible wrongdoing. This action will be taken into account when assessing the appropriate discipline, if any. The Company will also recognize situations where a person has made an honest mistake and will take it into account in deciding the course of action to pursue.

APPENDIX 5

DISCLOSURE CONTROLS AND PROCEDURES POLICY

1. Introduction

Canadian and United States laws require the Company to maintain "disclosure controls and procedures" that are designed to ensure that information required to be disclosed by the Company in reports it files or submits to regulatory authorities is recorded, processed, summarized and reported on a timely basis. Disclosure controls and procedures must be designed to ensure that information is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure. Disclosure controls and procedures should capture information that is relevant to assessment of developments and risks that pertain to the Company's business, as well as other material information about the Company.

The Company's CEO and CFO periodically are required to certify that they (1) are responsible for establishing and maintaining disclosure controls and procedures, (2) have designed such controls and procedures to ensure that material information is made known to them by others within the Company on a timely basis, and (3) have evaluated the effectiveness of the disclosure controls and procedures and presented the conclusions of that evaluation in certain filings.

Also, legislation in at least one Province (Ontario) requires such procedures and controls be in place in order for management to have a defence against litigation arising out of a misstatement in a public filing or arising out of a failure to promptly make a required disclosure.

2. Application

This Disclosure Controls and Procedures Policy covers the following:

(a) Periodic Disclosures

- Annual Information Forms and Annual Reports filed with the United States Securities and Exchange Commission.
- Annual Reports to Shareholders and other periodic reports and related press releases submitted to the SEC under cover of Form 6-K or filed in Canada.
- Management Information Circulars.
- Registration statements/prospectuses filed with the SEC and Canadian authorities.

(b) Event-Driven Disclosures

- Anticipated events such as the results from exploration programs, acquisitions, divestitures, and initiation of legal proceedings by the Company.

- Unanticipated events such as early or unexpected receipt of surprising exploration results, correction of misstatements in previously publicly-filed information, lawsuits against the Company, severe accidents causing harm to personnel or significant loss of property, material regulatory investigations, and discovery of fraud or illegal conduct.

3. Supplement to Internal Controls and Procedures

The Company's other internal controls and procedures are not affected by these disclosure controls and procedures, and they will continue to operate independent of the disclosure controls and procedures set out in this Policy.

4. Statement of Responsibility

Design of this Policy is the responsibility of the CEO and CFO, subject to evaluation by the Board of Directors, and implementation of this Policy is the responsibility of the CEO and CFO, with the assistance of the other members of the Disclosure Committee (as defined below).

5. Disclosure Committee

The Company has established a Disclosure Committee in order for the Company to carry out its responsibilities under this Policy. The Committee is not a committee of the Board. The Committee shall maintain a record of its work and deliberations. The Disclosure Committee shall appoint a Secretary for the Committee, who need not be a member of the Committee, who shall be responsible for maintaining such records and otherwise documenting compliance with the requirements of this Policy.

(a) Members

The Disclosure Committee consists of the President and CEO, CFO, Vice President, Operations, Director of Finance and Reporting (or the person performing the duties associated with this position) (the "DFR"), Manager, Corporate Communications, and such other persons as the CEO may designate. The Disclosure Committee may delegate specific functions to sub-committees of the Disclosure Committee, subject to final report to, and approval of the actions of any such subcommittee by, the Disclosure Committee. A quorum of the Disclosure Committee is the CEO and any two other members or the CFO and a majority of all members other than the CEO and CFO.

(b) Meetings

The Disclosure Committee will meet as required, and will meet (or communicate by telephone or electronically) at least once each fiscal quarter and will meet on the request of any member in the event of the occurrence of an event or situation involving or affecting the Company which may warrant public disclosure.

(c) Responsibilities

The primary responsibility of the Disclosure Committee is to cause the Company to fulfill its disclosure obligations on a timely basis. To carry out its functions, the Disclosure Committee will:

- Implement controls and procedures for both periodic and event-driven disclosures.
- Establish and implement processes for the timely collection and reporting to the Disclosure Committee of potential material information, and the timely evaluation and dissemination of material information to securities regulators, stock exchanges and shareholders.
- Review, or arrange for the review by an authorized subcommittee, of all documents subject to the Policy.
- Evaluate the effectiveness of disclosure and control procedures, including this Policy, on a regular basis, not less frequently than annually, and within the 90-day period prior to the filing of the AIF and Annual Report to the SEC.
- Report on its evaluation of disclosure controls and procedures at least annually to the Audit Committee of the Board of Directors.

In fulfilling its oversight responsibilities, the Disclosure Committee will give consideration to the following:

- Timeliness and the filing requirements in all jurisdictions.
- Involvement of key personnel as necessary to ensure adequate collection, evaluation and disclosure of all material information.
- Adequacy of resources, including quality of staffing within areas of responsibility for collection, evaluation and disclosure of all material information.
- Adequacy of training of personnel involved with collection, evaluation and disclosure of all material information.
- Approval responsibility for each part and the entirety of disclosure documents.
- Assistance to the Board of Directors in carrying out its oversight responsibilities.

In carrying out its responsibilities, the Disclosure Committee will have full access to all books and records, facilities and personnel of the Company, as well as independent auditors, counsel and other experts.

6. Procedures

The following key disclosure controls and procedures are established to ensure that material information is collected, evaluated and disclosed by the Company on a timely basis.

(a) Standing Disclosure Practice and Procedure

The Company's Code of Ethics and Trading Restrictions sets out, in paragraph 12, the Company's Disclosure Policy. That Disclosure Policy explains the responsibility of each employee to inform senior management on a timely basis of events or developments that might have a material effect on the Company. It is the responsibility of all members of senior management to inform the members of the Disclosure Committee of such information.

If any officer or member of the Disclosure Committee receives a report of non-public, possibly or potentially material information and concludes that the Company may have an obligation to promptly disclose that information to securities regulators, stock exchanges, shareholders or the public, that person shall promptly advise the members of the Disclosure Committee. The Disclosure Committee shall promptly convene (or communicate electronically) to consider the significance and need for disclosure of that information and, in consultation with the CEO, shall take such steps as its members deem appropriate under the circumstances.

(b) Annual Information Form ("AIF")/SEC Annual Report Controls and Procedures

In addition to the Company's normal annual financial reporting process, the Company will follow the following additional procedures in respect of preparation of the AIF/Annual Report to the SEC:

- Prior to commencement of drafting the AIF/Annual Report to the SEC, the CFO, the DFR, Manager, Corporate Communications and the responsible exploration or technical supervisors and others, as appropriate, will meet or otherwise communicate to determine the content of the document, including any new legal or regulatory requirements.
- The Disclosure Committee will prepare a summary of principal required disclosure items, assign drafting responsibility for each, assign responsibility for compilation and overall control of the drafting process, establish a schedule for drafting and review, and distribute packages for review. As part of the process, the Disclosure Committee will identify those persons within the Company that can be expected to have particular knowledge as to the items covered by the document and ensure that those persons review the appropriate portions of the document.
- The Disclosure Committee, other selected employees, and independent auditors and outside counsel, as appropriate, will review and comment on the first complete draft of the reports/financial statements. Subsequent drafts of the reports and financial statements will be circulated by e-mail, facsimile or delivery for review and comment; this process need only be face-to-face upon the request of any member of the Disclosure Committee. Any officers not on the Disclosure Committee will be provided with copies of drafts, as appropriate.
- In preparation for the controls evaluation process, the Disclosure Committee will inquire of participants in the disclosure process regarding the disclosure process and possible instances of fraud and receive their certifications in a manner acceptable to the CEO based on the form set out in Exhibit 1.

- The CEO, Disclosure Committee, other selected employees, as appropriate, independent auditors, outside counsel, if requested by any of the foregoing persons or by these professionals themselves, and the Audit Committee will review the near final text of the AIF/Annual Report to the SEC.

- Before reviewing the final text of the AIF/Annual Report to the SEC, the CEO, Disclosure Committee and other selected employees, as appropriate, will evaluate the disclosure controls and procedures, identify any deficiencies or weaknesses in the design or operation of internal controls, and consider any reports of fraud.

- As a part of the process of evaluating the disclosure controls and procedures, the members of the Disclosure Committee, other than the CEO and CFO, will certify (in a manner acceptable to the CEO based on the form set out in Exhibit 2) to the CEO and CFO that: (1) he or she is not aware of any material misstatements or omissions to state material facts in the AIF/Annual Reports to the SEC (2) the Disclosure Committee has followed all of its procedures and policies in connection with the preparation of the AIF/Annual Reports to the SEC; (3) he or she believe that the disclosure controls and procedures are documented and are adequate and effective to ensure that material information is collected, recorded, accessed and controlled by authorized personnel and assembled and made known to the Disclosure Committee on a timely basis; (4) he or she is not aware of any material deficiencies in the design or operation of the disclosure controls and procedures or the internal controls that has not been remedied; and (5) he or she is not aware of any employee fraud. The CFO will also provide such a signed certification to the CEO.

(c) ***Annual Reports to Shareholders and other periodic reports and related press releases submitted to the SEC under cover of Form 6-K or in Canada as Material Change Reports.***

In addition to the Company's normal financial closing processes, the Company will follow the following additional procedures in respect of Annual Reports to Shareholders and other periodic reports and press releases submitted to the SEC under cover of Form 6-K and in Canada as Material Change Reports.

- Prior to the commencement of drafting, the CFO, DFR and others, as appropriate, will meet or otherwise communicate to determine the content to be included in the document, including any new legal or regulatory requirements.

- The DFR (or persons designed by the DFR) will prepare a summary of principal required disclosure items, assign drafting responsibility for each, assign responsibility for overall control of the drafting process, establish a schedule for drafting and review, and distribute packages for review. As part of the process, the DFR (or persons designated by the DFR) will identify persons within the Company that can be expected to have particular knowledge as to the items covered by the document and ensure that those persons review the appropriate portions of the document.

- The Disclosure Committee, other selected employees, independent auditors and outside counsel, as appropriate, will review and comment on the document.

- The Disclosure Committee, other selected employees, independent auditors and outside counsel, as appropriate, will resolve all disclosure issues and finalize text.

(d) Management Information Circular Controls and Procedures

- Prior to the commencement of drafting, the CEO, CFO, DFR and Manager, Corporate Communications shall meet or otherwise communicate to determine the matters to be included in the Management Information Circular and additional parties, if any (such as outside compensation consultants), to be involved in the preparation of the Management Information Circular.
- Prior to the substantial completion of drafting, the DFR or a subcommittee appointed by the DFR will enquire of outside counsel to determine any changes required since the prior year in the requirements of the Management Information Circular.
- The DFR (or persons appointed by the DFR) will prepare a summary of principal required disclosure items and establish a schedule for drafting and review. As part of the process, the Disclosure Committee will identify those persons within the Company that can be expected to have particular knowledge as to the items covered by the document and ensure that those persons review the appropriate portions of the document.
- The DFR (or persons appointed by the DFR) will draft the Management Information Circular and distribute the Management Information Circular to the Disclosure Committee, the Board, outside counsel, and other additional parties, as appropriate, for review and comment.
- The DFR, the Disclosure Committee and others, as appropriate will resolve all disclosure issues and finalize text.

(e) Registration Statements/Prospectuses

Registration statements and prospectuses will normally be prepared in the context of agreements and meetings with underwriters and others involved in the process. Although the process will involve drafting and review of information in processes that are similar to those involved in the preparation of an AIF/Annual Report to the SEC, due to the timing and participation by others in the process, it is not possible to set out in advance the specific steps to be followed.

- It shall be the responsibility of the CFO and DFR, in conjunction with independent auditors and outside counsel, to implement disclosure and approval procedures comparable to those contained in this policy for other reports, to keep the Disclosure Committee involved and informed, as appropriate, to ensure the accuracy and completeness of such documents, and to keep the Board of Directors informed and involved in the process, as appropriate.

(f) Event-Driven Disclosures

Event-driven disclosures are those disclosures which are not periodic in nature and will arise from time to time as a consequence of both anticipated and unanticipated events. Examples of anticipated events include the results of exploration programs, initiation of legal proceedings by

or against the Company, significant acquisitions and divestitures, and similar matters all of which are likely to be deemed material information.

To the extent that such events are wholly or partially within the Company's control, disclosure in respect of these events should be planned for by the Disclosure Committee. The Disclosure Committee, or a subcommittee thereof, should be involved in the preparation of event-driven disclosures including press releases, material change reports and amendments to the existing continuous disclosure record in Canada and the United States. The full Board of Directors should be notified in the event there is need to make any material unanticipated event-driven disclosure.

7. News Releases

The Disclosure Committee shall generally be responsible for supervising preparation and dissemination of news releases and shall generally consult the checklist in Exhibit 3. The Disclosure Committee will assign drafting responsibility for drafting and distribution of each release. As a part of the process, the Disclosure Committee will identify those persons within the Company that can be expected to have particular knowledge as to the items covered by the document and ensure that those persons review the document.

Exhibit 1

Sample Form of Letter and
Form of Certification
AIF and Annual Report to the SEC

Letter

You have been assisting the Disclosure Committee of the Company in preparing the Annual Information Form/ Annual Report to the SEC for the year _____. As you are aware, we must certify that our Company has disclosure controls and procedures to ensure that material information about our Company is made known to the Disclosure Committee on a timely basis so that it may be properly disclosed to shareholders and others. Before the AIF/Annual Report is filed, we would appreciate your confirming to us that you believe that you have provided the Disclosure Committee with all information that was responsive to the Disclosure Committee's requests. Also, please confirm that, for the period _____through the date of your response, that you are not aware of any instance of fraud, whether or not material, by any current or former employee involving the Company or, if you are aware of any such fraud, that you have reported it as provided by the Code of Ethics and Trading Restrictions. (Recognizing the sensitivity and desire for anonymity that may be involved with such disclosures, please note that this confirmation does not require that you specifically identify any report of fraud that you may have made.).

We would also appreciate your advising us of any suggestions you have for improving the procedures we established in order to ensure that material information about the Company is made known to us on a timely basis.

Please complete and return the accompanying certification to the Disclosure Committee. by no later than _____, 200_.

[CEO] _____

[CFO] _____

Certification

To: _____.

I have participated in the development of information for and participated in the preparation of the Annual Information Form/Annual Report to the SEC for the year 200_. I am familiar with all of the information that I have received from and provided to the Disclosure Committee in connection with my participation in the preparation of the AIF/Annual Report for 200_. I believe that I have been responsive to all of the Disclosure Committee's requests, and that I have provided all of the information requested from me.

For the period _____ through the date of this certificate, I am not aware of any instance of fraud, whether or not material, by any current or former employee involving the Company, or if I am aware of any such fraud, I have reported it as provided by the Code of Ethics and Trading Restrictions. For purposes of the Code, “fraud” includes any misstatements or omissions in connection with preparation or reporting (internal or external) of financial and/or operating information about the Company, whether or not material and without regard to whether the employee receives any personal benefit.

I believe that the procedures established in order to ensure that material information about the Company is made known to the senior officers on a timely basis:

[ ] are adequate and effective, or

[ ] can be improved in the following ways: _____

_____.

Dated: _____ Signature: _____

Print Name: _____

Exhibit 2

Sample Form of Disclosure Committee Certification

To _____:

I, _____, certify that:

1. I have reviewed the AIF/Annual Report of the Company for the year _____ (all or any of the foregoing being for convenience, the "Report").

2. Based on my knowledge, the 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 the Report.

3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of and for the periods presented in the Report.

4. The Disclosure Committee of which I am a part has followed all of its procedures and policies in connection with the preparation of the Report.

5. Based on our most recent evaluation, I believe that the Company's disclosure controls and procedures are adequate and effective to ensure that material information is made known to the Disclosure Committee on a timely basis.

6. Based on our most recent evaluation, I am not aware of any material deficiencies in the design or operation of the disclosure controls and procedures or the internal controls that has not been remedied.

7. Based on our most recent evaluation, I am not aware of any employee, supplier or other person involved in fraud against or involving the Company.

Dated: _____ Signature: _____
Print Name: _____

Exhibit 3

News Release Checklist

Instructions for Use

This News Release Checklist should be consulted by the appropriate members of the Company's Disclosure Committee when preparing a news release.

Checklist Questions

1. Has the information to be distributed been determined to be definitely or reasonably likely to be material to investors?

2. Has the information been accurately summarized in a draft press release with a view to ensuring that it comprehensively discloses the event or information in a factually accurate and plain language manner with reasonable balance in respect to the positive and negative aspects of the information?

3. If the event or information is conditional, contingent or otherwise uncertain, does the news release properly disclose the nature of such conditions and contingencies, e.g. subject to regulatory approval, subject to definitive agreement, etc.?

4. If the news release contains information of a geological, engineering or other technical nature, has it been prepared or reviewed by a "qualified person" ("QP") as defined by applicable regulatory policy (43-101)?

5. If the answer to question 4 is yes, is the information of a nature which requires an independent QP under applicable policy?

6. Does the release contain information about financial performance, legal proceedings, legal agreements or other matters which requires the review of one of the Company's professional advisors (legal, accounting, other)?

7. Does the press release describe a proposed financing of the Company which may require that the news release not be disseminated in the United States or be otherwise restricted?

8. Does the forward-looking information disclaimer in the news release adequately disclose the principal risks in connection with the matter in a specific and comprehensive (not a shopping list) format?

9. Has a quorum of the Disclosure Committee approved this news release?

10. If the answer to question 9 is yes, are there any other persons to whom the news release should be first shown on confidential basis, either as a courtesy or as a manner of confirming its accuracy or the agreement of any third party with the characterization of the information? (e.g. joint venture partners, lawyers, auditors, stock exchange officials)

11. Has the board of directors and in particular the independent board members reviewed the news release?

12. If the information is to be released during trading hours, is it of such a significantly material nature as to warrant a halting of the Company's shares from trading to permit a period of dissemination (only to be done in urgent situations or with the prior notice of same to the board)?

13. Will the news release be disseminated through ordinary paid wire services or is there a need to contact other media (newspapers, business writers)?

14. Has the Company's corporate communications and investor relations staff been apprised of the news release and been given an opportunity to raise any questions or issues which may be predicted to arise out of dissemination of a news release?

15. Is there any reason to alert other employees to the news release prior to its release?

16. Have all the required regulatory filings for the news release been arranged? For example, filing the news release and a Material Change Report, if necessary, on SEDAR and filing the news release and Material Change Report, if applicable, on Form 6-K on EDGAR.

APPENDIX 6

AUDIT COMMITTEE CHARTER

1. Purpose: Responsibilities and Authority

The Committee shall carry out its responsibilities under applicable laws, regulations and stock exchange requirements with respect to the employment, compensation and oversight of the Company's independent auditor, and other matters under the authority of the Committee. The Committee also shall assist the Board of Directors in carrying out its oversight responsibilities relating to the Company's financial, accounting and reporting processes, the Company's system of internal accounting and financial controls, the Company's compliance with related legal and regulatory requirements, and the fairness of transactions between the Company and related parties. In furtherance of this purpose, the Committee shall have the following responsibilities and authority:

(a) ***Relationship with Independent Auditor.***

(i) Subject to the law of British Columbia as to the role of the Shareholders in the appointment of independent auditors, the Committee shall have the sole authority to appoint or replace the independent auditor.

(ii) The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.

(iii) The independent auditor shall report directly to the Committee.

(iv) The Committee shall approve in advance all audit and permitted non-audit services with the independent auditor, including the terms of the engagements and the fees payable. The Committee may delegate to a subcommittee the authority to grant pre-approvals of audit and permitted non-audit services, provided that the decision of any such subcommittee shall be presented to the full Committee at its next scheduled meeting.

(v) At least annually, the Committee shall review and evaluate the experience and qualifications of the lead partner and senior members of the independent auditor team.

(vi) At least annually, the Committee shall obtain and review a report from the independent auditor regarding:

(A) the independent auditor's internal quality-control procedures;

(B) any material issues raised by the most recent internal quality-control review, or peer review, of the auditor, or by any inquiry or

investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;

(C) any steps taken to deal with any such issues; and

(D) all relationships between the independent auditor and the Company.

(vii) At least annually, the Committee shall evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.

(viii) The Committee shall ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit, the concurring partner responsible for reviewing the audit, and other audit partners as required by law.

(ix) The Committee shall consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.

(x) The Committee shall recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account or participated in any capacity in the audit of the Company.

(b) ***Financial Statement and Disclosure Review.***

(i) The Committee shall review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be filed with applicable securities regulatory authorities and included in the Company's annual reports.

(ii) The Committee shall review and discuss with management (and, to the extent the Committee deems it necessary or appropriate, the independent auditor) the Company's quarterly financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether such financial statements should be filed with applicable securities regulatory authorities.

(iii) The Committee shall review and discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the independent auditor's assessment of the quality of the Company's accounting principles, any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's

internal controls over financial reporting, and any special steps adopted in light of material control deficiencies.

(iv) At least annually and prior to the publication of annual audited financial statements, the Committee shall review and discuss with management and the independent auditor a report from the independent auditor on:

(A) all critical accounting policies and practices used by the Company;

(B) all alternative accounting treatments of financial information that have been discussed with management since the prior report, ramifications of the use of such alternative disclosures and treatments, the treatment preferred by the independent auditor, and an explanation of why the independent auditor's preferred method was not adopted; and.

(C) other material written communications between the independent auditor and management since the prior report, such as any management letter or schedule of unadjusted differences, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or IFRS methods on the Company's financial statements.

(v) Prior to their filing or issuance, the Committee shall review the Company's Annual Information Form/Annual Report to the SEC, quarterly and annual earnings press releases, and other financial press releases, including the use of "pro forma" or "adjusted" non-IFRS information.

(vi) The Committee shall review and discuss with management the financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be specific or it may be in general regarding the types of information to be disclosed and the types of presentations to be made.

(c) ***Conduct of the Annual Audit***. The Committee shall oversee the annual audit, and in the course of such oversight the Committee shall have the following responsibilities and authority:

(i) The Committee shall meet with the independent auditor prior to the audit to discuss the planning and conduct of the annual audit, and shall meet with the independent auditor as may be necessary or appropriate in connection with the audit.

(ii) The Committee shall ascertain that the independent auditor is registered and in good standing with the Canadian Public Accounting Board and the Public Company Accounting Oversight Board and that the independent auditor satisfies all applicable Canadian independence standards, Independence Standards Board Standard No. 1, and SEC Regulation S-X, Section 2-01. The Committee shall obtain from the auditor a written statement delineating all relationships between

the auditor and the Company as per ISB Standard 1, and review relationships that may impact the objectivity and independence of the auditor.

(iii) The Committee shall discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including

(A) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management;

(B) the management letter provided by the independent auditor and the Company's response to that letter; and

(C) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

(iv) The Committee shall obtain from the independent auditor assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934 and that, in the course of conducting the audit, the independent auditor has not become aware of information indicating that an illegal act has or may have occurred or, if such an act may have occurred, that the independent auditor has taken all action required by Section 10A(b) of the Securities Exchange Act of 1934.

(v) The Committee shall make such inquiries to the management and the independent auditor as the Committee members deem necessary or appropriate to satisfy themselves regarding the efficacy of the Company's financial and internal controls and procedures and the auditing process.

(d) ***Compliance and Oversight.***

(i) The Committee shall meet periodically with management and the independent auditor in separate executive sessions. The Committee may also, to the extent it deems necessary or appropriate, meet with the Company's investment bankers and financial analysts who follow the Company.

(ii) The Committee shall discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

(iii) The Committee shall discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

(iv) At least annually and prior to the filing of the AIF/Annual Report to the SEC, the Committee shall review with management and the independent auditor the disclosure controls and procedures and confirm that the Company (with CEO and CFO participation) has evaluated the effectiveness of the design and operation of the controls within 90 days prior to the date of filing of the AIF/Annual Report to the SEC. The Committee also shall review with management and the independent auditor any deficiencies in the design and operation of internal controls and significant deficiencies or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls. As a part of that review, the Committee shall review the process followed in preparing and verifying the accuracy of the CEO and CFO annual certifications required to be included in the Annual Report to the SEC.

(v) At least annually and prior to the filing of the AIF/Annual Report to the SEC, the Committee shall review with management and the independent auditor management's internal control report and assessment of the internal controls and procedures, and the independent auditor's report on and assessment of the internal controls and procedures.

(vi) The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(vii) The Committee shall discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or reports which raise material issues regarding the Company's financial statements or accounting policies.

(viii) At least annually, the Committee shall meet with the Company's legal counsel and discuss any legal matters that may have a material impact on the financial statements or the Company's compliance policies.

(ix) At least annually and prior to the filing of the AIF/Annual Report to the SEC, the Committee shall prepare all reports required under applicable laws, regulations and stock exchange requirements.

(x) The Committee shall recommend to the Nominating and Governance Committee the qualifications and criteria for membership on the Committee.

(e) ***Related Party Transactions.***

(i) The Committee shall review for fairness to the Company proposed transactions, contracts and other arrangements between the Company and its subsidiaries and any related party or affiliate, and make recommendations to the Board whether any such transactions, contracts and other arrangements should be

approved or continued. The foregoing shall not include any compensation payable pursuant to any plan, program, contract or arrangement subject to the authority of the Company's Compensation Committee.

(ii) As used herein the term "related party" means any officer or director of the Company or any subsidiary, or any shareholder holding a greater than 10% direct or indirect financial or voting interest in the Company, and the term "affiliate" means any person, whether acting alone or in concert with others, that has the power to exercise a controlling influence over the Company and its subsidiaries. "Related party" includes Hunter Dickinson Services Inc.

2. Structure and Membership

(a) **Number and qualification**. The Committee shall consist of three persons unless the Board should from time to time otherwise determine. All members of the Committee shall meet the experience and financial literacy requirements of Multilateral Instrument MI 52-110 and the rules of the Toronto Stock Exchange and the NYSE Amex. At least one member of the Committee shall be a "financial expert" as defined in Item 407 of SEC Regulation S-K.

(b) **Selection and Removal**. Members of the Committee shall be appointed by the Board, upon the recommendation of the Nominating and Governance Committee. The Board may remove members of the Committee at any time with or without cause.

(c) **Independence**. All of the members of the Committee shall be "independent" as required for audit committees by Multilateral Instrument MI 52-110, the rules of the Toronto Stock Exchange and the NYSE Amex, and SEC Rule 10A-3.

(d) **Chair**. Unless the Board elects a Chair of the Committee, the Committee shall elect a Chair by majority vote.

(e) **Compensation**. The compensation of the Committee shall be as determined by the Board.

(f) **Term**. Members of the Committee shall be appointed for one-year terms. Each member shall serve until his or her replacement is appointed, or until he or she resigns or is removed from the Board or the Committee.

3. Procedures and Administration

(a) **Meetings**. The Committee shall meet as often as it deems necessary in order to perform its responsibilities, but not less than quarterly. The Committee shall keep minutes of its meetings and any other records as it deems appropriate.

(b) **Subcommittees**. The Committee may form and delegate authority to one or more subcommittees, consisting of at least one member, as it deems appropriate from time to time under the circumstances.

(c) **Reports to the Board**. The Committee shall regularly report to the Board with respect to such matters as are relevant to the Committee's discharge of its responsibilities, and shall report in writing on request of the Chairman of the Board.

(d) **Charter**. The Committee shall, at least annually, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

(e) **Independent Advisors**. The Committee shall have the authority to engage such independent legal and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be regular advisors to the Company. The Committee is empowered, without further action by the Board, to cause the Company to pay appropriate compensation to advisors engaged by the Committee.

(f) **Investigations**. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it deems appropriate, including the authority to request any Officer or other person to meet with the Committee and to access all Company records.

(g) **Annual Self-Evaluation**. The Committee shall evaluate its own performance at least annually.

4. Additional Powers

The Committee shall have such other duties as may be delegated from time to time by the Board of Directors.

5. Limitation of Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with IFRS and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

6. Audit Committee Member Independence, Financial Literacy and Financial Expert Requirements

A. Independence

(a) See Appendix 2 of the Company's Corporate Governance Overview and Guidelines.

B. Financial Literacy and Financial Expert Requirements

MI 52-110

Section 3.1(4) states that each audit committee member must be financially literate.

Section 1.6 defines the meaning of financial literacy as follows:

“For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer’s financial statements.”

NYSE AMEX Section 803(B)(2)(a)(iii)

Each issuer must have an Audit Committee of at least three members, each of whom:

“is able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee who is financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities. A director who qualifies as an audit committee financial expert under Item 407(d)(5)(ii) of Regulation S-K . . . is presumed to qualify as financially sophisticated.”

ITEM 407(d)(5)(ii) 0F REGULATION S-K, DEFINITION OF FINANCIAL EXPERT

For purposes of this Item, an audit committee financial expert means a person who has the following attributes:

(A) An understanding of generally accepted accounting principles and financial statements;

(B) The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(C) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the small business issuer’s financial statements, or experience actively supervising one or more persons engaged in such activities;

(D) An understanding of internal control over financial reporting; and

(E) An understanding of audit committee functions.

A person shall have acquired such attributes through:

(A) Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

(B) Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

(C) Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(D) Other relevant experience.

APPENDIX 7

COMPENSATION COMMITTEE CHARTER

1. Purpose: Responsibilities and Authority.

The Compensation Committee shall assist the Board of Directors in carrying out its responsibilities relating to executive and director compensation. In furtherance of this purpose, the Committee shall have the following responsibilities and authority:

(a) The Committee shall recommend to the Board of Directors the form and amount of compensation to be paid by the Company to directors for service on the Board and on Board committees. The Committee shall review director compensation at least annually.

(b) The Committee shall annually review the Company's base compensation structure and the Company's incentive compensation, stock option and other equity-based compensation programs and recommend changes in or additions to such structure and plans to the Board of Directors as needed.

(c) The Committee shall recommend to the Board of Directors the annual base compensation of the Company's executive officers and senior managers (collectively the "Officers").

(d) The Committee shall recommend to the Board of Directors the range of increase or decrease in the annual base compensation for non-Officer personnel providing services to the Company.

(e) The Committee shall recommend to the Board of Directors annual corporate goals and objectives under any incentive compensation plan adopted by the Company for Officers and non-Officer personnel providing services to the Company, and recommend incentive compensation participation levels for Officers and non-Officer personnel providing services to the Company under any such incentive compensation plan. In determining the incentive component of compensation, the Committee will consider the Company's performance and relative shareholder return, the values of similar incentives at comparable companies and the awards given in past years.

(f) The Committee shall evaluate the performance of Officers generally and in light of annual corporate goals and objectives under any incentive compensation plan.

(g) The Committee shall periodically review with the Chairman and Chief Executive Officer their assessments of Officers and succession plans, and make recommendations to the Board regarding appointment of Officers.

(h) The Committee shall provide oversight of the performance evaluation and incentive compensation of non-Officer personnel providing services to the Company.

(i) The Committee shall administer the Company's stock option and other equity based compensation plans and determine the grants of stock options and other equity based compensation.

(j) The Committee shall recommend to the Nominating and Governance Committee the qualifications and criteria for membership on the Committee.

The Chief Executive Officer of the Company shall not be present during any vote or other deliberation of the Committee regarding the compensation or performance of the Chief Executive Officer.

2. Structure and Membership

(a) **Number**. The Committee shall consist of four persons unless the Board should from time to time otherwise determine.

(b) **Selection and Removal**. Members of the Committee shall be appointed by the Board, upon the recommendation of the Nominating and Governance Committee. The Board may remove members of the Committee at any time with or without cause.

(c) **Independence.** At a minimum a majority of the members of the Committee shall be "independent" as determined under the Company's Corporate Governance Overview and Guidelines.

(d) **Chair**. Unless the Board elects a Chair of the Committee, the Committee shall elect a Chair by majority vote.

(e) **Compensation**. The compensation of the Committee shall be as determined by the Board.

(f) **Term**. Members of the Committee shall be appointed for one-year terms. Each member shall serve until his or her replacement is appointed, or until he or she resigns or is removed from the Board or the Committee.

3. Procedures and Administration

(a) **Meetings**. The Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Committee shall keep minutes of its meetings and any other records as it deems appropriate.

(b) **Subcommittees**. The Committee may form and delegate authority to one or more subcommittees, which may consist of one or more members, as it deems necessary or appropriate from time to time under the circumstances.

(c) **Reports to the Board**. The Committee shall regularly report to the Board with respect to such matters as are relevant to the Committee's discharge of its responsibilities, and shall report in writing on request of the Chairman of the Board.

(d) **Charter**. The Committee shall, at least annually, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

(e) **Independent Advisors**. The Committee shall have the authority to engage such independent legal and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be regular advisors to the Company. The Committee is empowered, without further action by the Board, to cause the Company to pay appropriate compensation to advisors engaged by the Committee.

(f) **Investigations**. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it deems appropriate, including the authority to request any Officer or other person to meet with the Committee.

(g) **Annual Self-Evaluation**. The Committee shall evaluate its own performance at least annually.

4. Additional Powers

The Committee shall have such other duties as may be delegated from time to time by the Board of Directors.

APPENDIX 8

NOMINATING AND GOVERNANCE COMMITTEE CHARTER

1. Purpose: Responsibility and Authority

The Nominating and Governance Committee shall assist the Board of Directors in carrying out its responsibilities relating to stewardship and governance. In furtherance of this purpose the Committee shall have the following responsibilities and authority:

(a) The Committee shall recommend to the Board criteria for Board membership. In making its recommendation, the Committee shall consider the competencies and skills that the Board, as a whole, should possess and the competencies and skills of each current director. The Committee shall review with the Board, on an annual basis, the requisite skills and criteria for Board members as well as the composition and size of the Board as a whole in order to ensure that the Board has the requisite expertise, that its membership consists of persons with sufficiently diverse and independent backgrounds, and that its membership consists of an appropriate mix of inside, outside and independent directors.

(b) The Committee shall identify and recommend to the Board individuals qualified to become Board members, consistent with criteria approved by the Board. The Committee shall be responsible for recommending to the Board the nominees for election as directors at any meeting of shareholders and the persons to be appointed by the Board to fill any vacancies on the Board. The Committee may adopt procedures regarding director candidates proposed by the shareholders.

(c) The Committee shall recommend to the Board corporate governance and ethics principles and policies that should be applicable to the Company. The Committee shall monitor legislation, regulatory policies and industry best practices dealing with corporate governance and, from time to time as it deems appropriate, review and reassess the adequacy of the Company's corporate governance principles and practices and recommend any proposed changes to the Board.

(d) The Committee shall consider questions of independence and possible conflicts of interest of members of the Board and of senior managers and make recommendations regarding such matters to the Board, including the criteria for determining director independence.

(e) The Committee shall, on an annual basis, recommend assignments to committees of the Board, including recommendations as to chairmen of committees of the Board, review and make recommendations to the Board concerning the types, duties, functions, size and operation of committees of the Board, review the adequacy of charters of all committees of the Board and make recommendations to the Board for any changes to such charters.

(f) The Committee shall, on an annual basis, oversee the evaluation of the Board and its committees to determine whether the Board, its members and its committees are functioning effectively. The Committee shall determine the nature of the evaluation,

supervise the conduct of the evaluation and prepare an assessment of performance of the Board and the Committee, to be discussed with the Board.

(g) The Committee shall manage Board and committee succession planning.

(h) The Committee shall oversee the investigation of matters arising under the Code of Ethics that are not within the responsibility of the Audit Committee.

(i) The Committee shall consider and make recommendations to the Board in circumstances where a Director tenders a resignation pursuant to the Majority Vote Policy.

(j) The Committee shall monitor communications with shareholders regarding matters of corporate governance.

2. Structure and Membership

(a) **Number**. The Committee shall consist of four persons unless the Board should from time to time otherwise determine.

(b) **Selection and Removal**. Members of the Committee shall be appointed by the Board, upon the recommendation of the Committee. The Board may remove members of the Committee at any time with or without cause.

(c) **Independence.** At a minimum a majority of the members of the Committee shall be "independent" as determined under the Company's Corporate Governance Overview and Guidelines.

(d) **Chair**. Unless the Board elects a Chair of the Committee, the Committee shall elect a Chair by majority vote.

(e) **Compensation**. The compensation of the Committee shall be as determined by the Board.

(f) **Term**. Members of the Committee shall be appointed for one-year terms. Each member shall serve until his or her replacement is appointed, or until he or she resigns or is removed from the Board or the Committee.

3. Procedures and Administration

(a) **Meetings**. The Committee shall meet as often as it deems necessary in order to perform its responsibilities. The Committee shall keep minutes of its meetings and any other records as it may deem appropriate.

(b) **Subcommittees**. The Committee may form and delegate authority to one or more subcommittees, which may consist of one or more members member, as it deems necessary or appropriate from time to time under the circumstances.

(c) **Reports to the Board**. The Committee shall regularly report to the Board with respect to such matters as are relevant to the Committee's discharge of its responsibilities, and shall report in writing on request of the Chairman of the Board.

(d) **Independent Advisors**. The Committee shall have the authority to engage such independent legal and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be regular advisors to the Company. The Committee is empowered, without further action by the Board, to cause the Company to pay appropriate compensation to such advisors engaged by the Committee.

(e) **Investigations**. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it may deem necessary or appropriate, including the authority to request any officer or other person to meet with the Committee.

(f) **Annual Self-Evaluation**. The Committee shall evaluate its own performance at least annually.

4. Additional Powers

The Committee shall have such other duties as may be delegated from time to time by the Board of Directors.

CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the use of our reports dated March 30, 2010 relating to (1) the consolidated financial statements of Northern Dynasty Minerals Ltd. for the year ended December 31, 2009 and (2) the effectiveness of Northern Dynasty Minerals Ltd.'s internal control over financial reporting as at December 31, 2009 in this Annual Report on Form 40-F of Northern Dynasty Minerals Ltd.

(Signed) Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
March 30, 2010

CONSENT OF QUALIFIED PERSON

TO: United States Securities and Exchange Commission

I, J. **David Gaunt**, do hereby consent to the filing of the Technical Report with the regulatory authorities referred to above and to the written or electronic disclosure of the Technical Report entitled "Technical Report on the 2009 Program and Update on Mineral Resources and Metallurgy for the Pebble Copper-Gold-Molybdenum Project, Iliamna Lake Area, Southwestern Alaska, USA", dated March 17 2010 and to extracts from, or a summary of, the Technical Report as may be required by the regulatory authorities.

I have read Northern Dynasty's 2010 Form 40-F, dated March 30, 2010, and confirm that it documents fairly and accurately represent the information that supports the disclosure.

Submitted this 30th day of March, 2010.

Signed,

/s/ J. David Gaunt

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J. David Gaunt, P.Geo.
Vice President Resources and Databases
Hunter Dickinson Services Inc.