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, 2011 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.)*

15th Floor, 1040 West Georgia Street
Vancouver, British Columbia
Canada V6E 4H1
(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: **94,978,764 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[ ]

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.

Northern Dynasty is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) on Form 40-F pursuant to the multi-jurisdictional disclosure system (the “ **MJDS**”) adopted by the United States Securities and Exchange Commission (the “**SEC**”) . The equity securities of the Company are further exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 of the Exchange Act.

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, 2011;
- our Audited Consolidated Financial Statements as at and for the two years ended December 31, 2011 and 2010; and
- our Management’s Discussion and Analysis for the year ended December 31, 2011.

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 property interests;
- 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 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 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. Canadian public companies are required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board for financial years beginning on January 1, 2011. The Company however, early adopted and transitioned to IFRS as of January 1, 2008 and has applied IFRS as the basis for preparing its consolidated financial statements since 2009. Consequently, the Company's audited financial statements for the years ended December 31, 2011 and 2010 have been prepared in accordance with IFRS, which standards differ from United States generally accepted accounting principles ("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.

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 to give a reasonable assurance that the information required to be disclosed by us in reports that we file or submit to the SEC under the Exchange Act is:.

- recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and
- accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

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 decision-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, 2011. 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 its assessment, management has concluded that, as of December 31, 2011, 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, 2011 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, 2011. Deloitte & Touche LLP stated in their attestation report, that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2011 (exhibit 99.5), that in their opinion , the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011.

Management, including the CEO and CFO, has evaluated the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this annual report on Form 40-F that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. There have been no changes that occurred during the Company's fiscal year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 Gordon Fretwell, Wayne Kirk and Peter Mitchell.

AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Peter Mitchell, a member of the Audit Committee of our Board, is an audit committee financial expert (as that term is defined in Item 407 of Regulation S-K under the Exchange Act) and is an independent director under applicable securities laws and the listing requirements of the NYSE Amex Equities LLC.

PRINCIPAL ACCOUNTING FEES AND SERVICES

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

	Year Ended December 31	
	2011	**2010**
Audit Fees	$ 203,000	$ 122,000
Audit-Related Fees	–	–
Tax Fees	–	–
All Other Fees	–	–
Total	$ 203,000	$ 122,000

Audit Fees

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

Audit-Related Fees

Audit–Related Fees 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 auditor. 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 auditor 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 auditor.

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

The following table lists information as of December 31, 2011 with respect to our known contractual obligations:

Contractual obligation	Total
Long term debt obligations	$nil
Capital (finance) lease obligation	$nil
Operating lease obligations	$nil
Purchase obligations	$nil
Other long term liabilities	$nil
Total	**$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 of Ethics meets the requirements for a "code of ethics" within the meaning of that term in Form 40-F. 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.

No substantive amendments were made to the Company's Code of Ethics during the fiscal year ended December 31, 2011, and no waivers of the Company's Code of Ethics were granted to any principal officer of the Company or any person performing similar functions during the fiscal year ended December 31, 2011.

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.

Shareholder Meeting Quorum Requirement: 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's quorum requirement is specified in its Articles as two persons who are, or who represent by proxy, shareholders who in aggregate hold at least 5% of the issued shares entitled to vote at a meeting of shareholders.

Majority Independent Director Requirement: 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.

MINE SAFETY DISCLOSURE

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (" **Dodd-Frank Act**"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities under the regulation of the Federal Mine safety and Health Administration under the Federal Mine Safety and Health Act of 1977. The Company was not the operator of a mine in the United States during the fiscal year ended December 31, 2011.

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. Any change to the name or address of the Company's agent for service shall be communicated promptly to the Commission by amendment to Form F-X referencing the file number of the Company.

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 28, 2012.

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 years ended December 31, 2011, and 2010, together with the report of the Independent Registered Chartered Accountants thereon
99.6	Management's Discussion and Analysis for the year ended December 31, 2011
99.7	Annual Information Form of the Company for the year ended December 31, 2011
99.8	Consent of Deloitte & Touche LLP, Independent Registered Chartered Accountants
99.9	Consent of J.David Gaunt, P.Eng.
99.10	Consent of Hassan Ghaffari, P.Eng.
99.11	Consent of Robert Morrison, P.Geo.
99.12	Consent of Andre de Ruijter, P.Eng.
99.13	Consent of Tysen Hantelmann, P.Eng.
99.14	Consent of Aleksandar Zivkovic, P.Eng.
99.15	Consent of Scott Cowie, MAusIMM.
99.16	Consent of Doug Ramsey, P.R. Bio.
99.17	Consent of Stephen Hodgson, 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 30, 2012

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 30, 2012

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, 2011 (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 30, 2012

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, 2011 (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 30, 2012

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, 2011 AND 2010

(Expressed in thousands of Canadian Dollars)

Report of Independent Registered Chartered Accountants

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

We have audited the accompanying consolidated financial statements of Northern Dynasty Minerals Ltd. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2011 and December 31, 2010, and the consolidated statements of comprehensive loss, cash flows, and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Dynasty Minerals Ltd. and subsidiaries as at December 31, 2011 and December 31, 2010, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

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, 2011, 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 28, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

(Signed) Deloitte & Touche LLP

Independent Registered Chartered Accountants
March 28, 2012
Vancouver, Canada

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, 2011, 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. 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, 2011, 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 of and for the year ended December 31, 2011 of the Company and our report dated March 28, 2012 expressed an unqualified opinion on those consolidated financial statements.

(Signed) Deloitte & Touche LLP

Independent Registered Chartered Accountants
March 28, 2012
Vancouver, Canada

Northern Dynasty Minerals Ltd.
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian Dollars)

	Notes	As at December 31 2011	As at December 31 2010
ASSETS			
Non-current assets			
Investment in the Pebble Limited Partnership	3	$ 101,542	$ 99,306
Exploration and evaluation assets	4	1,055	1,055
		102,597	100,361
Current assets			
Balances receivable from a related party	8	483	75
Amounts receivable and other assets	5	4,704	3,408
Marketable securities		–	1
Cash and cash equivalents	6	37,457	40,402
		42,644	43,886
Total Assets		**$ 145,241**	**$ 144,247**
EQUITY			
Share capital	7	$ 388,987	$ 380,570
Reserves		48,132	35,114
Deficit		(295,763)	(275,624)
		141,356	140,060
LIABILITIES			
Non-current liabilities			
Deferred income taxes	12	3,715	3,633
		3,715	3,633
Current liabilities			
Balances payable to a related party	8	–	102
Amounts payable and other liabilities	9	170	452
		170	554
Total Liabilities		3,885	4,187
Total Equity and Liabilities		**$ 145,241**	**$ 144,247**

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 28, 2012. 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
(Expressed in thousands of Canadian Dollars, except for share information)

	Notes	Year ended December 31 2011	2010
Expenses			
Exploration and evaluation		819	1,800
General and administrative		6,110	4,456
Share-based compensation		14,205	8,373
Loss from operating activities		21,134	14,629
Interest income		(944)	(544)
Loss before tax		20,190	14,085
Income tax (recovery) expense	12	(51)	30
Loss for the year		**$ 20,139**	**$ 14,115**
Other comprehensive loss (income)			
Unrealized loss on available-for-sale marketable securities		1	1
Exchange difference arising on translation of investment in the Pebble Limited Partnership	3	(2,236)	5,631
Deferred income tax on investment	7(c)	82	(204)
Other comprehensive (income) loss		**$ (2,153)**	**$ 5,428**
Total comprehensive loss		**$ 17,986**	**$ 19,543**
Basic and diluted loss per common share	10	$ 0.21	$ 0.15

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)

	Notes	Year ended December 31 2011	2010
Cash flows from operating activities			
Loss for the year		$ (20,139)	$ (14,115)
Adjustments for items not affecting cash:			
Donation of shares	7(a)	866	–
Foreign exchange (gain) loss		(65)	20
Income tax recovery	12	–	30
Interest income		(944)	(544)
Share-based compensation		14,205	8,373
		(6,077)	(6,236)
Changes in non-cash working capital items			
(Increase) in amounts receivable and other assets		(616)	(91)
(Increase) in balances receivable from related parties		(408)	(20)
(Decrease) increase in amounts payable and other liabilities		(282)	259
(Decrease) increase in balances payable to related parties		(102)	102
		(1,408)	250
Net cash used in operating activities		(7,485)	(5,986)
Cash flows from investing activities			
Interest received		610	387
Loan advanced	5(a)	(265)	(2,979)
Exploration and evaluation assets	4	–	(1,055)
Net cash from (used in) investing activities		345	(3,647)
Cash flows from financing activity			
Common shares issued for cash, net of issue costs		4,211	5,160
Net cash from financing activity		4,211	5,160
Net decrease in cash and cash equivalents		(2,929)	(4,473)
Effect of exchange rate fluctuations on cash held		(16)	(20)
Cash and cash equivalents at beginning of the year		40,402	44,895
Cash and cash equivalents at end of the year		**$ 37,457**	**$ 40,402**

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 (note 7(c))	Investment revaluation reserve	Deficit	Total equity
Balance at January 1, 2010	93,173,976	$ 370,660	$ 31,176	$ 5,743	$ –	$ (261,509)	$ 146,070
Shares issued for cash on exercise of share purchase options	1,003,090	5,160	–	–	–	–	5,160
Fair value of share options allocated to shares issued on exercise	–	4,750	(4,750)	–	–	–	–
Share-based compensation	–	–	8,373	–	–	–	8,373
Loss for the year	–	–	–	–	–	(14,115)	(14,115)
Other comprehensive loss for the year net of tax	–	–	–	(5,427)	(1)	–	(5,428)
Balance at December 31, 2010	94,177,066	$ 380,570	$ 34,799	$ 316	$ (1)	$ (275,624)	$ 140,060
Shares issued for cash on exercise of share purchase options	726,698	4,211	–	–	–	–	4,211
Fair value of share options allocated to shares issued on exercise	–	3,340	(3,340)	–	–	–	–
Shares donated (note 7(a))	75,000	866	–	–	–	–	866
Share-based compensation	–	–	14,205	–	–	–	14,205
Loss for the year	–	–	–	–	–	(20,139)	(20,139)
Other comprehensive income (loss) for the year net of tax	–	–	–	2,154	(1)	–	2,153
Balance at December 31, 2011	94,978,764	$ 388,987	$ 45,664	$ 2,470	$ (2)	$ (295,763)	$ 141,356

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 Company's corporate office is located at 15th Floor, 1040 West Georgia Street, Vancouver, British Columbia. The consolidated financial statements ("Financial Statements") of the Company as at and for the year ended December 31, 2011, include financial information for the Company and its subsidiaries (note 2(c)) (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 3). 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 principal mineral property interest 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 financing of its share to complete the exploration and development of the Pebble Project; the Pebble Partnership 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

These Financial Statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee (IFRICs). These Financial Statements have been prepared on the basis of IFRS standards that are effective or available for early adoption for the Group's reporting year ended December 31, 2011.

(b) Basis of Preparation

These 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 Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

(c) Basis of Consolidation

These Financial Statements incorporate the financial statements of the Company and all of its subsidiaries listed below:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
3537137 Canada Inc.	Canada	100%	Holding Group
0796412 BC Ltd.	British Columbia, Canada	100%	Not active
Northern Dynasty Partnership[1]	Alaska, USA	100%	Holding Group
U5 Resources Inc.[2]	Nevada, USA	100%	Holding Company

1 Holds the Group's 50% interest in Pebble Mines Corp. and the Pebble Partnership (note 3).
2 Holds the claims purchased from Liberty Star (note 4).

The Group has determined that its investment in the Pebble Partnership, a 50:50 limited partnership between the Group and Anglo American plc ("Anglo American"), qualifies as an interest in a jointly controlled entity under IAS 31, *Interests in Joint Ventures*. The Group elected and applies the equity method to account for its interest in the Pebble Partnership (note 3). 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. As the Group's investment is carried in US dollars, the investment is translated at the end of each reporting period (note 3).

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

Acquisitions of businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the acquisition-date fair values of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date the identifiable assets acquired and the liabilities assumed and any contingent liabilities 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") are measured in accordance with that Standard;
- 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 share-based payment arrangements of the acquiree or the replacement by the Group of an acquiree's share-based payment arrangements, 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 discussed further 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 is 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. The Group's interests in JCEs are as follow:

Name of JCE	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Pebble Mines Corp.	Delaware, USA	50%	General partner
Pebble Limited Partnership	Alaska, USA	50%	Exploration of Pebble Project

(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 and Pebble Mines Corp. 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

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

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. The Group's investments in marketable securities are classified as AFS financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income or loss and accumulated in the investment revaluation reserve within equity. 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 within other comprehensive income or loss. The change in fair value of AFS equity investments is recognized in other comprehensive income or loss.

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 including the loan receivable from Liberty Star (note 5(a)), balances receivable from a related party and cash and cash equivalents (see below).

Cash and equivalents

Cash and cash equivalents in the statement of financial position comprise cash and investments held at major financial institutions that are readily convertible into a known amount of cash and which are only subject to an insignificant risk of change in value, and are measured at amortized cost.

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.

Non-derivative financial liabilities:

The Group's non-derivative financial liabilities comprise amounts payable which are only trade payables (note 9) and balances payable to a related party.

All financial liabilities fall within the classification of other financial liabilities versus financial liabilities through profit and loss and 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.

Derivative financial assets:

The loan receivable from Liberty Star (note 5(a)) has an equity conversion option. This equity conversion feature has been determined to be an embedded derivative which requires separation from the loan receivable. For embedded derivatives identified for separation, the fair value of the derivative must be calculated as of the inception date and at each reporting date subsequent to the inception date. The Group has determined that the fair value of the equity conversion option at the date of inception and at December 31, 2011, is of nominal value as the earn-in and joint venture

agreement ("JV Agreement") has not been concluded by the parties and the first US$1 million has still to be incurred by the Group in respect to the JV Agreement claims (note 5(a)).

(h) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the acquisition date fair value of exploration and evaluation assets acquired in a business combination or an asset acquisition. 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 expensed.

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 ("E&E") assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and when the Group has sufficient information to reach a conclusion about technical feasibility and commercial viability.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- title to the asset is compromised;
- adverse changes in the taxation and regulatory environment;
- adverse changes in variations in commodity prices and markets; and
- variations in the exchange rate for the currency of operation.

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) Impairment of Non-Financial Assets

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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 the increased carrying amount may 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.

The Group has not recorded any impairment charges in the years presented.

(k) 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.

(l) 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 the *equity settled share-based payments reserve* 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 for each tranche which is expensed on a straight line basis over the vesting period with a corresponding increase in the *equity settled share-based payments reserve* in equity. 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 and forfeiture rates as appropriate. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

(m) Income Taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or 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 unused tax loss carryforwards and 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 end of the reporting period 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.

(n) 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.

(o) 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.

(p) Segment Reporting

The Group operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties. The Group's core mineral property interest, the Pebble Project, is located in Alaska, USA.

(q) Significant Accounting Estimates and Judgments

The preparation of these 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 Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

Sources of estimation uncertainty

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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 inputs used in measuring share-based compensation included in the loss for the year; and
ii. the provision for the deferred income tax expense included in the loss for the year (nil for current year) and the composition of deferred income tax liabilities included in the consolidated statements of financial position.

Critical accounting judgments

The following judgements have been made:

i. the recoverability of amounts receivable which are included in the consolidated statements of financial position;
ii. the recoverability of the carrying value of the investment in the Pebble Partnership and the Group's E&E assets included in the consolidated statements of financial position; and
iii. the determination of categories of financial assets and financial liabilities which has been identified as an accounting policy which involves assessments made by management.

(r) New Accounting Standards, Interpretations and Amendments to Existing Standards

(i) Effective for annual periods beginning on or after July 1, 2011

- Amendments to IFRS 7, *Financial Instruments: Disclosures*

  Increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

(ii) Effective for annual periods beginning on or after July 1, 2012

- Amendments to IAS 1, *Presentation of Financial Statements*

  Requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. Earlier adoption is permitted.

(iii) Effective for annual periods beginning on or after January 1, 2013

- New standard IFRS 10, *Consolidated Financial Statements.*

  Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance where it is difficult to assess. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation- Special Purpose Entities,* and IAS 27, *Consolidated and Separate Financial Statements.*

  Concurrently with the issuance of IFRS 10, IAS 27 and IAS 28, *Investments in Associates* were revised and reissued as IAS 27, *Separate Financial Statements* and IAS 28,

  Investments in Associates and Joint Ventures, to align with the new consolidation guidance.

- New standard IFRS 11, *Joint Arrangements*

  Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements rather than its legal form. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC- 13, *Jointly Controlled Entities-Non-monetary Contributions by Venturers.*

- New standard IFRS 12, *Disclosure of Interests in Other Entities*

  Provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and consolidated structured entities.

- New standard IFRS 13, *Fair Value Measurement*

  Defines fair value and sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

The Group has not early adopted these new or revised standards and is currently assessing the impact that these standards will have on the Group's consolidated financial statements.

- New interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

  This Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. Earlier application is permitted. This interpretation and the requirements for accounting for stripping costs will only be applicable to the Group once it is in the production phase.

(iv) Effective for annual periods beginning on or after January 1, 2015

- New standard IFRS 9, *Financial Instruments, Classification and Measurement*

  The standard represents phase 1 of 3 phases to replace IAS 39, *Financial Instruments: Recognition and Measurement,* in its entirety. When completed, IFRS 9, *Financial Instruments,* will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. Phase 1 was issued In November 2009 and amended in October 2010 and addressed the classification and measurement of financial assets and financial liabilities. This standard requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. Earlier application is permitted.

The Group anticipates that the adoption of this standard will have no material impact except for additional disclosures.

3. INVESTMENT IN THE PEBBLE LIMITED PARTNERSHIP

On July 26, 2007, the Group converted a wholly-owned general partnership that held its Pebble Property interest into a limited partnership, the Pebble Partnership. Anglo American plc ("Anglo American") through a wholly-owned subsidiary subscribed for 50% of the Pebble Partnership's equity effective July 31, 2007. The Group (through a wholly-owned subsidiary) and Anglo American have equal rights in the Pebble Partnership. To maintain its 50% interest in the Pebble Partnership, Anglo American is required to commit staged cash investments into the Pebble Partnership aggregating to US$1.5 billion.

Anglo American's staged investment requirements include an initial minimum expenditure of US$125 million (completed in 2008) towards a prefeasibility report. The prefeasibility report is to be approved by the Board of the general partner (Pebble Mines Corp.), and is to summarize all previous prefeasibility studies. The Board of the general partner is also to approve the alternatives for a final feasibility study. Anglo American is required, in order to retain its 50% interest in the Pebble Partnership, to commit within 90 days of the later of the receipt of the approved prefeasibility report and the approved study alternatives, to fund further expenditures which would bring its total investment to at least US$450 million, which amount is to be expended in producing a final feasibility study and in related activities, which is expected to take the Pebble Partnership to a production decision. The final feasibility study will require more than the cumulative US$450 million of expenditures. Upon an affirmative decision by the Pebble Partnership to develop a mine, Anglo American is required to commit to the remaining portion of the total investment of US$1.5 billion in order to retain its interest in the Pebble Partnership. Following completion of the US$1.5 billion expenditure, any further expenditure will be funded by Anglo American and the Group on a 50:50 basis. To December 31, 2011, Anglo American has funded US$398.5 million ($418.1 million). 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 applies the equity method in accounting for this interest. The Group has not recognized any share of the losses in the Pebble Partnership since inception as the Group has no obligation in respect to these losses as the agreement with Anglo American states that the distribution of losses funded by Anglo American are allocated 100% to Anglo American until the total investment of US$1.5 billion is met. For the year ended December 31, 2011, the Pebble Partnership has incurred losses totaling $84,517 (2010 – $68,803). Cumulative losses since inception of the Pebble Partnership to December 31, 2011 total $417,373 (2010 – $332,856). 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 recognized directly in the foreign currency translation reserve through other comprehensive loss (income).

Investment in the Pebble Partnership	As at December 31 2011	As at December 31 2010
Carrying value at the beginning of the year	$ 99,306	$ 104,937
Movement for year		
Foreign currency translation (note 7(c))	2,236	(5,631)
Carrying value at the end of the year	$ 101,542	$ 99,306

Summary financial information for the equity accounted investee, not adjusted for the 50% ownership held by the Group, is as follows:

Assets and Liabilities	As at December 31 2011	As at December 31 2010
Non-current assets	$ 101,311	$ 99,451
Current assets	14,095	14,825
Total assets	**$ 115,406**	**$ 114,276**
Current liabilities	10,522	5,011
Total liabilities	**$ 10,522**	**$ 5,011**

Losses	For the year ended December 31 2011	2010
Net loss for the year	$ 84,517	$ 68,803
Net cumulative losses	417,373	332,856

The net loss and the cumulative losses of the Pebble Partnership have not been included in the Financial Statements of the Group.

4. EXPLORATION AND EVALUATION ASSETS

	For the year ended December 31 2011	2010
Cost at beginning of year	$ 1,055	$ –
Additions	–	1,055
Cost at end of year	$ 1,055	$ 1,055

On June 29, 2010, the Group entered into a binding letter agreement with Liberty Star Uranium & Metals Corp. and its subsidiary, Big Chunk Corp. (together, "Liberty Star"), pursuant to which Liberty Star sold 60.7 square kilometers of mineral claims located to the west of the Pebble Project in

consideration for a US$1 million (approximately $1.1 million) cash payment. In addition, a loan of US$3 million ($3.1 million) was provided by the Group to Liberty Star (note 5(a)). The Pebble Partnership had the right to acquire these claims from the Group but declined to exercise that right.

5. AMOUNTS RECEIVABLE AND OTHER ASSETS

	As at December 31 2011	As at December 31 2010
Amounts receivable	$ 236	$ 132
Loan receivable (a)	4,292	3,136
Other assets – prepayments	176	140
Total	$ 4,704	$ 3,408

(a) Loan receivable

The Group advanced to Liberty Star US$3 million ($3.1 million) pursuant to a letter agreement dated June 29, 2010. During 2011, the principal amount of the loan was increased by US$729 ($740) pursuant to amendments to the letter agreement dated September 8, 2011 and November 14, 2011, being the amounts expended by the Group in 2011 and 2010 on annual assessment work, rental and related fees relating to Liberty Star's claims in Alaska. Of this amount US$270 ($265) was incurred in 2011 and US$459 ($475) in 2010.

The following summarizes the movement in the loan receivable:

	For year ended December 31	
	2011	2010
Balance at beginning of year	$ 3,136	$ –
Additions		
Cash loan advanced	–	3,165
Expenses paid in current year	265	–
Expenses paid in prior year	475	–
Interest	334	157
Foreign exchange loss (gain)	82	(186)
Balance at end of year	$ 4,292	$ 3,136

The loan receivable accrues interest at 10% per annum compounded monthly and is secured by assets and mining claims owned by Liberty Star in Alaska, USA. The loan and accrued interest is repayable on demand and will be due within 45 days thereof, or convertible into Liberty Star shares, provided the Group has spent at least a minimum amount (the "Minimum Expenditure") earning into a joint venture (which has still to be formed as of the date of these Financial Statements – see below). The Minimum Expenditure was originally set at US$1 million, but the Group and Liberty Star subsequently agreed on November 14, 2011 to reduce the Minimum Expenditure to US$272 as a result of the additions to the loan. The Group has still to complete this expenditure requirement.

Subject to negotiating and signing a definitive earn-in option and joint venture agreement ("JV Agreement"), the Group can earn a 60% interest in certain Liberty Star's properties in Alaska by spending US$10 million in exploration and claim maintenance on those properties over six years. The initial loan advanced plus accrued interest may be applied as part of the earn-in requirements, at the Group's discretion. Should a JV Agreement be entered into, the loan plus accrued interest is to be paid back to the Group upon 45 days' notice after the earlier of:

a. The completion of the earn-in expenditure; or
b. The Group decides to voluntarily terminate the JV Agreement provided the Group has spent at least the Minimum Expenditure; or
c. Liberty Star terminates the JV Agreement due to a superior 3 rd party offer.

The loan is convertible at the option of the Group, until the loan is repaid or deemed repaid, into common shares of Liberty Star based on a 5 day volume weighted average share price less the maximum allowable discount applicable as if Liberty Star shares were listed on the TSX Venture Exchange, provided that the Group has spent the Minimum Expenditure. The loan may be pre-paid by Liberty Star without penalty at any time on 10 days' prior notice, during which the Group's conversion rights will be unaffected.

6. CASH AND CASH EQUIVALENTS

	As at December 31 2011	As at December 31 2010
Business and savings accounts	$ 28,055	$ 31,207
Guaranteed Investment Certificates	9,402	9,195
Total	$ 37,457	$ 40,402

7. CAPITAL AND RESERVES

(a) Authorized Share Capital

At December 31, 2011, 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.

In 2011, the Group issued and donated 75,000 common shares to the University of British Columbia to assist in financing the construction of a new earth science building. The Group recognized $866 as the cost of the donation of the shares along with the corresponding share capital value based on the quoted market value per common share on the date of issue.

(b) Share Purchase Option Compensation Plan

The Group has a share purchase option plan approved by the Group's shareholders that allows the Board of Directors 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 "2011 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 2011 Rolling Option Plan, if outstanding share purchase options are exercised and 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, being the 5-day volume weighted average trading price calculated the day before the grant. Share purchase options can have a maximum term of ten years (although share purchase options have generally been granted with a term of up to five years) and typically terminate 90 days following the termination of the optionee's employment or engagement, except in the case of retirement or death. The vesting period for share purchase options is at the discretion of the Board of Directors at the time the options are granted.

The following summarizes the changes in the Group's outstanding share purchase options for the years ended December 31, 2011 and 2010:

	For year ended December 31, 2011		For year ended December 31, 2010	
Continuity of share options	Number of share purchase options	Weighted average exercise price ($/option)	Number of share purchase options	Weighted average exercise price ($/option)
Balance at beginning of year	6,795,110	6.19	5,212,444	$ 5.26
Granted	2,323,400	15.23	2,653,000	$ 7.59
Exercised	(726,698)	5.79	(1,003,090)	$ 5.14
Expired	(10,000)	(9.74)	–	–
Forfeited	(75,030)	10.73	(67,244)	$ 4.87
Balance at the end of the year	8,306,782	8.71	6,795,110	$ 6.19

During the year ended December 31, 2011, of the share purchase options granted, 132,000 were granted to non-employees; 15,000 to a consultant for the provision of investor relations advisory services; 90,000 to a former director for engineering consulting services; and 27,000 to a consultant for geological advisory services. The Group determined that given the nature of the services being provided and that continues to be provided, it could not determine the fair value of these services reliably. As a consequence, the Group estimated that the value of these services approximates the fair value of the share purchase options granted measured using the Black-Scholes option pricing model which at December 31, 2011 amounted to $458.

The following table summarizes information about the Group's share options outstanding at December 31, 2011:

	Share purchase options outstanding			Share purchase options exercisable		
Exercise prices ($)	Number of share purchase options outstanding	Weighted average exercise price ($/option)	Weighted average remaining contractual life (years)	Number of share purchase options exercisable	Weighted average exercise price ($/option)	Weighted average remaining contractual life (years)
3.00	155,258	3.00	1.14	155,258	3.00	1.14
5.00 – 5.35	3,171,794	5.00	1.21	3,171,794	5.00	1.21
7.59 – 8.25	2,461,330	7.60	3.13	1,631,997	7.60	2.06
9.74 – 11.55	350,000	10.91	2.52	266,667	10.91	1.13
15.44	2,168,400	15.44	3.22	786,800	15.44	3.01
	8,306,782	8.71	2.02	6,012,516	7.28	1.67

Share purchase options exercised during the year were as follows:

Period	Share purchase options exercised	Weighted average exercise price ($/option)	Weighted average share price ($)
January 1 – January 31, 2011	287,795	6.06	16.81
February 1 – February 28, 2011	257,818	5.03	19.34
March 4 – March 30, 2011	27,470	5.95	14.80
April 1 – April 29, 2011	134,375	6.91	13.37
May 6, 2011	4,000	7.59	11.52
June 3 and June 27, 2011	10,650	3.00	11.32
October 12 – October 27, 2011	2,620	4.18	7.70
November 24, 2011	1,020	3.00	6.42
December 7, 2011	950	3.00	6.96
	726,698	5.79	16.83

The weighted average fair value of share purchase options granted during the year was $6.35 (2010 –$3.88) . 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:

	For year ended December 31	
	2011	2010
Risk-free interest rate	2.25%	2.36%
Expected life	4.20 years	3.72 years
Expected volatility	64%	65%
Grant date share price	$ 13.37	$ 7.87
Expected dividend yield	Nil	Nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility. The Group determines volatility using historical closing prices as a basis for expected volatility from three to five years. 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.

(c) Foreign Currency Translation Reserve

	For year ended December 31	
	2011	2010
Balance at beginning of year	$ 316	$ 5,743
Exchange gain(loss) on translation of investment in the Pebble Partnership	2,236	(5,631)
Deferred income tax on investment	(82)	204
Balance at the end of year	$ 2,470	$ 316

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 the related tax effect that has been recognized in other comprehensive loss.

8. RELATED PARTY BALANCES AND TRANSACTIONS

Transactions with Key Management Personnel

The aggregate value of transactions with key management personnel being directors and senior management comprising the Senior Vice President ("VP"), Corporate Development; VP, Engineering and VP, Public Affairs were as follows:

	For the years ended December 31	
Compensation	2011	2010
Short-term employee benefits (1)	$ 1,834	$ 1,046
Share-based compensation	7,948	4,148
Total	$ 9,782	$ 5,194

(1) Short-term employee benefits include salaries and directors fees.

Transactions with other Related Parties

The aggregate value of transactions and outstanding balances with related parties were as follows:

	For the years ended December 31	
Transactions	2011	2010
Entities with significant influence		
Services rendered to the Group (a):	$ 3,504	$ 2,783
Reimbursement of third party expenses incurred on behalf of the Group (a):	1,074	714
Total paid by the Group	$ 4,578	$ 3,497
Jointly controlled entities		
Reimbursement of third party expenses incurred by the Group (b)	$ –	$ (134)
Total reimbursed (to) the Group	$ –	$ (134)

	As at December 31	As at December 31
Balances receivable from related parties	2011	2010
Entities with significant influence (a)	$ 483	$ –
Jointly controlled entities (b)	–	75
Total	$ 483	$ 75

	As at December 31	As at December 31
Balances payable to related parties	2011	2010
Entities with significant influence (a)	$ –	$ 102

(a) A private company provides geological, corporate development, administrative and management services to the Group and its subsidiaries at annually set rates pursuant to a management services agreement. The Company also incurs third party costs on behalf of the Group which is reimbursed by the Group at cost. Several directors and other key management personnel of the private company, who are close business associates, are also key management personnel of the Group.

(b) The Group paid consultants fees on behalf of the Pebble Partnership which was reimbursed by the Pebble Partnership in the normal course of operations.

9. AMOUNTS PAYABLE AND OTHER LIABILITIES

	As at December 31	As at December 31
Falling due within the year	2011	2010
Trade payables	$ 170	$ 452

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2011 was based on the following:

	As at December 31	As at December 31
	2011	2010
Loss attributable to common shareholders	$ 20,139	$ 14,115
Weighted average number of common shares outstanding	94,851,589	93,778,967

Diluted loss per share did not include the effect of 8,306,782 (2010 – 6,795,110) share purchase options as they are anti-dilutive.

11. 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. Management assesses the recoverability of the loan receivable from Liberty Star as at the end of each reporting period based on financial information available.

The Group's loan receivable from Liberty Star (note 5(a)) is secured by claims and assets owned by Liberty Star in Alaska, USA.

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 to medium term business requirements, after taking into account cash flows from operations and the Group's holdings of cash and cash equivalents. The Group's cash and cash equivalents are currently invested in business accounts and guaranteed investment certificates which are available on demand.

The funding of expenditures on the Pebble Project held through the Pebble Partnership is currently being provided by Anglo American. Excluding cash and cash equivalents in the Pebble Partnership, Northern Dynasty has approximately $37 million in cash and cash equivalents for its own operating requirements. With the Pebble Project's 2012 funding to be funded by Anglo American, and given the Group's holdings of cash and cash equivalents, the Group believes it has sufficient resources to cover its short to medium term cash requirements.

As discussed in Note 3, the Group is in a 50:50 limited partnership with Anglo American. To maintain its 50% interest in the Pebble Partnership, Anglo American is required to make staged cash investments into the Pebble Partnership aggregating to US$1.5 billion over a period of several years. When the prefeasibility study is completed and if the decision is to proceed, in order to retain its 50% interest, Anglo American is required to commit to further expenditures which will 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 may take the Pebble Partnership to a production decision. Upon an affirmative decision to develop a mine, Anglo American is required to commit to the remaining portion of the total investment of US$1.5 billion in order to retain its 50% interest in the Pebble Partnership.

At December 31, 2011, the Group had working capital of approximately $42.5 million as compared to $43.3 million at December 31, 2010.

The Group has no contractual obligations other than current trade payables (note 9).

Foreign exchange risk

The Group is exposed to foreign exchange risk in respect to its loan receivable which is denominated in US dollars. Also certain of the Group's corporate expenses are incurred in US dollars. As a consequence, the Group's results from its 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 balances receivable from related parties to foreign exchange risk is as follows:

Currency	As at December 31, 2011		As at December 31, 2010	
US dollars	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars
Amounts receivable	$ 4,220	$ 4,292	$ 3,153	$ 3,136
Cash and cash equivalents	36	36	49	48
Total financial assets	**$ 4,256**	**$ 4,328**	**$ 3,202**	**$ 3,184**

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, 2011		As at December 31, 2010	
US dollars	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars
Amounts payable and other liabilities	$ 1	$ 1	$ 1	$ 1
Total financial liabilities	**$** 1	**$** 1	**$** 1	**$** 1

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 $433 in the year (2010 – $318). 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 100 basis points change representing a 1% increase or decrease in interest rates would have resulted in a decrease or increase in the loss as follows:

	As at December 31	
	2011	2010
Effect on loss	$ 389	$ 400

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.

The Group's marketable securities are classified under Level 1 of the hierarchy and at December 31, 2011, had no value (2010 – $1).

12. INCOME TAX EXPENSE

	Years Ended December 31	
	2011	2010
Current tax expense (recovery)		
Current period	$ (51)	$ –
Deferred tax expense (recovery)		
Current period	–	30
Deferred income tax liabilities	–	30
Total income tax expense (recovery)	$ (51)	$ 30

Reconciliation of effective tax rate	Years Ended December 31			
	2011	2010	2011	2010
(Loss) for the period			$ (20,139)	$ (14,115)
Total income tax expense (recovery)			(51)	30
(Loss) excluding income tax			(20,190)	(14,085)
Income tax using the Company's domestic tax rate	26.5 %	28.5 %	(5,350)	(4,014)
Non-deductible expenses	(18.6)%	(17.2)%	3,761	2,416
Reduction in statutory tax rates	(0.5)%	(1.4)%	90	196
Foreign exchange	0.4 %	(1.4)%	(82)	204
Other	0.3 %	1.2 %	(51)	(174)
Deferred income tax assets not recognized	(7.8)%	(9.9)%	1,581	1,402
	0.3 %	(0.2)%	$ (51)	$ 30

Deferred income tax assets (liabilities)	As at December 31 2011	As at December 31 2010
Resource pool	$ 21,614	$ 19,861
Tax losses	57	1,817
Net deferred income tax assets	21,671	21,678
Investment in the Pebble Partnership	(25,386)	(25,311)
Net deferred income tax liability	$ (3,715)	$ (3,633)

The Group had the following temporary differences at December 31, 2011 in respect of which no deferred tax asset has been recognized:

Expiry	Tax Losses	Resource Pools	Other
Within one year	$ –	$ –	$ –
One to five years	–	–	1,304
After five years	23,859	–	–
No expiry date	125	109,913	66
Total	$ 23,984	$ 109,913	$ 1,370

13. COMMITMENTS AND CONTINGENCIES

Due to the nature of the Group's operations, various legal and tax matters are outstanding from time to time. In the opinion of management, there are no matters that could have a material effect on the Group's consolidated financial position or results of operations which require additional disclosure of in these Financial Statements.



MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2011

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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, 2011 as publicly filed under the Company's profile on SEDAR at www.sedar.com.

The Company reports in accordance with International Financial Reporting Standards ("IFRS") and the following disclosure, and associated consolidated financial statements, are presented in accordance with IFRS. This MD&A is prepared as of March 28, 2012. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

This discussion includes certain statements that may be deemed "forward-looking statements". These forward-looking statements constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

All information contained in this management discussion relating to the contents of the Preliminary Assessment, including but not limited to statements of the potential of the Pebble Copper-Gold- Molybdenum Project (the "Pebble Project") and information under the headings "Preliminary Assessment Key Findings, " "Production Profiles, " "Financial Valuation" and "Capital and Operating Costs" are "forward looking statements" within the definition of the United States Private Securities Litigation Reform Act of 1995. The information relating to the possible construction of a port, road, power generating facilities and power transmission facilities also constitutes such "forward looking statements." The Preliminary Assessment was prepared to broadly quantify the Pebble Project's capital and operating cost parameters and to provide guidance on the type and scale of future project engineering and development work that will be needed to ultimately define the project's likelihood of feasibility and optimal production rate. It was not prepared to be used as a valuation of the Pebble Project nor should it be considered to be a prefeasibility study. Although based on a comprehensive technical review of recent engineering and technical studies undertaken by the Pebble Limited Partnership (the "Pebble Partnership") and Northern Dynasty, the studies of capital and operating costs are incomplete and have not been optimized, so the ultimate costs may vary significantly from the amounts set out in the Preliminary Assessment. This could materially and adversely impact the projected economics of the Pebble Project. The Preliminary Assessment is based on, Wardrop, a Tetra Tech Company's comprehensive review of recent engineering and technical studies undertaken principally by the Pebble Partnership and by Northern Dynasty. The economic assessments and other opinions expressed in the Preliminary Assessment are strictly those of Northern Dynasty and Wardrop, and do not reflect the views of any other stakeholder in the project. As such, any project which is ultimately put forward by the Pebble Partnership for permitting under the National Environmental Policy Act may differ from those mine models presented in the Preliminary Assessment.

The Preliminary Assessment, in part, uses inferred mineral resources which are considered too speculative geologically to be categorized as mineral reserves and to have economic considerations applied to them. There can be no assurance that the operating and financial projections contained in the Preliminary Assessment will be realized.

The following are the principal risk factors and uncertainties which, in management's opinion, are likely to most directly affect the conclusions of the Preliminary Assessment and the ultimate feasibility of the Pebble Project. A portion of the mineralized material at the Pebble Project is currently classified as an inferred resource and it is not a reserve. The mineralized material in the Preliminary Assessment is based on the measured, indicated and inferred resources estimated by

Hunter Dickinson Services Inc. and audited by Wardrop. Additional process tests and other engineering and geologic work will be required to determine if the mineralized material is an economically exploitable reserve. There can be no assurance that this mineralized material can become a reserve or the amount that may be converted to a reserve or the grade thereof. Final feasibility work has not been done to confirm the pit design, mining methods, and processing methods assumed in the Preliminary Assessment. Final feasibility could determine that the assumed pit design, mining methods, and processing methods are not correct. Construction and operation of the mine and processing facilities depends on securing environmental and other permits on a timely basis. No permits have been applied for and there can be no assurance that required permits can be secured or secured on a timely basis. Data is incomplete and cost estimates have been developed in part based on the expertise of the individuals participating in the preparation of the Preliminary Assessment and 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 contained in the Preliminary Assessment. There can be no assurance that mining can be conducted at the rates and grades assumed in the Preliminary Assessment. The project requires the development of port facilities, roads and electrical generating and transmission facilities. Although Northern Dynasty 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.

The Preliminary Assessment assumes specified, long-term price levels for gold, copper, silver and molybdenum. Prices for these commodities are historically volatile, and Northern Dynasty has no control of or influence on those prices, all of which are determined in international markets. There can be no assurance that the prices of these commodities will continue at current levels or that they will not decline below the prices assumed in the Preliminary Assessment. Prices for gold, copper, silver, and molybdenum have been below the price ranges assumed in Preliminary Assessment during the past ten years, and for extended periods of time.

The Pebble Project will require major financing, probably a combination of debt and equity financing. Interest rates are at historically low levels. There can be no assurance that debt and/or equity financing will be available on acceptable terms. A significant increase in costs of capital could materially and adversely affect the value and feasibility of constructing the project. Other general risks include those ordinary to very large construction projects including the general uncertainties inherent in engineering and construction cost, the need to comply with generally increasing environmental obligations, and accommodation of local and community concerns. The Company is also subject to the specific risks inherent in the mining business, as well as general economic and business conditions.

For more information on the Company, Investors should review the Company's annual information form and Form 40-F filing with the United States Securities and Exchange Commission (the "SEC") at www.sec.gov and its home jurisdiction filings that are available on SEDAR at www.sedar.com. 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 SEC does not recognize them. **Investors are cautioned not to assume that all or any part 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 SEC 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 all or any part 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 holds indirect interests in 650 square miles of mineral claims in southwest Alaska, USA. These claims are part of or in the vicinity of the Pebble Copper-Gold-Molybdenum Project (the "Pebble Project").

1.2.1.1 Pebble Project

The Pebble property ("Pebble") 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. Situated approximately 1,000 feet above sea-level and 65 miles from tidewater on Cook Inlet, the site conditions are favorable for successful mine site and infrastructure development.

Mineralization was discovered in 1987, and by 1997 an initial mineral resource of copper, gold and molybdenum had been outlined in the Pebble deposit by a previous operator.

Northern Dynasty acquired the right to earn an interest in Pebble in late 2001. Over the next 5½ years, the Company explored the Pebble deposit and surrounding property. This work led to the discovery of a substantial volume of higher grade mineralization to the east and an overall expansion of the deposit, as well as the discovery of another porphyry copper-gold-molybdenum deposit, a porphyry copper zone, a gold-copper skarn occurrence, and gold showings along the extensive northeast-trending mineralized system underlying the property. Comprehensive environmental, social and engineering studies began in 2004.

In mid-2007, a wholly-owned affiliate of Northern Dynasty and a wholly-owned subsidiary of Anglo American plc, Anglo American US (Pebble) LLC ("Anglo American") established the Pebble Limited Partnership (the “Pebble Partnership”) to engineer, permit, construct and operate a modern, long-life mine at the Pebble Project. The 50/50 Pebble Partnership owns the Pebble Project, which consists of the Pebble Deposit and 350 square miles of associated resource lands, along with a

stream of financing being provided by Anglo American for comprehensive exploration, engineering, environmental and socioeconomic programs and, if warranted, development of the Pebble Project. Work programs at Pebble since mid-2007 have been carried out by the Pebble Partnership. These programs include detailed engineering, environmental and socioeconomic studies toward the completion of a prefeasibility study for the Pebble Project which will enable the Pebble Partnership to engage stakeholders in the planning process and prepare for permitting under the National Environmental Policy Act ("NEPA").

Preliminary Assessment

Northern Dynasty commissioned an independent Preliminary Assessment of the Pebble Project, the results of which were announced by the Company on February 23, 2011. The study, completed by Wardrop, a Tetra Tech Company ("Wardrop") [1], was based on concept, prefeasibility and feasibility-level study programs undertaken by the Pebble Partnership and Northern Dynasty on various components of the Pebble Project. The Preliminary Assessment updates and substantially revises project economic analysis last done by Northern Dynasty in 2004.

The economic assessments and other opinions expressed in the Preliminary Assessment are strictly those of Northern Dynasty and Wardrop, and do not reflect the views of any other stakeholder in the project. The Pebble Partnership continues to separately undertake detailed engineering, environmental and socioeconomic studies toward the completion of a prefeasibility report for the Pebble Project, including ongoing programs to engage project stakeholders in the planning process. As such, any project which is ultimately put forward by the Pebble Partnership for permitting under NEPA and the Alaska State Large Mine Permitting Process may differ from those mine models presented in the Preliminary Assessment.

The Preliminary Assessment describes and assigns potential economic value to three successive mine development cases comprising 25, 45 and 78 years of open pit mining and a nominal processing rate of 200,000 tons per day. Key results include:

- For the Pebble Project, the 45-year Reference Case yields a 14.2% pre-tax internal rate of return ("IRR"), a 6.2-year payback on initial capital investment of US$4.7 billion and a US$6.1 billion pre-tax net present value ("NPV") at a 7% discount rate and long-term metal prices defined in

[1] Qualified Persons for the February 2011 Preliminary Assessment Technical Report include Hassan Ghaffari, P.Eng, Robert Morrison, P.Geo, Andre de Ruijter, P.Eng, Tysen Hantelmann, P.Eng, Aleksandar Zivkovic, P.Eng, and Scott Cowie, MAusIMM; Doug Ramsey, P.R. Bio is author of sustainability section. All of these qualified persons are independent of Northern Dynasty.

The Preliminary Assessment is based on mineral resources at February 2010 within a volume or shell defined by long-term metal price estimates of US$2.50/lb copper, US$900/oz gold and US$25/lb molybdenum. Mineral resources that are not mineral reserves do not have demonstrated economic viability. At a 0.30% copper equivalent (CuEQ) cut-off, these comprise:

- 5.94 billion tonnes of Measured and Indicated Mineral Resources grading 0.42% 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.

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.

the Preliminary Assessment as $2.50 per pound of copper, $1,050 per ounce of gold, $13.50 per pound of molybdenum and $15.00 per ounce of silver. At prevailing metal prices at the time of the study, defined in the Preliminary Assessment as $4.00 per pound of copper, $1,350 per ounce of gold, $15.00 per pound of molybdenum and $28.00 per ounce of silver, the 45-year Reference Case yields a 23.2% pre-tax IRR, a 3.2-year payback on initial capital investment[2] and a US$15.7 billion pre-tax NPV at a 7% discount rate.

- For Northern Dynasty's 50% share of the project, the 45-year Reference Case yields an 18% pre-tax and 15.4% post-tax IRR, a 4.7-year pre-tax and 5.3-year post-tax payback on initial capital investment and a US$3.6 billion pre-tax and US$2.4 billion post-tax NPV at a 7% discount rate and long-term metal prices.
  At prevailing metal prices at the time of the study, the 45-year Reference Case yields a 30.2% pre-tax and 25.1% post-tax IRR, a 2.6-year pre-tax and 3.1-year post-tax payback on initial capital investment and a US$8.3 billion pre-tax and $5.6 billion post-tax NPV at a 7% discount rate for Northern Dynasty's 50% interest.
- The 45-year Reference Case produces 31 billion ("B") lb copper, 30 million ("M") oz gold, 1.4 B lb molybdenum, 140 M oz silver, 1.2 M kg rhenium and 907,000 oz palladium while mining only 32% of the mineral resource.
- For the 45-year Reference Case, cash costs per payable lb of copper after by-product credits total minus US$0.11.

Additional details on the Preliminary Assessment are described in Northern Dynasty's 2010 Annual Information Form and the February 2011 Preliminary Assessment Technical Report, both of which are posted on the Company's profile at www.sedar.com.

The results of the Preliminary Assessment confirm that the Pebble Project has the potential to generate substantial annual revenues, with increasingly better returns over decades of production.

Ongoing Prefeasibility Study and Environmental and Socioeconomic Work

The Pebble Partnership has assembled an experienced engineering and permitting team for the Pebble Project, consisting of more than 20 senior engineers and technical specialists (many of whom are from the Anglo American group or Northern Dynasty), as well as engineering firms and specialized consultancies from around the world.

The team has continued to advance engineering and project design initiatives for the Pebble Project. Public consultation forums in Alaska are planned to gain input from stakeholders prior to the completion of a Prefeasibility Study and the submission of permit applications.

In January 2012, the Pebble Partnership released the Environmental Baseline Document ("EBD") for the Pebble Project, characterizing existing physical, biological and social conditions in the project area, in anticipation of initiating project permitting. It contains more than 27,000 pages of scientific data and analyses, characterizing a broad range of environmental and social conditions in southwest Alaska – including climate, water quality, wetlands, fish and aquatic habitat, wildlife, land and water use, socioeconomics and subsistence. The EBD is based primarily on research

[2] Initial capital expenditures for all three development cases are estimated at $4.7 billion, excluding capital costs associated with outsourced power, road and port infrastructure.

collected between 2004 and 2008, although baseline data collecting and monitoring of these environments continues today.

Permitting will be initiated once the Pebble Partnership submits its Project Description and other documents to the government agencies which, with the EBD, provides the foundation for an Environmental Impact Statement ("EIS"). Prepared by a third-party contractor under the direction of a lead federal agency, the EIS will assess the project's potential environmental/socioeconomic effects and development alternatives, and will provide the basis for federal, state and local government agencies to make individual permitting decisions.

Work continues toward completion of the Prefeasibility Study, with permitting under NEPA expected to begin toward the end of 2012.

The 2012 budget for a comprehensive work program is currently being finalized and is expected to be similar to the prior year. The program would include work to advance the Prefeasibility Study for the Pebble Project, finalize a Project Description, continue community engagement and workforce development programs and prepare for permitting under NEPA.

Corporate

Northern Dynasty has cash and cash equivalents on hand of $37.5 million for its operating requirements. As the Pebble Project is being financed by Anglo American in 2012, management believes that the Company has sufficient capital resources to cover its short to medium term cash requirements.

1.2.1.2 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. Anglo American, through its wholly-owned affiliate, subscribed for 50% of the Pebble Partnership's equity effective July 31, 2007. The Company (through a wholly-owned affiliate) and Anglo American have equal rights in the Pebble Partnership. To maintain its 50% interest in the Pebble Partnership, Anglo American is required to commit staged cash investments into the Pebble Partnership aggregating to US$1.5 billion.

Anglo American's staged investment requirements include an initial minimum expenditure of US$125 million (completed in 2008) towards a prefeasibility report. The prefeasibility report is to be approved by the Board of the general partner (Pebble Mines Corp.), and is to summarize all previous prefeasibility studies. The Board of the general partner is also to approve the alternatives for a final Feasibility Study. Anglo American is required, in order to retain its 50% interest in the Pebble Partnership, to commit within 90 days of the later of the receipt of the approved prefeasibility report and the approved study alternatives, to fund further expenditures which would bring its total investment to at least US$450 million, which amount is to be expended towards producing a final feasibility study and related 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 following approval of a positive Feasibility Study, Anglo American is required to commit to the remaining portion of the total investment of US$1.5 billion in order to retain its interest in the Pebble Partnership. Following completion of the US$1.5 billion expenditure, any further expenditure will be funded by Anglo American and the Company (through

its affiliate) 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.

The Company determined in accordance with IAS 31, *Interests in Joint Ventures* that its investment in the Pebble Partnership is an interest in a jointly controlled entity. The Company applies the equity method to account for its interest in the Pebble Partnership.

Anglo American's cash contribution since the formation of the Pebble Partnership on July 31, 2007 to December 31, 2011 amounts to $418.1 million (US$398.5 million).

The corporate office of the Pebble Partnership is located in Anchorage, Alaska. The Alaska-based operations are guided by the Board of the general partner with equal representation from Anglo American and Northern Dynasty.

1.2.1.3 Technical Programs

Exploration and Drilling

Site work in 2011 focused on drilling for engineering studies, and support for environmental field work. The drilling programs collected information around planned infrastructure, to continue geotechnical studies and metallurgical testwork, and to further test groundwater conditions and overburden characteristics in the deposit-area. Additional holes were drilled to assess the deposit model between the East and West zones. Drilling continued at site in the fourth quarter ("Q4"); 12 holes totaling 12,039 feet were drilled. Of these, eight were drilled for geotechnical purposes, and one hole was drilled to test an area of interest for potential infrastructure development. There were also three holes (two exploration and one infill) drilled to assist with resource modeling.

In total, 85 holes totaling approximately 50,768 feet, were drilled in 2011.

Engineering

The current phase of the engineering program consists of completion of the prefeasibility study for the Pebble Project. This work commenced during the first quarter with updating of the 2011 work schedule and estimates of costs. A number of key consultants were engaged in the first quarter and the primary engineering contractor for the prefeasibility study was selected during the second quarter.

The initial round of engineering design was completed and review began in the middle of Q4. Metallurgical testwork data was utilized to finalize process design criteria. Equipment lists and plant layouts, as well as the overall site plan were compiled.

Other data were also collected to support the design: at the deposit site, geotechnical drilling of potential infrastructure sites and the deposit-area overburden was completed as well as data collection for the primary infrastructure components. The latter work included ongoing compilation from offshore data recorders (which have been installed for approximately one year) at the potential port site, geophysical analysis of the proposed port uplands area, and additional geotechnical reconnaissance along the potential road route.

A review of the mine plan also began late in Q4.

Environmental and Socioeconomic Studies

The Environmental Baseline Document ("EBD") was released in January 2012. The EBD provides information and analysis on baseline physical, chemical, biological and social conditions based upon ongoing data collection by the Pebble Project environmental study team from 2004-2008. 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.

Research for the Pebble EBD was conducted by more than 40 respected independent research firms, utilizing over 100 scientific experts and engineering groups, laboratories and support services. Researchers were selected for their specific areas of expertise and Alaskan experience, with cooperating government agencies participating in several studies. Information for the EBD was gathered through field studies, laboratory tests, review of government records and other third-party sources, and interviews with Alaska residents.

The compilation of environmental studies undertaken in support of mine development is more commonly presented to regulatory agencies as part of a broader permitting package, which includes a project description. Given the importance of the Pebble Project, the Pebble Partnership released the EBD to provide stakeholders with additional time to review the substantial document in advance of project permitting. A Project Description for the Pebble Project will need to be finalized before permitting commences.

Comprehensive environmental and socioeconomic baseline study programs continue at the Pebble Project site. The 2012 field programs will primarily focus on surface and groundwater hydrology, water quality and fish resources.

Cultural Resource Studies

Cultural resource studies have been carried out by the Pebble Partnership on all areas that might be affected by the Pebble Project, with the exception of possible road and port locations. Examination of the potential road and port sites will be undertaken once a decision is made regarding the exact location of these project features.

Community Engagement

An active program of stakeholder outreach continued in 2011, including community meetings, stakeholder visits, presentations and event appearances, as well as stakeholder tours to the Pebble Project site and to operating mines in the United States and Canada. The focus of these outreach activities is to update stakeholders on the Pebble Project, to receive feedback on stakeholder priorities and concerns, and to advise participants about modern mining practices.

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* – Established in 2008 with a five-year, US$5 million commitment, the goal of the Pebble Fund is to enhance the health and sustainability of regional fisheries and the communities they support. Grants are determined based on criteria and selections made by an advisory board comprised of citizens from communities throughout the Bristol Bay region. The fifth round of grants was announced in October 2011, when US$323,919 was awarded to 15 worthy community

development projects in southwest Alaska. To the end of 2011, the Pebble Fund has supported 105 community-based projects throughout southwest Alaska via grants totaling more than US$3.5 million, while leveraging nearly US$15 million in matching funds from other organizations.

The Bristol Bay Marketplace Business Idea Competition for residents of Bristol Bay communities was introduced in 2011. The competition, sponsored by the Pebble Partnership and the Pebble Fund, provides the opportunity for local entrepreneurs to compete for funding to start or expand Bristol Bay-based businesses.

2. An independent stakeholder dialogue process concerning the Pebble Project was initiated in late 2010 by the Keystone Center – a non-profit organization specializing in facilitating stakeholder-driven consultation processes concerning contentious, science-based issues. Independent Science Panels ("ISP"), consisting of respected experts in a range of technical, scientific and sociological fields, are being assembled to review environmental and socioeconomic data compiled by the Pebble Partnership for the purpose of project engineering and permitting, while providing expert insight to Pebble Project stakeholders. Four ISP events are planned for the fall 2012 to address: geology and geochemistry; hydrology and water quality; fish, wildlife and habitat; and social, economic and cultural dynamics.

   The 2011 site tour program hosted 84 tour groups and over 400 individual stakeholders. Additionally, about 86 stakeholders have visited operating mines in Alaska, Canada, Utah and Wisconsin.

As the Pebble Project advances toward the completion of a prefeasibility study and preparation for project permitting under NEPA, it is expected that the Pebble Partnership will initiate a broad-based public consultation program to involve stakeholders in the process by which the project is being designed. This consultative process is currently expected to begin in the spring of 2012.

Employment and Workforce Development

The Pebble Partnership is one of the most important private sector employers in southwest Alaska. A total of 509 Bristol Bay residents were employed by the Pebble Project in 2011.

Employee training and workforce development initiatives continue to expand. Workforce development initiatives at the Pebble Project include the provision of 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. In addition, scholarships are available to high school students from the Bristol Bay region who are interested in pursuing studies at college and vocational/technical schools in the fields of project management, operations, geology, science, engineering and other areas of responsible resource development.

1.2.1.4 Legal Matters

On February 23, 2011, the Company issued a news release announcing that it was in receipt of a new independent Preliminary Assessment of the Pebble Project, which is based on the information

generated and provided by the Pebble Partnership and Northern Dynasty. The information provided by the Pebble Partnership and the Preliminary Assessment constitute a material change in the affairs of the Company because it changed the technical parameters and estimated net present value of the property by billions of dollars from the last such assessment done in 2004. Anglo American, the Company's 50% partner in the Pebble Partnership, has asserted that the news release contained confidential information which is the property of the Pebble Partnership and was not authorized to be released, and Anglo American reserves all rights to claim that the release has damaged Anglo American and/or the Pebble Partnership. The Company has received legal advice that the news release was a permitted disclosure under the various agreements with Anglo American, and its issuance was a mandatory requirement under Canadian and US regulatory requirements. The Company does not believe that Anglo American's allegations have any merit; however, it cannot give assurances about future events or actions by Anglo American.

In February 2011, the U.S. Environmental Protection Agency ("EPA") announced it would undertake a Bristol Bay Watershed Assessment study focusing on the potential effects of large-scale mine development in the Nushagak and Kvichak drainages. This process was initiated in response to calls from tribes in opposition to the Pebble Project for the EPA to pre-emptively use its powers under Section 404c of the Clean Water Act to prohibit discharges of dredged or fill material in waters of the US within these drainages. Rather than acceding to this request, the EPA has embarked on a scientific study to assess potential impacts of hard rock mining and other resource development in the region. The Bristol Bay Watershed Assessment process is expected to conclude in mid to late 2012.

In October 2011, a lawsuit filed in July 2009 by the Trustees for Alaska (an environmental law firm) on behalf of Nunamta Aulukestai – an organization established and funded to oppose development of the Pebble Project - was rejected by the Anchorage Superior Court. The lawsuit alleged that the Alaska Department of Natural Resources ("DNR") had violated the state constitution by granting exploration and temporary water use permits to the Pebble Partnership, and exploration activities had caused harm to vegetation, water, fish and wildlife. The Pebble Partnership actively participated in the trial proceedings after being granted intervener status. Superior Court Judge Aarseth denied each of the allegations made by Nunamta Aulukestai, and ruled that no evidence of environmental harm was presented. The plaintiffs have filed an appeal that is now pending before the Alaska Supreme Court.

In November 2011, by a narrow 280 – 246 (53% – 47%) margin, voters in Southwest Alaska's Lake & Peninsula Borough supported a ballot measure sponsored by anti-Pebble activists that, if upheld by the courts, might restrict future development that affects more than one square mile of land within the 31,000 square mile borough.

The initiative was opposed by a broad spectrum of Alaska interests, including a group of four Alaska Native village corporations representing seven Lake & Peninsula Borough communities whose private land holdings would be affected by the ordinance, the State of Alaska and the Pebble Partnership. It was also opposed by the Resource Development Council for Alaska, the Alaska State Chamber of Commerce, the Alaska Miners Association, Council of Alaska Producers, the Alaska Oil and Gas Association and the Alaska Industry Support Alliance, among others.

The Pebble Partnership and the State of Alaska view the initiative as unconstitutional and unenforceable because it seeks to restrict development of state-owned resources on state lands

through a municipal ordinance. The State of Alaska and the Pebble Partnership have filed legal challenges in the Alaska Superior Court.

1.2.2 Other Properties

1.2.2.1 South Pebble, SP and KAK Claims

Agreement between Full Metal Minerals and the Pebble Partnership

On January 31, 2012, the Pebble Partnership entered into a Limited Liability Company Agreement of Kaskanak Copper LLC (the "FMM Agreement") with Full Metal Minerals (USA) Inc. ("FMMUSA"), a wholly-owned subsidiary of Full Metal Minerals Corp., which superseded and replaced the letter agreement entered into by the same parties on September 27, 2010. Under the FMM Agreement, the Pebble Partnership can earn a 60% interest in Kaskanak Copper LLC (the "LLC") which owns 100% of FMM's South Pebble Claims (the "FMM Properties"), by incurring exploration expenditures of at least US$3 million and making annual payments of US$50,000 to FMMUSA over a period ending on December 31, 2013. The Pebble Partnership has been appointed as the manager of the LLC and will continue as manager until it resigns or is deemed to resign in certain defined circumstances which include a reduction of its ownership interest in the LLC to below 50%.

For the duration of the earn-in period and the term of the Pebble Partnership's membership in the LLC, the Pebble Partnership will have an option to select and purchase claims that form part of the FMM Properties (the "Purchased Claims") at a price of US$25 per acre payable to FMMUSA, provided that the Purchased Claims are declared or agreed to be outside of the current scope of operations of the LLC, constitute no more than 20,000 acres, constitute a continuous block of claims and are located outside an "Exclusion Area" specified in the FMM Agreement.

The FMM Properties total 542 claims covering approximately 135 square miles located west of the ground held 100% by the Pebble Partnership; 99 of these claims, covering an area of 24.3 square miles, form the "Exclusion Area".

1.2.2.2 Big Chunk North and South and Bonanza Hills Claims

Northern Dynasty's Purchase and Option Agreement with Liberty Star

On June 29, 2010, Northern Dynasty entered into an agreement with Liberty Star Uranium and Metals Corp. and its subsidiary, Big Chunk Corp. (together, "Liberty Star"), pursuant to which Liberty Star sold 23.8 square miles of claims (the "Purchased Claims") to a US subsidiary of Northern Dynasty in consideration for both a US$1 million cash payment and a secured convertible loan from Northern Dynasty in the amount of US$3 million which accrues interest at 10% per annum compounded monthly (the "Loan"). The parties agreed with effect from November 14, 2011, to increase the principal amount of the Loan by US$730,174 (the "Additional Loan Amount"), being the amounts expended by Northern Dynasty to date on annual assessment work, rental and related fees relating to Liberty Star's claims in Alaska. The Loan is repayable, in cash on demand or convertible into Liberty Star shares at the election of Northern Dynasty, after Northern Dynasty has spent at least a minimum amount (the "Minimum Expenditure") earning into a joint venture (which has not yet been formed – see the discussion below). The Minimum Expenditure was originally set at US$1 million, but the parties subsequently agreed on November 14, 2011 to reduce the Minimum Expenditure by the Additional Loan Amount plus interest incurred thereon, with the result that the

Minimum Expenditure has been reduced to US$271,900. The Pebble Partnership had the right to acquire the Purchased Claims for a period of time but declined to exercise that right.

In addition, subject to negotiating and signing a definitive earn-in option and joint venture agreement, Northern Dynasty will be able to earn a 60% interest in Liberty Star's remaining Big Chunk properties in Alaska by spending US$10 million on those properties over six years. The Loan may be applied as part of the earn-in requirements, at Northern Dynasty's discretion. As of the date of this MD&A, Northern Dynasty and Liberty Star have not entered into a joint venture agreement. On September 8, 2011, the parties agreed to exclude the 56 Bonanza Hills claims (14 square miles) from any future joint venture between them.

The total area of the properties is 172.7 square miles, and includes 95 Purchased Claims; 428 Big Chunk South claims (102.9 square miles) and 184 Big Chunk North claims (46 square miles). All of these claims are located in the vicinity of Pebble.

In 2010, Northern Dynasty funded helicopter borne ZTEM and aeromagnetic geophysical surveys over the Big Chunk North and Bonanza Hills properties and a two-hole air rotary drill program on the Big Chunk South property.

1.2.3 Market Trends

Copper prices showed a significant increase between late 2003 and mid-2008, and after a steep decline in late 2008 and early 2009, steadily increased until late 2011. The price of copper in 2012 has decreased from the average price in 2011.

Although gold prices have dropped from time to time, over the past five years the average annual price has steadily increased. This upward trend continues in 2012.

Molybdenum prices have been more volatile than gold or copper, beginning an upward trend in 2003 that reached a peak of US$34/lb in October 2005, decreasing through 2006, then rising in 2007 until the latter part of 2008, when they dropped significantly. This decrease continued until May 2009. Since that time, prices have been variable, but on an overall upward trend to late 2011. The average price has decreased in 2012.

Average annual prices as well as the average price so far in 2012 for copper, gold and molybdenum are shown in the table below:

Year	Average metal price (US$)		
	Copper	Gold	Molybdenum
2008	3.16/lb	871/oz	29.70/lb
2009	2.34/lb	974/oz	11.29/lb
2010	3.42/lb	1,228/oz	15.87/lb
2011	4.00/lb	1,572/oz	15.41/lb
2012 (to the date of this MD&A)	3.76/lb	1,695/oz	14.24/lb

Source: LME Official Cash Price as provided at www.metalprices.com

1.3 Selected Annual Information

The following selected annual information is from the audited consolidated financial statements which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRICs"). The Company adopted and transitioned to IFRS as of January 1, 2008. All figures are expressed in thousands of Canadian dollars, except per share amounts.

Statements of Financial Position	As at December 31 2011	As at December 31 2010	As at December 31 2009
Investment in the Pebble Partnership	$ 101,542	$ 99,306	$ 104,937
Exploration and evaluation assets	1,055	1,055	–
Current assets	42,644	43,886	45,133
Total assets	**145,241**	**144,247**	**150,070**
Shareholders' equity	141,356	140,060	146,070
Other liabilities	3,715	3,633	3,807
Current liabilities	170	554	193
Total shareholders' equity and liabilities	**145,241**	**144,247**	**150,070**
Working capital	**$ 42,474**	**$ 43,332**	**$ 44,940**

Expenses (income)	Year ended December 31 2011	Year ended December 31 2010	Year ended December 31 2009
Exploration and evaluation	$ 819	$ 1,800	$ 321
General and administrative	6,110	4,456	4,300
Share-based compensation	14,205	8,373	8,479
Interest income	(944)	(544)	(335)
Loss before tax	20,190	14,085	12,765
Income tax expense (recovery)	(51)	30	(25)
Loss for the year	$ 20,139	$ 14,115	$ 12,740
Basic and diluted loss per common share	$ 0.21	$ 0.15	$ 0.14
Weighted average number of common shares outstanding	94,852	93,779	92,828

1.4 Summary of Quarterly Results

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

	Dec 31 2011	Sep 30 2011	June 30 2011	Mar 31 2011	Dec 31 2010	Sep 30 2010	Jun 30 2010	Mar 31 2010
Exploration and evaluation assets	$ 1,055	$ 1,055	$ 1,055	$ 1,055	$ 1,055	$ 1,055	$ 1,055	$ –
investment in PLP	101,542	104,658	96,301	96,810	99,306	102,741	106,295	101,423
Current assets	42,644	43,792	44,925	45,302	43,886	43,421	44,955	46,632
Total assets	**145,241**	**149,505**	**142,281**	**143,167**	**144,247**	**147,217**	**152,305**	**148,055**
Equity	141,356	145,550	138,566	139,261	140,060	143,287	148,305	144,322
Deferred income tax	3,715	3,829	3,523	3,542	3,633	3,737	3,825	3,645
Current liabilities	170	126	192	364	554	193	175	88
Total shareholders' equity and liabilities	**145,241**	**149,505**	**142,281**	**143,167**	**144,247**	**147,217**	**152,305**	**148,055**
Working capital	42,474	43,666	44,733	44,938	43,332	43,228	44,780	46,544
Comprehensive (Income) Loss								
Expenses								
Exploration and evaluation	(86)	448	141	316	850	653	150	147
General and administrative	1,615	871	2,146	1,478	1,017	1,177	1,221	1,041
Share-based compensation	2,170	2,752	2,782	6,501	1,588	1,543	4,340	902
Interest income	(270)	(252)	(225)	(197)	(198)	(175)	(90)	(81)
Loss before tax	3,429	3,819	4,844	8,098	3,257	3,198	5,621	2,009
Income tax expense (recovery)	(51)	–	–	–	21	41	3	(35)
Loss for the quarter	3,378	3,819	4,844	8,098	3,278	3,239	5,624	1,974
Loss (gain) on marketable securities	1	–	–	–	1	(1)	1	–
Exchange difference on translation of the Pebble Partnership	3,116	(8,357)	509	2,496	3,435	3,554	(4,872)	3,514
Deferred income tax	(114)	306	(19)	(91)	(124)	(129)	176	(127)
Comprehensive loss (income)	**$ 6,381**	**$ (4,232)**	**$ 5,334**	**$ 10,503**	**$ 6,590**	**$ 6,663**	**$ 929**	**$ 5,361**
Basic and diluted loss per common share	$ 0.04	$ 0.04	$ 0.05	$ 0.09	$ 0.03	$ 0.03	$ 0.06	$ 0.02
Weighted average number of common shares outstanding YTD (thousands)	94,977	94,974	94,882	94,567	93,973	93,857	93,815	93,254

1.5 Results of Operations

The following financial data has been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee (IFRICs) effective for the year ended December 31, 2011 and are expressed in Canadian dollars unless otherwise stated.

The Company's operations and business are not driven by seasonal trends, but rather are driven towards the achievement of project milestones relating to the Pebble Project such as the achievement of various technical, environmental, socio-economic and legal objectives, including obtaining the necessary permits, the 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.

1.5.1 Results of Comprehensive Loss for the Year Ended December 31, 2011 vs. 2010

The Company recorded a comprehensive loss of $18.0 million for the current year as compared to $19.5 million in 2010. The decrease was mainly attributable to the net exchange gain on translation of the equity investment in the Pebble Partnership (as opposed to a loss in 2010) which offset the higher share-based compensation and the increase in general and administrative expenses in the current year.

Share-based compensation increased to $14.2 million from $8.4 million in 2010. The Company granted options in the current year which were measured at the weighted average grant date fair value of $6.35 per share purchase option as compared to $3.88 per share purchase option in 2010. The fair value was determined using the Black Scholes model with the following weighted average assumptions: risk free rate of 2.25% (2010 – 2.36%); expected volatility of 64% (2010 – 65%) and expected life of 4.20 years (2010 – 3.72 years).

General and administrative expenses increased to $6.1 million in 2011 from $4.5 million in 2010. The increase was due to the increase in donations, conference and travel, office costs and salaries. The following table provides a breakdown of the expenses incurred expressed in thousands of Canadian dollars:

General and administrative expenses		2011		2010
Conference and travel	$	525	$	288
Donations		866		12
Insurance		296		248
Legal, accounting and audit		328		274
Office costs		980		653
Salaries		2,334		2,188
Shareholder communication		517		431
Trust and filing		322		224
Foreign exchange loss (gain)		(58)		138
Total	$	6,110	$	4,456

Office costs increased as the Company updated its offsite data room. Donations increased to $0.9 million as the Company recognized an expense, based on the quoted market value on the date of issue, of a donation of 75,000 common shares to the University of British Columbia to assist in financing the construction of a new earth science building. Salaries were higher as the Company completed and issued an independent Preliminary Assessment Technical Report in February 2011 and incurred other costs relating to the preparation and analysis thereof.

As a result of the completion and issue of the Preliminary Assessment Technical Report, the Company recorded exploration costs of $0.8 million (2010 – $1.8 million). In 2010, the Company conducted two independent studies on the Pebble Project and also completed required exploratory activities on the Liberty Star claims.

As a result of the depreciation of the Canadian dollar against the US dollar from approximately 1USD=0.99CAD at January 1, 2011 to 1USD=1.02CAD at December 31, 2011, the Company recorded an exchange gain of $2.2 million in other comprehensive loss related to the exchange difference on the equity investment in the Pebble Partnership, which has a US dollar functional currency. The Company recognized a loss of $5.6 million in the comparable period of 2010 when the Canadian dollar appreciated from 1USD=1.05CAD at January 1, 2010 to 1USD=0.99CAD at December 31, 2010.

1.5.2 Cash Flows for the Year Ended December 31, 2011 vs. 2010

Net cash used in operations increased to $7.5 million in the current year from $6.0 million in the prior year. The increase was due to the increase in general and administrative expenses (see 1.5.1) .

The Company however saw an increase in cash from investing activities as higher interest was received on cash balances due to the increase in interest rates. In the comparable prior period the Company used cash to acquire the Liberty Star claims for $1.1 million and advance a loan to Liberty Star for $2.9 million.

As a result of the exercise of share purchases options, the Company increased cash resources by $4.2 million in 2011 as compared to $5.2 million in 2010.

1.5.3 Financial position as at December 31, 2011 vs. December 31, 2010

The Company's total assets increased to $145.2 million from $144.2 million. The increase was attributable to the increase in the carrying value of the Company's investment in the Pebble Partnership as a result of the exchange gain of $2.2 million recognized on translation (refer 1.5.1) . This was offset by a decrease in current assets of $1.2 million. Cash and cash equivalents decreased by $2.9 million as the Company utilized $7.4 million of its cash in its operations, received $4.2 million from the exercise of share purchase options and $0.6 million in interest on cash balances and advanced $0.3 million to Liberty Star. Related party receivables increased by $0.4 million due to an advance by the Company and the amounts receivable increased by $1.3 million due mainly to the increase in the loan receivable as result of the cash advance of $0.3 million, further increases to the loan of $0.5 in respect to expenses paid in 2010 and interest accrued for the year of $0.3 million.

1.5.4 Investment in the Pebble Partnership

As indicated in section 1.2.1.2, the Company has determined that, in accordance with IFRS, it has joint control of the Pebble Partnership and applies the equity method to account for its investment in the Pebble Partnership.

Expenditures incurred by the Pebble Partnership on the Pebble Project are being funded 100% by Anglo American. Anglo American's total contributions from inception to December 31, 2011, total $418.1 million (US$398.5 million). For the year ended December 31, 2011, the Pebble Partnership incurred losses of $84.5 million (2010 – $68.8 million). Exploration costs increased to $32.1 million from $30.0 million in the previous year as the Pebble Partnership continued to focus on the preparation of a prefeasibility study for the Pebble Project and the release of the EBD. The main exploration expenditures during the year ended December 31, 2011, were for:

- engineering (2011 – $20.0 million; 2010 – $11.1 million);

- environmental planning and testing (2011 – $12.8 million; 2010 – $13.3 million);
- site activities (2011 – $32.1 million; 2010 – $30.0 million); and
- public affairs (2011 – $12.3 million; 2010 – $8.3 million).

For further discussion on exploration activities and the technical programs underway on the Pebble Project, please refer to section 1.2.1.3.

1.5.5 Discussion of Quarterly Trends

The Company'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. Other than Q3 of 2011 and Q2 of 2010, the Company has recorded exchange losses in other comprehensive loss in each quarter as a result of the depreciation of the US dollar. This resulted in a decrease in the carrying value of the Company's investment in the Pebble Partnership on the statements of financial position over the same corresponding period. The following table summarizes the movement in the US dollar to the Canadian dollar and the resulting exchange differences recognized in each quarter:

		1CAD for 1USD		
Period	USD movement to CAD	Start	End	Recognized (gain) loss
Q1 2010	Depreciation	$1.05	$1.02	$3.5 million
Q2 2010	Appreciation	$1.02	$1.06	$(4.9) million
Q3 2010	Depreciation	$1.06	$1.03	$3.6 million
Q4 2010	Depreciation	$1.03	$0.99	$3.4 million
Q1 2011	Depreciation	$0.99	$0.97	$2.5 million
Q2 2011	Depreciation	$0.97	$0.96	$0.5 million
Q3 2011	Appreciation	$0.96	$1.05	$(8.4) million
Q4 2011	Depreciation	$1.05	$1.02	$3.1 million
FY 2010	Depreciation	$1.05	$0.99	$5.6 million
FY 2011	Appreciation	$0.99	$1.02	$(2.2) million

Share-based compensation expense also typically fluctuates based on the timing of share purchase option grants and the vesting periods associated with these grants. The fair value of share purchase options is recognized at the grant date and the compensation expense for each tranche is recognized over the period during which the share purchase options vest. As a result of the granting of share purchase options in Q1 of 2011 and Q2 of 2010 the Company recognized an increase in share-based compensation. In Q3 and Q4 of 2010, and Q2 to Q4 of 2011, share-based compensation decreased as a result of the vesting of certain tranches of these options. In Q1 of 2011 share-based compensation was impacted by the full vesting of a third of the options granted with an exercise price of $15.44 which resulted in a larger expense versus the lower vesting in Q2 to Q4 of 2011.

Exploration and evaluation expenses increased each quarter from Q1 to Q4 of 2010 as the Company conducted two independent studies, initiated work on the Preliminary Assessment Technical Report ("PA") and completed exploratory work on the Liberty Star claims. In 2011, the Company completed the PA, conducted further ongoing analysis thereof and paid annual fees and rentals on Liberty Star claims. In Q4 of 2011, the Company agreed to treat certain of the 2011 payments in

respect to Liberty Star claims as an advance and increased the principal amount of the loan outstanding from Liberty Star resulting in a credit in exploration costs for the quarter.

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. Other than the issue of common shares pursuant to a private placement financing in 2008, the Company has in each year issued common shares pursuant to the exercise of share purchase options. The Company's access to financing 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 American (described below). Excluding cash and cash equivalents in the Pebble Partnership, Northern Dynasty has approximately $37 million in cash and cash equivalents for its own operating requirements. With the Pebble Project fully funded, the Company believes it has sufficient resources to cover its short to medium term cash requirements.

As discussed in section 1.2.1.2, the Company is in a 50:50 limited partnership with Anglo American. To maintain its 50% interest in the Pebble Partnership, Anglo American is required to make staged cash investments into the Pebble Partnership aggregating to US$1.5 billion. Anglo American completed the initial US$125 million commitment to fund prefeasibility study expenditures in 2008. After approval of the prefeasibility report, in order to retain its 50% interest, Anglo American is required to commit to further expenditures which will 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 may take the Pebble Partnership to a production decision. Upon an affirmative decision to develop a mine, Anglo American is required to commit to the remaining portion of the total investment of US$1.5 billion in order to retain its 50% interest in the Pebble Partnership.

At December 31, 2011, the Company had working capital of approximately $42.5 million as compared to $43.3 million at December 31, 2010.

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 its 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 American and are in the normal course of operations.

The Company is responsible for all maintenance payments on the Purchased Claims (refer 1.2.2.2) . Subject to entering into a definitive joint venture agreement with Liberty Star, which has not occurred as of the date of this MD&A, the Company would be required to spend US$10 million in exploration and claims maintenance over 6 years.

1.7 Capital Resources

The Company has no long-term debt and had 94,978,764 common shares issued and outstanding at December 31, 2011.

The Company had no commitments for material capital expenditures as of December 31, 2011.

The Pebble Partnership, which is being funded by Anglo American, has an approximate US$1.5 million commitment to the Pebble Fund for Sustainable Bristol Bay Fisheries & Communities until 2013 (refer to C*ommunity Engagement* in 1.2.1.3) .

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 and its subsidiaries transact with Hunter Dickinson Services Inc. ("HDSI"), a private company which has certain directors and other key management personnel who are close business associates that are also key management personnel of the Company. Pursuant to a management services agreement with HDSI, HDSI provides geological, corporate development, administrative and management services to the Company at annually set rates and incurs third party costs on behalf of the Company which are reimbursed by the Company at cost.

Costs for services rendered by HDSI to the Company for the year ended December 31, 2011 were $3.5 million as compared to $2.8 million for the year ended December 31, 2010. The increase over 2010 is due to the Company using additional resources provided by HDSI to assist with ongoing administration and management of the Company including assisting with the independent Preliminary Assessment, continuous disclosure obligations, shareholder communications and investor relations, as well as assisting with the Company's role as partner in the Pebble Partnership. The costs for expenses paid by HDSI and reimbursed by the Company for the year ended December 31 2011 were $1.1 million as compared to $0.7 million for the year ended December 31, 2010.

Compensation paid to key management personnel (directors and senior management comprising the Senior Vice President ("VP"), Corporate Development; VP, Engineering and VP, Public Affairs) for the year ended December 31, 2011 comprised salaries of $1.8 million (2010 – $1.0 million) and share-based compensation of $7.9 million (2010 – $4.1 million).

1.10 Fourth Quarter

Loss increased to $3.4 million from $3.3 million in 2010. The increase was attributable to an increase in share-based compensation recognized and an increase in general and administrative expenses.

Share-based compensation increased to $2.2 million from $1.6 million in the comparable period of 2010 as a result of the higher grant date fair value determined per share option for the 2011 share

options granted and vesting during 2011. Share-based compensation is measured by determining the fair value of the share purchase options at the grant date for each tranche and is recognized over the period during which the share purchase option vests. The weighted average grant date fair value per share purchase option was $6.35 determined using the Black Scholes model with the following weighted average assumptions: risk free rate of 2.25%; expected volatility of 64% and expected life of 4.20 years.

The Company recorded conference and travel expenses of $242,000 (2010 – $61,000) as senior management travelled to various locations globally to meet with stakeholders and provide information about the Pebble property. Salary costs for the period increased to $531,000 (2010 – $436,000) as a result of the ongoing analyses of the Pebble Project following the Preliminary Assessment Technical Report issued in February 2011.

As a result of the appreciation of the Canadian dollar against the US dollar from approximately 1US=1.05CAD at October 1, 2011 to 1 USD=1.02CAD at December 31, 2011, the Company recorded an exchange loss of $3.1 million in other comprehensive income related to the exchange difference on the equity investment in the Pebble Partnership, which has a USD dollar functional currency. This compared to a loss recognized in 2010 of $3.4 million when the Canadian dollar strengthened from 1USD=1.03 at October 1, 2010 to 1USD=0.9946 at December 31, 2010.

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, 2011. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period presented and reported amounts of expenses during said 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 year in which the estimate is revised and future years if the revision affects both current and future years. 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.

Significant assumptions about the future and other sources of estimation uncertainty at the end of the reporting period, 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 inputs used in measuring share-based compensation expense included in loss for the period; and

ii. the provision for the deferred income tax expense included in the loss for the period (nil for current period) and the composition of deferred income tax liabilities included in the consolidated statements of financial position at December 31, 2011.

1.12.1 Mineral resources and the carrying value of the Company's investment in the Pebble Partnership

Mineral resources 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 estimates which in turn could have a material effect on the carrying value of the Company's investment in the Pebble Partnership.

1.12.2 Impairment analysis of assets

At the end of each reporting period 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, 2011, the Company reviewed the carrying value of its assets and determined that there were no indicators of impairment.

1.12.3 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 pre-tax rates 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, 2011, the Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is minimal.

1.12.4 Share-based compensation expense

From time to time, the Company through its Board of Directors, grants share purchase options to directors, employees and service providers. The Company uses the Black-Scholes option pricing model to estimate the fair value for these options. This model, and other models which are used to fair 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.

During the year ended December 31, 2011, the Company granted share purchase options and the share-based compensation expense recognized relates to the vesting of tranches from this grant and grants of share purchase options in prior year grants. The following are the weighted average assumptions and inputs used to estimate the fair value of share purchase options granted during the year:

Risk-free interest rate	2.25%
Expected life	4.20 years
Expected volatility	64%
Grant date share price	$13.37
Expected dividend yield	Nil

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

A deferred tax liability 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

Accounting Standards, Interpretations and Amendments to Existing Standards

Effective January 1, 2011, the Group adopted new and revised IFRS that were issued by the IASB. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- *Amendment to IAS 32 Financial Instruments: Presentation*

  Rights, options or warrants to acquire a fixed number of the Group's equity instruments for a fixed amount of any currency will be allowed to be classified as equity instruments so long as the Group offers the rights, options or warrants pro rata to all of the Group's existing owners of the same class of the Group's non-derivative equity instruments.

- *Amendments to IFRS 3 Business Combinations*

  Clarification that the contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 that is outstanding at the adoption date continues to be accounted for in accordance with IFRS 3.
  Limiting the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation.

  Expansion of the guidance with regards to the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards.

- *Amendments to IAS 27 Consolidated and Separate Financial Statements*

  Clarification that the amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates, and IAS 31 Interests in Joint Ventures resulting from IAS 27 should be applied prospectively, except for amendments resulting from renumbering.

- *Amendments to IFRS 7 Financial Instruments: Disclosures*

  Amendment to disclosure requirements, specifically, ensuring qualitative disclosures are made in close proximity to quantitative disclosures in order to better enable financial statement users to evaluate an entity's exposure to risks arising from financial instruments.

- *Amendments to IAS 1 Presentation of Financial Statements*

  Clarification that the breakdown of changes in equity resulting from transactions recognized in other comprehensive income is required to be presented in the statement of changes in equity or in the notes to the financial statements.

- *Amendments to IAS 24 Related Party Disclosures*

  Amendment of the definition for related parties.

- *Amendments to IAS 34 Interim Financial Reporting*

  Addition of further examples of events or transactions that require disclosure and removal of references to materiality when discussing other minimum disclosures.

Accounting standards not yet effective

1) Effective for annual periods beginning on or after July 1, 2011

- Amendments to IFRS 7, *Financial Instruments: Disclosures*

  Increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

2) Effective for annual periods beginning on or after July 1, 2012

- Amendments to IAS 1, *Presentation of Financial Statements*

  Requires an entity to group items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. Earlier adoption is permitted.

3) Effective for annual periods beginning on or after January 1, 2013

- New standard IFRS 10, *Consolidated Financial Statements*

  Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance where it is difficult to assess. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation– Special Purpose Entities*, and IAS 27, *Consolidated and Separate Financial Statements*. Concurrently with the issuance of IFRS 10, IAS 27 and IAS 28, Investments in Associates were revised and reissued as IAS 27, *Separate Financial Statements* and IAS 28,

  Investments in Associates and Joint Ventures, to align with the new consolidation guidance.

- New standard IFRS 11, *Joint Arrangements*

  Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements rather than its legal form. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method. IFRS 11 supercedes IAS 31, *Interests in Joint Ventures* and SIC- 13, *Jointly Controlled Entities-Non-monetary Contributions by Venturers.*

- New standard IFRS 12, *Disclosure of Interests in Other Entities*

  Provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and consolidated structured entities.

- New standard IFRS 13, *Fair Value Measurement*

  Defines fair value and sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

The Company has not early adopted these new or revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

- New interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

  This Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. Earlier application is permitted. This interpretation and the requirements for accounting for stripping costs will only be applicable to the Group once it is in the production phase.

4) Effective for annual periods beginning on or after January 1, 2015

- New standard IFRS 9, *Financial Instruments, Classification and Measurement*

  The standard represents phase 1 of 3 phases to replace IAS 39, *Financial Instruments: Recognition and Measurement,* in its entirety. When completed IFRS 9, *Financial Instruments,* will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. Phase 1 was issued In November 2009 and amended in October 2010 and addressed the classification and measurement of financial assets and financial liabilities. This standard requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. Earlier application is permitted.

  The Company anticipates that the adoption of this standard will have no material impact except for additional disclosures.

1.14 Financial Instruments and Other Instruments

The loan receivable by the Company from Liberty Star has an equity conversion option. This equity conversion feature has been determined to be an embedded derivative which requires separation from the loan receivable. For embedded derivatives identified for separation, the fair value of the derivative must be calculated as of the inception date and at each reporting date subsequent to the inception date. The Company has determined that the fair value of the equity conversion option at the date of inception and at December 31, 2011, is of nominal value as no definitive earn-in and joint venture agreement has been entered into and the Minimum Expenditure has not been incurred by the Company in respect to the JV Agreement claims.

1.14.1 Non-derivative financial assets:

The Company 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 Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company'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

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. The Company's investments in marketable securities are classified as 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 including the Liberty Star loan receivable and balances receivable from related parties.

1.14.2 Non-derivative financial liabilities:

The Company 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.

1.14.3 Financial Risk Management

The Company 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 Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company'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 Company limits the exposure to credit risk in its cash and cash equivalents 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 Company for its programs. Management assesses the recoverability of the loan receivable from Liberty Star as at the end of each reporting period based on financial information available.

The Company's loan receivable from Liberty Star is secured by other claims and assets owned by Liberty Star in Alaska, USA.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company 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 Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover its short to medium term cash requirements. In the longer term on completion of the US$1.5 billion expenditure by Anglo American, any further expenditure will need to be funded by the Company and Anglo American on a 50:50 basis. The Group currently does not have the required funding to meet these long term obligations should they arise.

The Company's cash and cash equivalents are currently invested in business accounts and guaranteed investment certificates which are available on demand.

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

Further discussion can be found in Section 1.6 *Liquidity*.

Foreign Exchange Risk

The Group is exposed to foreign exchange risk in respect to its loan receivable which is denominated in US dollars. Also certain of the Company's corporate expenses are incurred in US dollars. As a consequence, the Company's operations are subject to currency transaction risk and currency translation risk. The operating results and financial position of the Company are reported in Canadian dollars in the Company'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 Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The exposure of the Company's cash and cash equivalents, amounts receivable and amounts receivable from related parties to foreign exchange risk (in thousands of dollars) is as follows:

Currency	As at December 31, 2011		As at December 31, 2010	
	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars
US dollars				
Amounts receivable	$ 4,220	$ 4,292	$ 3,153	$ 3,136
Cash and cash equivalents	36	36	49	48
Total financial assets	**$ 4,256**	**$ 4,328**	**$ 3,202**	**$ 3,184**

The exposure of the Company's amounts payable and other liabilities and amounts due to related parties to foreign exchange risk (in thousands of dollars) is as follows:

Currency	As at December 31, 2011		As at December 31, 2010	
	Foreign currency amount	Amount in Canadian dollars	Foreign currency amount	Amount in Canadian dollars
US dollars				
Amounts payable and other liabilities	$ 1	$ 1	$ 1	$ 1
Total financial liabilities	**$** 1	**$** 1	**$** 1	**$** 1

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 $433,000 in the year (2010 – $318,000). 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 Company is subject to interest rate risk with respect to its investments in cash and cash equivalents. The Company'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 100 basis points change representing a 1% increase or decrease in interest rates would have resulted in a decrease or an increase in the loss (in thousands of dollars) as follows:

	Year ended December 31	
	2011	2010
Effect on loss	$ 389	$ 400

Commodity price risk

While the value of the Company'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 Company 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 have fluctuated widely historically and are affected by numerous factors outside of the Company'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 Company'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 Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the period. The Company 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 under the Company's profile on SEDAR at www.sedar.com.

1.15.1 Disclosure of Outstanding Share Data

The capital structure of the Company is shown in the following table:

Common shares issued and outstanding	
As of March 28, 2012	94,995,764
As of December 31, 2011	94,978,764
Share options – as of March 28, 2012	8,289,782
(Weighted average exercise price per share: $8.72)	

1.15.2 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 and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

1.15.3 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 consolidated 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 consolidated financial statements.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. 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, 2011, 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, 2011, 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, 2011. Deloitte & Touche LLP as stated in their report that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2011, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

1.15.4 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.

1.15.5 Limitations of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any system of disclosure controls and procedures or 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 decision-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 controls. 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.

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 and/or the Pebble Partnership incur and have incurred in the past on the Pebble Project do not result in discovery and development of commercial quantities of ore, the value of exploration and acquisition expenditures incurred will be totally lost.

Feasibility work to determine the viability of the Pebble Project has not been completed and permits have not been applied for

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 incorrect. 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 neither the Company nor the Pebble Partnership has 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 they have shown an upward trend of late, future significant price declines could cause unfavorable changes in the economics of the project and may result in investors being unwilling to finance mineral projects, with the result that the Company may not be able to obtain sufficient financing to fund its exploration and, if warranted, development activities.

Compliance with environmental requirements will command 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 project. 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 the Company's or the Pebble Partnership's 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 of the Pebble Project 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 maintain high environmental standards for their 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 and legally permittable.

The Company and Pebble Partnership also compete 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 Pebble Project will require major financing, probably a combination of debt and equity financing. There can be no assurance that debt and/or equity financing will be available on acceptable terms. A significant increase in costs of capital could materially and adversely affect the value and feasibility of constructing the project.



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2011

This annual information form ("AIF") is as of March 28, 2012

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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.

The AIF incorporates by reference a technical report prepared pursuant to National Instrument 43-101, Standards of Disclosure for Mineral Projects (NI 43-101) dated February 17, 2011, copies of which are available on request from the offices of Northern Dynasty or by downloading from the SEDAR website at www.sedar.com.

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, 2011, as reported by the Bank of Canada for the conversion of one Canadian dollar into one United States dollar ("U.S. dollar"), was 0.9833.

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		
	2011	2010	2009
Rate at end of year	0.9833	1.0054	0.9515
Average rate for year	1.0110	0.9708	0.8760
High for year	1.0583	1.0054	0.9716
Low for year	0.9430	0.9278	0.7692

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:

CuEQ	Copper Equivalent
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.
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.
National Instrument NI 43-101	The Canadian securities rule which establishes disclosure standards for mineral projects by Canadian resource companies.
Porphyry deposit	A type of mineral deposit in which ore minerals are widely disseminated, generally of low grade but large tonnage.
Z-Axis Tipper	A geophysical survey deployed from a helicopter or small aircraft that

Electromagnetic Technique (ZTEM) airborne survey	measures vertical electromagnetic fields in the Earth caused by conductivity contrasts, and can map structures at greater depth than ground based systems. ZTEM will detect conductive zones (zones of alteration with mineralization) around more resistive intrusive rocks.

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 subdivided 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 Resourcefor 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 1040 West Georgia Street, 15 th floor, Vancouver, British Columbia, Canada V6E 4H1, telephone (604) 684-6365, facsimile (604) 684-8092. The Company's legal registered office is in care of its Canadian attorneys, McMillan 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, 2011, approximately $606 million in exploration expenditures have been made on the Pebble Project. Of this amount, approximately $418 million (US$398 million) in funding has been provided to the Pebble Partnership by an affiliate of Anglo American plc ("Anglo American") and expended from 2007 to 2011. Prior to the formation of the Pebble Partnership in 2007, Northern Dynasty had spent approximately $188 million on exploration activities and a further $106 million in acquisition costs on the Pebble Project.

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

Northern Dynasty holds indirect interests in 650 square miles of mineral claims in southwest Alaska, USA. These claims are part of or in the vicinity of the Pebble Copper-Gold-Molybdenum Project (the "Pebble Project").

Interest in the Pebble Limited Partnership and Pebble Project

On July 26, 2007, the Company converted a wholly-owned general partnership that held its Pebble Project interests into a limited partnership, the Pebble Limited Partnership ("Pebble Partnership"). Anglo American plc ("Anglo American") through a wholly-owned affiliate subscribed for 50% of the Pebble Partnership's equity effective July 31, 2007. The Company (through a wholly-owned affiliate) and Anglo American have equal rights in the Pebble Partnership. To maintain its 50% interest in the Pebble Partnership, Anglo American is required to commit staged cash investments into the Pebble Partnership aggregating 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 under the Company's profile 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.

The Pebble property consists of the Pebble deposit and 350 square miles of associated resource lands.

Option and Purchase of Interests in Other Properties in the vicinity of Pebble Property

Pebble Partnership Option to earn interests in Full Metal Minerals Properties

On January 31, 2012, the Pebble Partnership entered into a Limited Liability Company Agreement of Kaskanak Copper LLC (the "FMM Agreement") with Full Metal Minerals (USA) Inc. ("FMMUSA"), a wholly-owned subsidiary of Full Metal Minerals Corp., which superseded and replaced the letter agreement entered into by the same parties on September 27, 2011. Under the FMM Agreement, the Pebble Partnership can earn a 60% interest in Kaskanak Copper LLC (the "LLC"), which owns 100% of FMMUSA's South Pebble Claims (the "FMM Properties"), by incurring exploration expenditures of at least US$3 million and making annual payments of US$50,000 to FMMUSA over a period ending on December 31, 2013. The Pebble Partnership has been appointed as the manager of the LLC and will continue as manager until it resigns or is deemed to resign in certain defined circumstances which include a reduction of its ownership interest in the LLC to below 50%. For the duration of the earn-in period and the term of the Pebble Partnership's membership in the LLC, the Pebble Partnership will have an option to select and purchase claims that form part of the FMM Properties (the "Purchased Claims") at a price of US$25 per acre payable to FMMUSA, provided that the Purchased Claims are declared or agreed to be outside of the current scope of the operations of the LLC, constitute no more than 20,000 acres, constitute a continuous block of claims and are located outside an "Exclusion Area" specified in the FMM Agreement.

The FMM Properties total 542 claims covering approximately 135 square miles located west of the ground held 100% by the Pebble Partnership; 99 of these claims, covering an area of 24.3 square miles, form the "Exclusion Area".

Northern Dynasty Purchase and Option Agreement on Liberty Star Properties

On June 29, 2010, Northern Dynasty entered into an agreement with Liberty Star Uranium and Metals Corp. and its subsidiary, Big Chunk Corp. (together, "Liberty Star"), pursuant to which Liberty Star sold 23.8 square miles of claims (the "Purchased Claims"), to a US subsidiary of Northern Dynasty in consideration for both a US$1 million cash payment and a secured convertible loan from Northern Dynasty in the amount of US$3 million which accrues interest at 10% per annum calculated monthly (the "Loan"). The parties agreed with effect from November 14, 2011, to increase the principal amount of the Loan by US$730,174 (the “Additional Loan Amount”), being the amounts expended by Northern Dynasty to date on annual assessment work, rental and related fees relating to Liberty Star’s claims in Alaska. The Loan is repayable, in cash on demand or convertible into Liberty Star shares, after Northern Dynasty has spent at least a minimum amount (the “Minimum Expenditure”) earning into a joint venture (which has not yet been formed – see the discussion below). The Minimum Expenditure was originally set at US$1 million, but the parties subsequently agreed on November 14, 2011 to reduce the Minimum Expenditure by the Additional Loan Amount plus interest incurred thereon, with the result that the Minimum Expenditure has been reduced to US$271,900. The Pebble Partnership had the right to acquire the Purchased Claims for a limited period but declined to exercise that right.

In addition, subject to negotiating and signing a definitive earn-in option and joint venture agreement, Northern Dynasty will be able to earn a 60% interest in Liberty Star’s remaining Big Chunk properties in Alaska by spending US$10 million on those properties over six years. The Loan may be applied as part of the earn-in requirements, at Northern Dynasty’s discretion. As of the date of this AIF, Northern Dynasty and Liberty Star have not entered into a joint venture agreement. On September 8, 2011, the parties agreed to exclude the 56 Bonanza Hills claims (14 square miles) from any future joint venture between them.

The total area of the properties is 172.7 square miles, and includes the 95 Purchased Claims; 428 Big Chunk South claims (102.9 square miles) and 184 Big Chunk North claims (46 square miles). All are located in the vicinity of the Pebble property.

ITEM 5. DESCRIPTION OF BUSINESS

The Pebble Project

The Pebble Project is Subject to Alaska Laws

The Pebble Partnership is required to 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 establishes 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 Title 11 of the Alaska Administrative Code, Chapter 86, Section 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 Cominco American Incorporated ("Teck Cominco", now part of Teck Resources Ltd") 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), followed by 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 under the Company's

profile 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", a subsidiary of Rio Tinto plc) for $10.00 per share for proceeds of approximately $87 million. 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 19.8% . Currently, the holding represents approximately 19.1% .

Limited Partnership with Anglo American

On July 26, 2007, the Company converted the wholly-owned general partnership that held its Pebble Property interests into a limited partnership, the Pebble Partnership. Anglo American, through its wholly-owned affiliate subscribed for 50% of the Pebble Partnership's equity effective July 31, 2007. The Company (through a wholly-owned affiliate) and Anglo American have equal rights in the Pebble Partnership. To maintain its 50% interest in the Pebble Partnership, Anglo American is required to commit staged cash investments into the Pebble Partnership, aggregating to US$1.5 billion, as described below.

Anglo American's staged investment requirements include an initial minimum expenditure of US$125 million (completed in 2008) towards a prefeasibility report. The prefeasibility report is to be approved by the Board of the general partner (Pebble Mines Corp.), and is to summarize all previous prefeasibility studies. The Board of the general partner is also to approve the alternatives for a final Feasibility Study. Anglo American is required, in order to retain its 50% interest in the Pebble Partnership, to commit within 90 days of the later of the receipt of the approved prefeasibility report and the approved study alternatives, to fund further expenditures which would 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. Upon an affirmative decision by the Pebble Partnership to develop a mine, Anglo American is required to commit to the remaining portion of the total investment of US$1.5 billion in order to retain its interest in the Pebble Partnership. Following completion of the US$1.5 billion expenditure, any further expenditure will be funded by Anglo American and the Company 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 American's cash contributions to the Pebble Partnership from August 1, 2007 to December 31, 2011 amounted to $418 million (US$398 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 American under the Pebble Partnership Agreement and applicable tax regulations.

Technical Summary

The following disclosure is derived from Company files and pages 14 to 33 are from the Preliminary Assessment Technical Report, Pebble Project, Southwest Alaska, dated February 17, 2011 by Hassan Ghaffari, P.Eng, Robert Morrison, P.Geo, Andre de Ruijter, P.Eng, Tysen Hantelmann, P.Eng, Aleksandar Zivkovic, P.Eng, Scott Cowie, MAusIMM; and Doug Ramsey, P.R. Bio., of Wardrop Engineering Inc., a TetraTech Company ("Wardrop"). The Technical Report is available on the Company's website and on its profile at www.sedar.com.

Location, Access and Property Description

The Pebble Project is located in southwest Alaska. It is situated approximately **2**00 mi (320 km) southwest of Anchorage and 19 **mi (**30 km) northwest of the village of Iliamna.

Location of the Pebble Project



Year round access to the Pebble Project is currently achieved via air travel from Anchorage to the village of Iliamna which has two 5,500 ft (1,700 m) paved runways. Travel to Iliamna is by scheduled air flights or charter flights. The airstrip is suitable for significant freight class aircraft such as Hercules and DC-6 aircraft, as well as small commercial jet 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**.**

Northern Dynasty holds a 50% indirect interest in 2,043 mineral claims (210,840 acres) that comprise the Pebble property. The Pebble Partnership applies for work permits annually for its programs.

Topography and Climate

The climate of the Iliamna area is similar to Anchorage where the mean daily maximum temperature in July is degrees 63 F (17 degrees C) and the mean daily minimum temperature in January is 9 degrees F (minus13 degrees C). Average annual precipitation is 27 inches (689 mm) most of which is rainfall occurring from June to August. 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 described as subarctic tundra. It is characterized by rolling hills and absence of permafrost. Valley bottoms are at elevations of 820 ft (250 m) above sea level. The elevation ranges from 820 ft (250 m) to 2,760 ft (841 m) at Kaskanak Peak. Tundra plant communities (mixtures of shrubs and herbaceous plants) cover the project area. Willow is common only along streams and sparse patches of dense alder are confined to better drained areas where coarse soils have developed. Poorly drained areas support dwarf birch and grasses

History

In the mid 1980's, Cominco Alaska began reconnaissance exploration in the Pebble region. In 1987, examination and sampling of several prominent limonitic and hematitic alteration zones yielded anomalous gold concentrations from the Sill prospect (recognized as a precious metal, epithermal occurrence) and the Pebble discovery outcrop (of uncertain affinity). The 1988 exploration program included 24 diamond drill holes at the Sill prospect and soils sampling geological mapping and two diamond drill holes at the Pebble target. The initial Pebble drill holes yielded only modest encouragement. In 1989, an expanded soil sampling program, an induced polarization survey (IP) and nine diamond drill holes were completed at the Pebble target, 15 drill holes at Sill and 3 holes elsewhere on the property. Although limited in scope, the IP survey at Pebble displayed response characteristics of a large porphyry copper system. Subsequent drilling by Cominco Ltd (Teck) intercepted significant internals of porphyry style gold, copper and molybdenum mineralization.

When it came apparent that a significant copper-gold-molybdenum deposit had been discovered, exploration was accelerated. In 1990 and 1991, 25 and 48 diamond drill holes, respectively were completed. In 1991, baseline environmental and engineering studies were initiated and weather stations were established. A preliminary economic evaluation was undertaken in 1991 and updated in 1992 on the basis of 14 new diamond drill holes. In 1993, an IP survey and a 4-hole diamond drill program were carried out at a target 6 km to the south of the Pebble deposit. In 1997, Cominco performed an IP survey, geochemical sampling, geological mapping and 20 holes of diamond drilling into and near the Pebble Deposit.

Cominco conducted several resources estimates during the 1990's, employing block models with kriging or inverse distance weighting. The cutoff grade used was 0.3% CuEQ based on metal process of US$1.00/lb for copper and US$375/oz for gold. The most recent of these was in 2000; the resources totaled 1 billion tons grading 0.30% copper and 0.01 oz/ton gold. The Company is not treating this historical estimate as current mineral resources.

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

Between 2001 and 2006, the entire Pebble property was mapped for rock type, structure and alteration at a scale of 1:10,000. This work provided an important geological framework for interpretation of other exploration data and drilling programs. A geological map of the Pebble deposit was also constructed based on drill hole information as there is a general lack of outcrop. The content and interpretation of district and deposit scale maps have not changed materially since 2009.

Induced Polarization (IP) surveys totaling 122 line-km were completed in 1987 and 1997, and an additional 15 line-km were completed in 2001 for Northern Dynasty by Zonge Geosciences (“Zonge”). This work defined a chargeability anomaly about 91 square km in extent within Cretaceous rocks which surround the Kaskanak batholith on its eastern to southern margins. The broader anomaly was found to contain 11 distinct centres, reflected by stronger chargeability anomalies, many of which were later demonstrated to be coincident with extensive copper, gold and molybdenum soil geochemical anomalies. All known zones of mineralization of Cretaceous age in the Pebble district occur within the broad IP anomaly. Since the second half of 2009, a total of 194 line-km of IP chargeability and resistivity data has been collected by Zonge for the Pebble Partnership on the southern part of the property at a line spacing of about 900 m, with the objective to the extend the area of IP coverage completed prior to 2001.

An 18.7 line-km ground magnetometer survey was completed in 2002 by MPX Geophysics Ltd, to obtain a higher resolution of magnetic patterns than what was available from regional government magnetic maps. The work was focused on the 37 Skarn zone in the southern part of the Pebble property. A helicopter borne magnetic survey, consisting of 2,344 line-km at 200 km line spacing and 2,000 km spaced tie-lines, was flown over the entire property in 2007. An area of 37.4 square km was flow at 100 m spacing. A further 6,452 line-km airborne EM and magnetometer (ZTEM)

survey was flow by Geotech Ltd in 2010. A limited magnetotelluric survey was also completed in 2007 by GSY-USA Inc under the supervision of Northern Dynasty. Interpretation was done by Donald Hinks of RTZ. In July 2009, Spectrum Air, an Anglo American affiliated company completed a 3,840 line-km airborne electromagnetic, magnetic and radiometric survey over the Pebble area at regional (1.5 km line spacing) and more detailed (250 m line spacing) scales to provide geophysical constraints for structural and geological interpretation in areas of significant glacial cover.

Cominco collected a total of 7,337 soil samples between 1988 and 1995 at Pebble in several surveys. During the period of 2001-2003, Northern Dynasty collected an additional 1,026 soil samples at 30-76 m intervals along lines spaced at 122-129 m. These programs outlined high contrast coincident anomalies in gold, copper, molybdenum and other metals in an area that measures 9 km north-south by up to 4 km east-west, with strong but smaller anomalies in several outlying areas. All anomalies lie within the large IP chargeability anomaly.

Extensive drilling has taken place over more than 15 years. A total of 948,638 ft (289,145 m) has been drilled in 1,158 holes on the property from 1988 to 2010. Of this, 53,636 ft (16,348 m) were drilled in 48 holes on exploration targets and a further 3,375 ft (1,029 m) were drilled in 18 cored geotechnical holes for engineering and hydrological purposes in 2010. Programs in 2011 are described under *Ongoing Work by the Pebble Partnership - 2011 Drilling*.

Most has been done by diamond core drills. All collars have been survey by differential GPS or total station measurements. Most post-Cominco drill hole footage has been surveyed down hole. A total of 940 holes were drilled vertically and 218 are inclined from minus 42 to minus 85 degrees at various azimuths.

Drilling from 1988 to 2010 is summarized in the table below:

BY OPERATOR

Operator	# Holes	Feet	Metres
Cominco [1]	164	75,741.0	23,086
NDM	576	494,778.0	150,808
PLP [2]	411	372,669.3	113,590
FMM	7	5,450.0	1,661
TOTAL	**1,158**	**948,638.3**	**289,145**

BY YEAR

Year	# Holes	Feet	Metres
1988 [1]	26	7,601.5	2,317
1989 [1]	27	7,422.0	2,262
1990	25	10,021.0	3,054
1991	48	28,129.0	8,574
1992	14	6,609.0	2,014
1993	4	1,263.0	385
1997	20	14,695.5	4,479
2002	68	37,236.8	11,350
2003	67	71,226.6	21,710
2004	266	165,481.2	50,439
2005	114	81,978.5	24,987
2006 [3]	47	72,621.9	22,135
2007 [4]	92	167,666.9	51,105
2008 [5]	241	184,726.4	56,305
2009	33	34,947.6	10,652
2010	66	57,011.3	17,377
TOTAL	**1,158**	**948,638.3**	**289,145**

BY PURPOSE

Purpose	# Holes	Feet	Metres
Exploration [1, 5]	623	801,908.8	244,422
Geotechnical	245	65,152.1	19,858
Metallurgical	60	56,023.0	17,076
Environmental	230	25,554.4	7,789

BY TYPE

Purpose	# Holes	Feet	Metres
Core [1, 5]	936	929,922.6	283,440
Percussion[6]	222	18,715.6	5,704
TOTAL	**1,158**	**948,638.2**	**289,145**

BY AREA

Area	# Holes	Feet	Metres
East	110	435,613.5	132,775
West	404	316,337.1	96,420
Main [7]	85	8,568.2	2,612
NW	157	32,235.4	9,825
North	40	22,630.5	6,898
NE	10	1,097.0	334
South	69	29,129.9	8,879
25 Zone	8	4,047.0	1,234
37 Zone	7	4,252.0	1,296
38 Zone	20	14,221.5	4,335
52 Zone	5	2,534.0	772
308 Zone	1	879.0	268
Eastern	5	621.5	189
Southern	155	59,073.4	18,006
SW	43	6,952.8	2,119
Sill	39	10,445.5	3,184
TOTAL	**1,158**	**948,638.3**	**289,145**

1. Includes holes drilled on the Sill prospect.
2. Holes started by NDM and finished by PLP are included as PLP.
3. Drill holes counted in the year in which they were completed.
4. Wedged holes are counted as a single hole including full length of all wedges drilled.
5. Includes Full Metal Minerals (FMM) drill holes. Data acquired in 2010.
6. Shallow (<15 ft) augur holes not included.
7. Comprised of holes drilled entirely in Tertiary cover rocks within the Pebble West and Pebble East areas.

Drill hole locations from 1988 to 2010 are shown in the figure below:

Mineralization

Mineralization within the Pebble deposit is dominated by hypogene (primary) pyrite, chalcopyrite and molybdenite. Bornite is also an important component in some parts of the Pebble East zone. The Pebble West zone has a thin, volumetrically subordinate zone of supergene (enriched) mineralization and a very minor zone of oxide (alteration of primary minerals by reaction with water and air at surface) mineralization. The Pebble East zone contains only hypogene mineralization.

Copper-gold-molybdenum mineralization, as currently known, extends over an east-west elongated area of 2.8 by 1.9 miles (4.9 by 3.3 km) and to a depth of 2,000 feet (610 m) in the Pebble West zone, and to at least 5,000 feet (1,525 m) in the Pebble East zone. Mineralization in the Pebble East zone 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.

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

Of the core drilled since 2002, 52% is 2.5 inch HQ, 38% is 1.875 inch NQ and 10% is 3.35 inch PQ diameter. Core recovery is generally very good. As measured in 2004 on a drill run basis, it averages 98% for Cretaceous rocks used in the mineral resource estimated. Almost 70% of Cretaceous rock intervals have recoveries of 100%**.**

Core logging and processing are carried out in a secure compound at the Pebble site office by or under the supervision of site geologists and or engineers. Core processing includes recording of geological parameters; geotechnical data; density measurements approximately every 100 ft (30 m) and photography of each box of core.

All Cretaceous core intervals since 2002 and all Tertiary waste rock intervals drill and recovered since 2004 have been sampled and assayed. Sample of Cretaceous core have been sampled by sawing the core lengthwise and typically average 10 ft (3 m) in length. Tertiary waste rock samples and some Cretaceous samples from metallurgical drill holes have been taken by a 20% off centre saw method. Tertiary samples generally range up to 20 ft (6.1 m) in length. All samples are sent to independent third party laboratory ALS Group (formerly Chemex) for preparation and analysis, except in 1997 and 2003 when they were sent Cominco Exploration Research and SGS Minerals laboratories respectively. The core remaining after sampling is archived in a secure compound located near the core logging facility.

As the Pebble Project has progressed, chemical analysis methods, quality assurance and quality control and sample security procedures have also progressed to meet standards of the day. Drill core is boxed and transported daily to the secure compound at the Iliamna airport. It is shipped by air charter to Anchorage and then by commercial air freight to Fairbanks where it is delivered and prepared. After preparation, it is shipped by air freight to the analytical laboratory.

Since 2004 the protocol for preparation has been to dry, weigh and crush the entire sample to 70% <10 mesh (2mm), split either a 1,000 g (Cretaceous) or 250 g (Tertiary) sub-sample and pulverize to 95% <200 mesh (75 microns). Similar sample preparations were employed prior to 2004. Since 2002, copper, molybdenum, silver and several additional elements have been determined by multi-element Induced Coupled Plasma Atomic Emission Spectroscopy/Mass Spectrometry (ICP-AES/MS) after acid digestion. Prior to 2002, Cominco used a combination of single element Aqua Regia digestions Atomic Absorption Spectrometry (AAS) determinations and multi-element ICP-AES. In all cases, fire assay, with AAS or gravimetric finish, has been used for the determination of gold.

Northern Dynasty maintained an effective quality control and quality assurance (QA/QC) system consistent with industry best practice and this has been continued under the Pebble Partnership during 2007-2011. This is in addition to the QA/QC procedures used internally by the analytical laboratories. The QA/QC program has been subject to independent review by Analytical Laboratory Consultants (2004-2007) and Nicholson Analytical Consultants (2008-2011). The analytical consultants provide ongoing monitoring, including facility inspection, and timely reporting of the performance of standards, blanks and duplicates in the drill hole sampling and analytical program. The results of this program indicate that analytical results are of a high quality suitable for use in detailed modeling and resource evaluation studies.

Standards are inserted into the Cretaceous sample stream at approximately 1 for every 20 samples after sample preparation and as anonymous consecutively number pulps. For Tertiary waste samples coarse blanks were inserted in the field until 2008; now commercial pulp blanks are used. Random duplicates samples are selected and tagged in the field. Some 4,541 duplicate samples were taken since 1989 for inter-laboratory duplicate analysis. From 2004 onward, samples to be duplicated were split by ALS Laboratory in Fairbanks Alaska and sent to Acme Laboratories in Vancouver BC for pulverization and analysis; duplicates from 2004-2010 match well . A total of 1,091 blanks have been inserted since 2004 to test for contamination. The majority of results are below the detection limit. Copper, gold and molybdenum assays are monitored by internal lab and filed inserted standards. Other elements are monitored by parallel analysis by ICP-MS methods.

Mineral Resources

The current mineral resource estimate for the Pebble deposit is based on seven years of geological and geostatistical analysis to September 2009. The mineral resources are based on a February 2010 estimate prepared for the Pebble Partnership by David Gaunt, P.Geo., Hunter Dickinson Inc., and audited by Robert Morrison, P.Geo., of Wardrop who is independent of Northern Dynasty and responsible for the estimate in the Preliminary Assessment. Results are tabulated below:

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 all or any part of mineral deposits in these categories will ever be converted into reserves.**

Cut-off (% CuEQ)	CuEQ (%)	Mt	Cu (%)	Au (g/t)	Mo (ppm)	Cu (Blb)	Au (Moz)	Mo (Blb)	CuEq (Blb)
Measured									
0.30	**0.65**	**527**	**0.33**	**0.35**	**178**	**3.8**	**5.9**	**0.21**	**7.6**
0.40	0.66	508	0.34	0.36	180	3.8	5.9	0.20	7.4
0.60	0.77	277	0.40	0.42	203	2.4	3.7	0.12	4.7
1.00	1.16	27	0.62	0.62	301	0.4	0.5	0.02	0.7
Indicated									
0.30	**0.80**	**5,414**	**0.43**	**0.35**	**257**	**51.3**	**60.9**	**3.07**	**95.5**
0.40	0.85	4,891	0.46	0.36	268	49.6	56.6	2.89	91.7
0.60	1.00	3,391	0.56	0.41	301	41.9	44.7	2.25	74.8
1.00	1.30	1,422	0.77	0.51	342	24.1	23.3	1.07	40.7
Measured + Indicated									
0.30	**0.78**	**5,942**	**0.42**	**0.35**	**250**	**55.0**	**66.9**	**3.28**	**102.2**
0.40	0.83	5,399	0.45	0.36	260	53.6	62.5	3.09	98.8
0.60	0.98	3,668	0.55	0.41	293	44.5	48.3	2.37	79.2
1.00	1.29	1,449	0.76	0.52	341	24.3	24.2	1.09	41.2

Cautionary Note to Investors Concerning Estimates of Inferred Resources

This section also 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 all or any part of an inferred resource exists, or is economically or legally mineable.**

Cut-off (% CuEQ)	CuEQ (%)	Mt	Cu (%)	Au (g/t)	Mo (ppm)	Cu (Blb)	Au (Moz)	Mo (Blb)	CuEq (Blb)
Inferred									
0.30	**0.53**	**4,835**	**0.24**	**0.26**	**215**	**25.6**	**40.4**	**2.29**	**56.5**
0.40	0.66	2,845	0.32	0.30	259	20.1	27.4	1.62	41.4
0.60	0.89	1,322	0.48	0.37	289	14.0	15.7	0.84	25.9
1.00	1.20	353	0.69	0.45	379	5.4	5.1	0.29	9.3

The tabulated mineral resources are subject to the notes below:

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 Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. 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.

2011 Preliminary Assessment

The positive results of an independent Preliminary Assessment of the Pebble Project, completed by Wardrop, were announced by Northern Dynasty in February 2011. The 2011 Preliminary Assessment updates and substantially revises the project economic analysis last done by Northern Dynasty in 2004.

The Preliminary Assessment is based on Wardrop's comprehensive review of recent engineering and technical studies undertaken principally by the Pebble Partnership and by Northern Dynasty. The economic assessments and other opinions expressed in the Preliminary Assessment are strictly those of Northern Dynasty and Wardrop, and do not reflect the views of any other stakeholder in the project. The Pebble Partnership continues to separately undertake detailed engineering studies toward the completion of a prefeasibility report for the Pebble Project, including ongoing programs to engage project stakeholders in the planning process. As such, any project which is ultimately put forward by the Pebble Partnership for permitting under the National Environmental Policy Act ("NEPA") may differ from those mine models presented in the Preliminary Assessment.

The Preliminary Assessment describes and assigns potential economic value to three mine development cases and a nominal processing rate of 200,000 tons per day. These are:

1. An Investment Decision Case ("IDC Case"), which describes an initial 25-year open pit mine life upon which a decision to initiate mine permitting, construction and operations may be based;

2. A Reference Case, which is based on 45 years of open pit mine production; and

3. A Resource Case, which is based on 78 years of open pit mine production and seeks to assess the longer-term value of the project in current dollars.

For the purposes of its Preliminary Assessment, Wardrop has selected the 45-year Reference Case as its base case. All currency values are in US dollars. Production rates are stated in imperial tons.

Key Findings

- For the Pebble Project, the *45-year Reference Case* yields a 14.2% pre-tax Internal Rate of Return (IRR), a 6.2-year payback on initial capital investment of US$4.7 billion and a US$6.1 billion pre-tax Net Present Value (NPV) at a 7% discount rate and long-term metal prices defined in the Preliminary Assessment as $2.50 per pound of copper, $1,050 per ounce of gold, $13.50 per pound of molybdenum and $15.00 per ounce of silver. At the prevailing metal prices in early 2011, defined in the Preliminary Assessment as $4.00 per pound of copper, $1,350 per ounce of gold, $15.00 per pound of molybdenum and $28.00 per ounce of silver, the *45-year Reference Case* yields a 23.2% pre-tax IRR, a 3.2-year payback on initial capital investment and a US$15.7 billion pre-tax NPV at a 7% discount rate.
- For Northern Dynasty's 50% share of the project, the *45-year Reference Case* yields an 18% pre- tax and 15.4% post-tax IRR, a 4.7-year pre-tax and 5.3-year post-tax payback on initial capital investment and a US$3.6 billion pre-tax and US$2.4 billion post-tax NPV at a 7% discount rate and long-term metal prices. At the prevailing metal prices in early 2011, the 45-year Reference Case yields a 30.2% pre-tax and 25.1% post-tax IRR, a 2.6-year pre-tax and 3.1-year post-tax payback on initial capital investment and a US$8.3 billion pre-tax and $5.6 billion post-tax NPV at a 7% discount rate for Northern Dynasty's 50% interest.
- The *45-year Reference Case* produces 31 B lb copper, 30 M oz gold, 1.4 B lb molybdenum, 140 M oz silver, 1.2 M kg rhenium and 907,000 oz palladium while mining only 32% of the mineral resource.
- For the 45-year Reference Case, cash costs per payable lb of copper after by-product credits total minus US$0.11.

The Preliminary Assessment, in part, uses Inferred mineral resources which are considered too speculative geologically to be categorized as mineral reserves and to have economic considerations applied to them. There can be no assurance that the operating and financial projections contained in the Preliminary Assessment will be realized.

Development Scenario used for the Preliminary Assessment

As described in the Preliminary Assessment, the Pebble deposit supports an open pit mine utilizing conventional drill, blast and truck-haul methods, with an initial life of 25 years and potential for mine extensions to 78 years and beyond. Phases of mine development beyond 25 years would require separate permitting and development decisions to be made in the future, based on prevailing conditions at the time and the accumulated experience gained from developing and operating the initial phase of the Pebble Project. Near-surface mineral resources in the western portion of the deposit would be most efficiently developed through open pit methods, but the potential exists for underground mining (in particular block caving) to emerge as the preferred mining method for subsequent phases of development. Given its size, structure and polymetallic nature, the Pebble deposit presents a great deal of flexibility in near-term and long-term development options.

Of the three development cases, the *25-year IDC Case* is the most comprehensively engineered. It seeks to mine near-surface resources for rapid payback, primarily in Measured and Indicated categories but also including a small proportion (16%) of Inferred material. This initial phase of mining processes about two billion tons of material or less than 20% of the total Pebble mineral

resource. As such, it is not considered to be ideal for assessing the potential long-term economic value of the Pebble Project.

The level of engineering applied to the *45-year Reference Case* is similar to that in the *25-year IDC Case*, with the exception of detailed engineering associated with tailings storage after year 25. This extended phase of mining processes some 3.8 billion tons of material (or 32% of the total Pebble mineral resource), primarily in Measured and Indicated categories. Inferred resources comprise 28% of the total volume mined. Wardrop selected the *45-year Reference Case* as the base case for its Preliminary Assessment due to the enhanced level of development of the Pebble mineral resource within a timeframe that makes a significant contribution to the project's NPV. However, the *45-year Reference Case* in itself is not an optimized mine plan.

The *78-year Resource Case* is based on a continuation of mining methods, costs and assumptions that inform the *25-year IDC Case* and the *45-year Reference Case*. By developing some 55% of the Pebble mineral resource over eight decades, it is intended to demonstrate the longer-term value of the Pebble Project. The *78-year Resource Case* processes some 6.5 billion tons of material, primarily in Measured and Indicated categories. Inferred resources comprise 33% of the total volume mined.

While the economic valuation of all three development cases is based on open pit mining only, a detailed description of underground block cave mine design, operations, costs and production at a mining rate of 150,000 tons per day is also provided in the Preliminary Assessment.

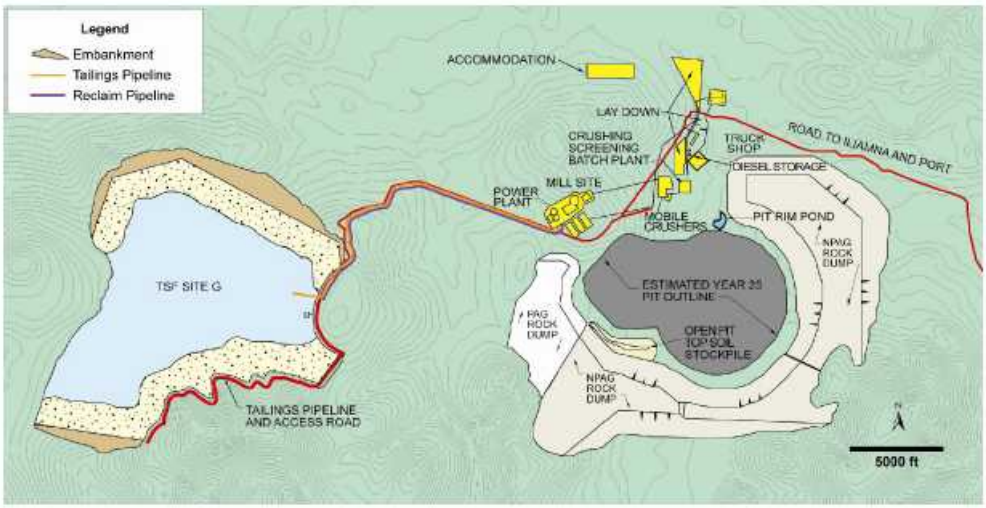
The Pebble process plant, as described in the Preliminary Assessment, employs conventional crush-grind-float technology and equipment, as well as secondary gold recovery, with a nominal throughput of 200,000 tons per day and the potential to process up to 275,000 tons per day in certain years. Annual throughput averages 219,000 tons per day for the *25-year IDC Case*, and 229,000 tons per day for the *45-year Reference Case* and *78-year Resource Case*.

The grinding circuit comprises two 40 ft x 25 ft @ 29 megawatt semi-autogenous grinding (SAG) mills and four 26 ft x 40 ft @ 16.4 megawatt ball mills. The concentrator produces a copper-gold concentrate containing 26% copper and 18 grams gold per dry tonne, as well as a 52% molybdenum concentrate and gold doré. It is anticipated that the Pebble Partnership would construct a molybdenum autoclave plant offshore to treat the molybdenum concentrate, thereby realizing enhanced value through improved pricing for rhenium and additional copper recovery.

Mine schedules have been developed for the life of mine in each development case, setting out volumes of mineralized and non-mineralized material, densities, tons, dilution, grades of contained metals (copper, gold, molybdenum) and material hardness. A key aspect of these schedules is the annual plant throughput tonnage, which is defined by the grindability of the mineralized material. The rate of production in any given year is derived by that tonnage which utilizes all available energy for which the plant has been designed (909 GWh/a). The production limit of 275,000 tons per day is therefore determined by the SAG mill hydraulic limit. Accordingly, the annual processing rate fluctuates over the mine life as the hardness of the mill feed varies.

Other mine-site facilities and installations include tailings storage, rock storage, a 378 megawatt combined-cycle natural gas-fired turbine plant, as well as shop, office and camp buildings.

A map showing the proposed mine-site layout for the *25-year IDC Case* is shown below:



Copper-gold concentrate produced at Pebble is transported via a slurry pipeline to a new deep-water port on Cook Inlet. There it is de-watered and bulk shipped to offshore smelters. Other products of the process plant are gold doré, which would be flown to market from an existing aviation facility at Iliamna, and molybdenum concentrate, which would be bagged and trucked to the port for shipment.

Process tailings are stored behind purpose-built embankments during mining, and thereafter in the pit. A mine life extension beyond 25 years would require a second tailings storage facility (TSF) to be developed; topographical and land status conditions in the project area present a number of nearby siting opportunities. Engineering has been undertaken to a preliminary level for TSF sites with sufficient capacity to receive mine tailings after 25 years.

The TSF option selected for the *25-year IDC Case* is Site G, located approximately three miles west of the open pit. The TSF impoundment would be created by three embankments. The north embankment is constructed initially to a height of approximately 200 feet and raised each year, while the south and east embankments would be built later in the mine life as the impoundment fills. The ultimate height of the north embankment is approximately 685 feet, while ultimate heights for the south and east embankments are approximately 450 feet and 100 feet, respectively.

A site-wide water surplus is forecast at the Pebble Project over the life of the mine. All surplus water would be treated to meet prevailing regulatory standards for water quality and the protection of aquatic life, and released to optimize downstream flow conditions for fish and aquatic habitat.

Infrastructure

As described in the Preliminary Assessment, an 86-mile transportation corridor would be developed to link the Pebble mine site to a new deep-water port on Cook Inlet, 66 miles to the east, as shown on the local infrastructure map below. The transportation corridor includes a two-lane, all-weather permanent access road, whose primary purpose is to transport freight by conventional

highway tractors and trailers. The transportation corridor also includes four buried, parallel pipelines, including:

- a copper-gold concentrate slurry pipeline from the mine site to the port;
- a return water pipeline from the port site to the mine;
- a natural gas pipeline from the port site to the mine to fuel a natural gas-fired generating plant at the mine site; and
- a diesel fuel pipeline from the port site to the mine.

Pebble transportation corridor and port site location



A new, permanent deep-water port developed at the entrance to Iniskin Bay on Cook Inlet would serve as a product load-out facility, and facilitate in-bound fuel, equipment and supply shipments. Facilities at the port include a barge dock, deep-sea ship dock, container storage and a handling area for containers. Infrastructure components at the port site include a power generation plant, accommodation and maintenance facilities, offices, fuel storage and transfer facilities. On an annual basis, the port will accommodate shipping of 1.1 million tons of concentrate in Handymax vessels of approximately 50,000 tons, as well as diesel fuel and container barges of equipment and supplies.

Project planning assumes that the nearby Cook Inlet gasfield does not currently have adequate natural gas supplies to meet project needs. Natural gas would be sourced from other regions of Alaska and transported by pipeline from the Kenai Peninsula across Cook Inlet via a sea-bottom line to the port site and along the transportation corridor to the mine site. An alternative is the importation of liquefied natural gas (LNG) directly to the port site. Diesel fuel would be transported via pipeline from the port fuel storage facility to the mine site. In addition to fuelling mobile mining equipment and other rolling stock, emergency electrical generators also operate on diesel fuel.

Project Workforce

Construction of the Pebble Project is projected to take four years, with a peak labour force of 2,080. The operations workforce is projected to average 1,120 over the initial 25-year life of the mine,

with longer-term labour requirements to be determined by the mine development alternatives selected. Both construction and operations workforces would be accommodated in project camps at the mine site and the port site, and work on a rotational basis. The Pebble Partnership has stated its intention to maximize local and Alaskan hire at the Pebble Project, and is developing a workforce development plan to accomplish this goal.

Production Profiles

The *45-year Reference Case* processes 3.8 billion tons of mineralized material, with a strip ratio of 2.1:1 and average grades of 0.46% copper, 0.011 oz gold per ton and 214 ppm molybdenum. Metallurgical recoveries average 87.9% for copper, 71.3% for gold and 87.9% for molybdenum. Over the life of mine, *the 45-year Reference Case* produces 30.5 billion lb of copper, 30.3 million oz of gold and 1.4 billion lb of molybdenum, as well as 140 million oz of silver, 1.2 million kg of rhenium and 907,000 oz of palladium.

Production results for all three development cases are presented in the table below:

Item	Unit	IDC Case	Reference Case	Resource Case
Mine Life	years	25	45	78
Mining Method		Open Pit	Open Pit	Open Pit
Strip Ratio	waste : ore	1.5	2.1	2.6
Processing Rate	M ton / yr	80	84	84
Total Processed	M ton	1,990	3,767	6,528
% of M+I+I Resource	%	17	32	55
Copper Eq. Grade	%	0.72	0.83	0.84
Copper Grade	%	0.38	0.46	0.46
Gold Grade	oz / ton	0.012	0.011	0.011
Molybdenum Grade	ppm	182	214	243
Copper Recovery	%	86.6	87.9	88.4
Gold Recovery	%	71.5	71.3	71.2
Molybdenum Recovery	%	84.8	87.9	89.4
Copper Eq. Recovered	M lb	24,483	54,129	96,357
Copper Recovered	M lb	12,944	30,494	53,437
Gold Recovered	000 oz	16,391	30,307	50,133
Molybdenum Recovered	M lb	616	1,420	2,835
Peak Annual Copper Recovered	M lb	822	1,157	1,096
Peak Annual Gold Recovered	000 oz	1,038	1,127	1,088
Peak Annual Molybdenum Recovered	M lb	43	56	62
Avg Annual Copper Recovered	M lb	518	678	685
Avg Annual Gold Recovered	000 oz	656	673	643
Avg Annual Molybdenum Recovered	M lb	25	32	36
26% Cu-Au Concentrate Produced	000's dmt	22,582	53,200	93,225
52% Mo Concentrate Produced	000's dmt	537	1,239	2,473

Capital and Operating Costs

Initial and Sustaining Capital

All three development cases presented in the Preliminary Assessment have the same initial capital requirement of $4.7 billion. This includes:

- direct field costs for executing the project;
- indirect costs associated with the design, construction and commissioning of new facilities;
- owner's support costs for corporate, environmental, permitting and staffing; and
- capital costs to completion of construction and commissioning at the end of Year -1.

The capital cost estimate has been developed over a series of project stages and is largely based on first principles estimates. Quantities have been derived for project components for which productivity and labour rates have been estimated for specific trades. As a result, the capital cost estimate approaches a pre-feasibility level of accuracy.

It has been anticipated in the financial valuation that the Pebble Partnership will enter into strategic partnerships as needed to develop, finance and operate a number of infrastructure assets – including the transportation corridor (port and road) and the power plant. Each financial case also assumes that the Pebble Partnership will construct a molybdenum autoclave plant offshore to treat the molybdenum concentrate, and thereby realize enhanced value through improved pricing for rhenium and additional copper recovery. Other costs include owner's costs and an overall capital cost contingency of 17.7% ..

The initial capital cost for all three development cases is shown in the table below:

Area	Cost ($M)
Mining	430.8
Processing	1,389.3
Other Infrastructure	422.0
Tailings	294.0
Pipelines	97.5
Access Road *	162.0
Port Infrastructure *	154.5
Power Generation *	534.1
Indirect Costs	1,406.8
Contingency	865.7
Molybdenum Autoclave	374.2
Less: Escalation/ De-Escalation	(121.1)
Less: Outsourced Infrastructure *	(1,315.0)
Total	**4,694.8**

**Outsourced infrastructure, including associated indirects and contingencies*

Sustaining capital requirements (in $M) for all three development cases are shown in the table below:

Area	IDC Case	Reference Case	Resource Case
Open Pit	2,047	3,286	7,225
Processing	146	230	517
Infrastructure	12	165	165
Waste Management	846	2,211	3,364
Other	70	104	180
Molybdenum Autoclave	83	144	276
Total	**3,204**	**6,140**	**11,727**

Operating Costs

Life of mine unit operating costs for the 45-year Reference Case is estimated to be $11.55 per ton milled. This includes all costs associated with open pit mining of mineralized and non-mineralized material, processing of mill feed to a final concentrate and all services required to support the operation. This estimate has been prepared as an annual cost for each year of the project from plant start-up to mine closure. Operating costs are based on estimated process plant throughput rates, which range depending on the grindability of the material fed to the process plant.

Life of mine unit operating costs for all three development cases are presented in the table below:

Description	Unit	IDC Case	Reference Case	Resource Case
Total Operating Costs	$M	22,208	43,489	96,063
Open Pit	$ / ton	3.83	4.30	7.19
Process	$ / ton	4.50	4.60	4.93
Transportation	$ / ton	0.97	0.91	0.91
Environmental	$ / ton	0.30	0.29	0.31
G&A	$ / ton	1.56	1.45	1.38
Total Operating Costs per ton milled	**$ / ton**	**11.16**	**11.55**	**14.72**

Costs of ocean freight for the transportation of final concentrate to off-shore smelters, as well as all smelter and other offsite charges, are summarized in the table below:

Description	Unit	IDC Case	Reference Case	Resource Case
Offsite Charges				
Total Offsite Charges	$ M	4,752	11,089	19,938
Offsite Charges per ton milled	$ / ton	2.39	2.94	3.05
Cash Cost Analysis				
Offsite Charges	$/lb	0.38	0.38	0.39
Operating Costs	$/lb	1.79	1.48	1.87
Copper Cash Cost	$/lb	2.17	1.86	2.26
By-Product Credits	$/lb	-2.27	-1.97	-2.05
C1 Copper Cost	$/lb	-0.10	-0.11	0.21

Financial Valuation

Pebble Project

Economic valuations for all three development cases presented in the Preliminary Assessment are expressed in US dollars in real terms. The valuation date for NPV, IRR and other financial results is at the commencement of project construction.

Long-term metal prices and prevailing metal prices in early 2011 applied to the financial model for each of the development cases are outlined in the table below:

Metal Type	Unit	Long Term Metal Prices	Prevailing Metal Prices Early 2011
Copper	$/lb	2.50	4.00
Gold	$/oz	1,050	1,350
Molybdenum	$/lb	13.50	15.00
Silver	$/oz	15.00	28.00
Rhenium	$/kg	3,000	3,000
Palladium	$/oz	490	490

Net Smelter Return (NSR) statistics at long-term metal prices for all three development cases are provided in the table below:

Description	Unit	IDC Case 25 years	Reference Case 45 years	Resource Case 78 years
NSR LOM	$ M	54,637	120,197	213,970
NSR Annual Average	$ M	2,185	2,671	2,743
Copper	%	52	55	55
Gold	%	29	24	22
Molybdenum	%	15	16	18
Other	%	4	5	5
NSR per ton milled	$ / ton	27.45	31.91	32.78

Annual cash flows are calculated and subsequently discounted at a rate of 7%. Market convention generally uses a discount rate of 8% for copper and other base metal projects and 5% for gold and other precious metal projects. Given the large contribution of gold to total revenues at the Pebble Project, a 7% blended discount rate has been selected. Financial results for all three development cases are summarized below:

Item	Unit	IDC Case	Reference Case	Resource Case
Mine Life	years	25	45	78
Initial Capital	$ M	4,695	4,695	4,695
LOM Sustaining Capital	$ M	3,204	6,140	11,727
LOM NSR	$ M	54,637	120,197	213,970
NSR Per Ton	$ / ton	27.45	31.91	32.78
LOM Operating Cost	$ M	22,208	43,489	96,063
Operating Cost Per Ton	$ / ton	11.16	11.55	14.72
C1 Copper Cost	$ / lb	-0.10	-0.11	0.21
LOM Pre-Tax Net Cash Flow	$ M	20,123	55,278	87,329
Long-term Metal Prices				
Pre-Tax NPV at 7%	$ M	3,837	6,129	6,812
Pre-Tax IRR	%	13.4%	14.2%	14.5%
Pre-Tax Payback	years	6.5	6.2	6.1
Prevailing Metal Prices Early 2011				
Pre-Tax NPV at 7%	$ M	11,410	15,709	16,864
Pre-Tax IRR	%	22.6%	23.2%	23.3%
Pre-Tax Payback	years	3.2	3.2	3.2

Pre-tax results are before income taxes but after net profits interest (NPI) royalty and local production taxes.

Northern Dynasty's 50% Interest

Under the terms of the Pebble Limited Partnership Agreement, Anglo American is required to elect to commit $1.5 billion in staged investments in order to retain its 50% interest in the Pebble Project. A significant proportion of Anglo American's financial contribution is expected to be applied to initial capital costs to construct the mine, thereby reducing Northern Dynasty's capital requirements.

In order to calculate an NPV and IRR estimate for Northern Dynasty's 50% interest in the Pebble Project under this scenario, it is necessary to adjust Northern Dynasty's share of initial capital costs. For the purpose of this calculation, it is assumed that $1 billion of Anglo American's funding requirement will be applied to the Pebble Project's capital cost for construction. To the end of 2011, Anglo American has invested some $398.5 million to advance the Pebble Project.

In as much as Northern Dynasty is in a position to calculate taxes payable for its portion of profits associated with development of the Pebble Project, financial results for Northern Dynasty's 50% interest in the project have been presented on a pre-tax and post-tax basis, and at long-term and prevailing metal prices in early 2011, in the table below:

Item	Unit	IDC Case	Reference Case	Resource Case
Long-term Metal Prices				
Pre-Tax NPV at 7%	$ M	2,403	3,550	3,891
Pre-Tax IRR	%	17.3	18.0	18.4
Pre-Tax Payback	years	4.9	4.7	4.6
Prevailing Metal Prices Early 2011				
Pre-Tax NPV at 7%	$ M	6,190	8,339	8,917
Pre-Tax IRR	%	29.5	30.2	30.4
Pre-Tax Payback	years	2.7	2.6	2.6
Long-term Metal Prices				
Post-Tax NPV at 7%	$ M	1,559	2,358	2,650
Post-Tax IRR	%	14.6	15.4	15.8
Post-Tax Payback	years	5.6	5.3	5.3
Prevailing Metal Prices Early 2011				
Post-Tax NPV at 7%	$ M	4,141	5,561	6,002
Post-Tax IRR	%	24.5	25.1	25.4
Post-Tax Payback	years	3.1	3.1	3.0

Pre-tax results are before income taxes but after NPI royalty and local production taxes.

The impact of various discount rates on Northern Dynasty's post-tax NPV, and the sensitivity of this post-tax NPV at a 7% discount rate to a range of copper and gold prices (both individually and combined with other metal prices held constant) is presented in the table below. Life of Mine cash flow is $7,535 million for the *25-year IDC Case*, $19,818 million for the *45-year Reference Case* and $31,583 million for the *78-year Resource Case*.

Item	Unit	IDC Case	Reference Case	Resource Case
Discount Rate				
NPV at 5%	$M	2,491	4,164	4,877
NPV at 7%	$M	1,559	2,358	2,650
NPV at 8%	$M	1,213	1,774	1,975
NPV at 10%	$M	689	976	1,087
Copper Price (Gold $1050/oz, Mo $13.50/lb)				
2.50	$M	1,559	2,358	2,650
2.75	$M	1,893	2,776	3,089
3.00	$M	2,226	3,192	3,525
3.25	$M	2,557	3,605	3,955
3.50	$M	2,874	4,006	4,375
3.75	$M	3,188	4,404	4,792
4.00	$M	3,499	4,796	5,201
4.25	$M	3,802	5,181	5,605
Gold Price (Copper $2.50/lb, Mo $13.50/lb)				
1050	$M	1,559	2,358	2,650
1100	$M	1,646	2,459	2,755
1150	$M	1,733	2,560	2,860

Item	Unit	IDC Case	Reference Case	Resource Case
1200	$M	1,820	2,660	2,964
1250	$M	1,906	2,760	3,068
1300	$M	1,993	2,861	3,172
1350	$M	2,079	2,961	3,276
1400	$M	2,166	3,061	3,380
Combined Copper and Gold Price (Mo $13.50/lb)				
2.50 / 1050	$M	1,559	2,358	2,650
2.75 / 1100	$M	1,980	2,876	3,193
3.00 / 1150	$M	2,399	3,391	3,732
3.25 / 1200	$M	2,804	3,895	4,255
3.50 / 1250	$M	3,200	4,389	4,771
3.75 / 1300	$M	3,590	4,873	5,276
4.00 / 1350	$M	3,971	5,350	5,776
4.25 / 1400	$M	4,351	5,827	6,276

All information relating to the Preliminary Assessment, including but not limited to statements to the potential of the Pebble Project and information under the headings “Key Findings,” "Development Scenario used for the Preliminary Assessment,” “Production Profiles,” “Financial Valuation” and “Capital and Operating Costs” are "forward looking statements" within the definition of the United States Private Securities Litigation Reform Act of 1995. The information relating to the possible construction of a port, road, power generating facilities and power transmission facilities also constitutes such "forward looking statements."

The Preliminary Assessment was prepared to broadly quantify the Pebble project's capital and operating cost parameters and to provide guidance on the type and scale of future project engineering and development work that will be needed to ultimately define the project's likelihood of feasibility and optimal production rate. It was not prepared to be used as a valuation of the Pebble project nor should it be considered to be a pre-feasibility study. Although based on a comprehensive technical review of recent engineering and technical studies undertaken by the Pebble Partnership and Northern Dynasty, the studies of capital and operating costs are incomplete and have not been optimized, so the ultimate costs may vary widely from the amounts set out in the Preliminary Assessment. This could materially and adversely impact the projected economics of the Pebble project.

The economic assessments and other opinions expressed in the Preliminary Assessment are strictly those of Northern Dynasty and Wardrop, and do not reflect the views of any other stakeholder in the project. The Pebble Partnership continues to separately undertake detailed engineering studies toward the completion of a prefeasibility report for the Pebble Project, including ongoing programs to engage project stakeholders in the planning process. As such, any project which is ultimately put forward by the Pebble Partnership for permitting under the National Environmental Policy Act may differ from those mine models presented in the Preliminary Assessment.

The Preliminary Assessment, in part, uses inferred mineral resources which are considered too speculative geologically to be categorized as mineral reserves and to have economic considerations applied to them. There can be no assurance that the operating and financial projections contained in the Preliminary Assessment will be realized.

The following are the principal risk factors and uncertainties which, in management's opinion, are likely to most directly affect the conclusions of the Preliminary Assessment and the ultimate feasibility of the Pebble project. A portion of the mineralized material at the Pebble Project is currently classified as an inferred resource and it is not a reserve. The mineralized material in the Preliminary Assessment is based on the measured, indicated and inferred resources estimated by Hunter Dickinson Inc. and audited by Wardrop. Additional process tests and other engineering and geologic work will be required to determine if the

mineralized material is an economically exploitable reserve. There can be no assurance that this mineralized material can become a reserve, or the amount that may be converted to a reserve and grade hereof. Final feasibility work has not been done to confirm the pit design, mining methods, and processing methods assumed in the Preliminary Assessment. Final feasibility could determine that the assumed pit design, mining methods, and processing methods are not correct. Construction and operation of the mine and processing facilities depends on securing environmental and other permits on a timely basis. No permits have been applied for and there can be no assurance that required permits can be secured or secured on a timely basis. Data is incomplete and cost estimates have been developed in part based on the expertise of the individuals participating in the preparation of the Preliminary Assessment and 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 contained in the Preliminary Assessment. There can be no assurance that mining can be conducted at the rates and grades assumed in the Preliminary Assessment. The project requires the development of port facilities, roads and electrical generating and transmission facilities. Although Northern Dynasty 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. The Preliminary Assessment assumes specified, long-term prices levels for gold, copper, silver and molybdenum. Prices for these commodities are historically volatile, and Northern Dynasty has no control of or influence on those prices, all of which are determined in international markets. There can be no assurance that the prices of these commodities will continue at current levels or that they will not decline below the prices assumed in the Preliminary Assessment. Prices for gold, copper, silver, and molybdenum have been below the price ranges assumed in Preliminary Assessment during the past ten years, and for extended periods of time. The project will require major financing, probably a combination of debt and equity financing. Interest rates are at historically low levels. There can be no assurance that debt and/or equity financing will be available on acceptable terms. A significant increase in costs of capital could materially and adversely affect the value and feasibility of constructing the project. Other general risks include those ordinary to very large construction projects including the general uncertainties inherent in engineering and construction cost, the need to comply with generally increasing environmental obligations, and accommodation of local and community concerns. The Company is also subject to the specific risks inherent in the mining business, as well as general economic and business conditions.

Ongoing Work by the Pebble Partnership

Comprehensive environmental, social and engineering studies at Pebble began in 2004. Since mid-2007, these programs have been carried out by the Pebble Partnership.

2011 Drilling

In 2011, 23,582 ft (7,188 m) were drilled in 9 holes on deposit delineation and exploration targets and a further 27,186 ft (8,286 m) were drilled in 76 cored geotechnical holes for engineering and hydrological purposes in 2011. Northern Dynasty's qualified persons David Gaunt, PGeo, (Resource) and Stephen Hodgson, PEng, (engineering) have reviewed the drilling data and in their opinions none of the results would have a material impact on the parameters described in the 2011 Preliminary Assessment.

Pebble Partnership maintained an effective quality control and quality assurance (QA/QC) system consistent with industry best practice during 2011. This is in addition to the QA/QC procedures used internally by the analytical laboratories. The QA/QC program continued to be subject to independent review by Nicholson Analytical Consultants in 2011. The analytical consultants provide ongoing monitoring, including facility inspection, and timely reporting of the performance of standards, blanks and duplicates in the drill hole sampling and analytical program. The results of

this program indicate that analytical results are of a high quality suitable for use in detailed modeling and resource evaluation studies. All other procedures (described under *Sampling, Analysis, Security and Quality Assurance/Quality Control Procedures* above) continued in 2011. Inter-laboratory duplicate analysis for 2011 is still in progress. To the end of 2011, a total of 1,271 blanks have been inserted since 2004 to test for contamination. With a few minor exceptions, results are at very low background levels.

Engineering

The Pebble Partnership has assembled an experienced engineering and permitting team for the Pebble Project, consisting of more than 20 senior engineers and technical specialists (many of whom are from the Anglo American group or Northern Dynasty), as well as engineering firms and specialized consultancies from around the world.

The 2004 site program involved collection of engineering, environmental and socioeconomic data for mine planning studies in addition to resource drilling. A program of drilling to collect geotechnical, metallurgical and hydrological data to use for mine planning at Pebble West was initiated along with scoping level engineering studies.

Following the discovery of Pebble East in 2005, initial data collection for engineering and environmental studies was expanded to cover that area in 2006, with drilling of geotechnical and metallurgical holes, and percussion holes for groundwater studies. In 2007, support for the preparation of an integrated development plan for Pebble West and Pebble East was initiated 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.

Since mid-2007, these programs have been geared toward support for a prefeasibility study and initiation of permitting. The engineering programs have assessed 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. A variety of assessments are ongoing, including analysis of the major infrastructure elements (access road, port and power), and alternative infrastructure options in order to identify the optimal infrastructure plans and to determine any opportunities for cost savings and improvements to the time table for development.

Sustainability

The Pebble Project would be a large industrial facility located within a vast region of Alaska notable for its undeveloped wilderness, isolated and sparsely populated communities, Alaska Native culture and traditional ways of life, significant salmon fisheries, and other fish and wildlife populations.

Environmental Studies and Planning

In January 2012, the Pebble Partnership released the Environmental Baseline Document (EBD) for the Pebble Project, characterizing existing physical, biological and social conditions in the project area, in anticipation of initiating project permitting. It contains more than 27,000 pages of scientific data and analyses, characterizing a broad range of environmental and social conditions in southwest Alaska – including climate, water quality, wetlands, fish and aquatic habitat, wildlife, land and water use, socioeconomics and subsistence. The EBD is based primarily on research

collected between 2004 and 2008, although baseline data collecting and monitoring of these environments continues today.

Permitting will be initiated once the Pebble Partnership submits its Project Description and other documents to the government agencies which, with the EBD, provide the foundation for an Environmental Impact Statement ("EIS"). Prepared by a third-party contractor under the direction of a lead federal agency, the EIS will assess the project's potential environmental/socioeconomic effects and development alternatives, and will provide the basis for federal, state and local government agencies to make individual permitting decisions.

Work continues toward completion of the prefeasibility study, with permitting under NEPA expected to begin toward the end of 2012.

Stakeholder Relations and Outreach

Since 2004, Northern Dynasty and subsequently the Pebble Partnership have undertaken a comprehensive stakeholder outreach program to document the priorities and concerns of local communities and area residents, and facilitate their participation in the process by which the Pebble Project will be designed, permitted, built and operated.

Since that time, more than 4,000 formal and informal meetings have been undertaken with stakeholder groups and individuals. All meetings have been recorded and stakeholder input documented. In certain cases, translation services have been utilized to ensure Native elders can participate in stakeholder consultation exercises. The Pebble Partnership stakeholder and community relations program contains a number of other elements, including:

- Public education: for example, some 434 tours to the Pebble Project site and operating and reclaimed mine sites involving over 2400 stakeholders have taken place;
- Community investment: a variety of community service and infrastructure investments have taken place. In 2008, the Pebble Fund was established, a US$5 million endowment to enhance health and sustainability of local communities. To the end of 2011, the fund has supported 105 projects, investing US$3.5 million and leveraging over US$15 million in matching funds.
- Training and workforce development: the Pebble Partnership has made an explicit commitment to local employment both at the exploration stage and during mine operations, and pursuing this goal by ensuring that local residents receive priority consideration for employment, based on qualifications and merit, and advancing training and workforce development initiatives. A long term workforce development strategy is being developed.
- Business development: programs to enhance the capacity of local businesses to provide goods and services to the Pebble Project and to position themselves to benefit from mine operations in the future, have been advanced since 2005. The Pebble Partnership has developed commercial relationships with five Alaska Native Village Corporations. These partnerships have generated local employment, training and revenue for participating corporations and allowed them to develop human and financial resources to capture additional business opportunities in the future. A comprehensive business development strategy is being developed to ensure local businesses, including Alaska Native Corporations, are aware of long-term business opportunities and can position their organizations to benefit from mine operations.

As the Pebble Project advances toward the completion of a prefeasibility study and preparation for project permitting under NEPA, it is expected that the Pebble Partnership will initiate a broad-

based public consultation program to involve stakeholders in the process by which the project is being designed. This consultative process is currently expected to begin in the spring of 2012.

Program for 2012

Work continues toward completion of the prefeasibility study, with permitting under NEPA expected to begin toward the end of 2012.

The 2012 budget for a comprehensive work program is currently being finalized. The program would focus on preparations for permitting under NEPA, including finalizing of the Project Description, continuation of community engagement and workforce development programs, and such work as might be necessary to advance or complete the prefeasibility study for the Pebble Project.

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, 2011, Northern Dynasty had working capital of approximately $42.5 million, which is sufficient to fund its operations in fiscal 2012. 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 at the Pebble Project, the ability of the Company to finance the completion of the exploration and development of the mineral property interests, the Pebble Partnership obtaining the necessary permits to mine, and on future profitable production at the Pebble Project. 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 American was only committed to fund the Pebble Partnership for US$125 million (completed as of 2008) to be expended towards a prefeasibility study, Anglo American is required to continue funding additional expenditures approved by the board of the general partner to maintain its interest in the Pebble Partnership. Anglo American's cash contribution since the formation of the Pebble Partnership on July 31, 2007 to December 31, 2011 amounts to $418.1 million (US$398.5 million). However, 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. Refer to further discussion in Item 12 – Legal Proceedings.

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 94,978,764 common shares without par value were issued and outstanding as fully paid and non-assessable as of December 31, 2011. As of March 28, 2012, there were 94,995,764 common shares issued and outstanding as fully paid and non-assessable. The audited consolidated financial statements provide share issuances effected by Northern Dynasty and the weighted average issue price for shares since January 1, 2011.

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		
Monthly	High ($)	Low ($)	Average Daily Trading Volume	High (US$)	Low (US$)	Average Daily Trading Volume
December 2011	7.77	5.63	92,700	7.47	5.48	236,000
November 2011	8.64	6.34	97,500	8.55	6.06	230,000
October 2011	8.74	5.16	212,000	8.82	4.87	471,100
September 2011	10.30	5.58	197,700	10.52	5.36	545,500
August 2011	10.61	7.82	297,800	11.07	7.90	637,300
July 2011	11.20	9.49	152,500	11.88	9.78	465,400
June 2011	12.22	8.26	249,500	12.61	8.39	698,300
May 2011	13.68	10.63	167,400	14.44	10.90	517,300
April 2011	15.79	12.15	155,200	16.49	12.77	484,700
March 2011	18.09	12.95	607,500	18.65	13.13	1,058,100
February 2011	21.50	16.75	578,600	21.76	16.90	1,389,200
January 2011	18.45	18.12	206,400	18.46	18.15	620,600

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 28, 2012.

Name, Position and Country of Residence	Period as a Director or Officer of the Company	Securities Beneficially Owned or Controlled [1]
Scott D. Cousens Director Vancouver, British Columbia, Canada	Since June 1996	1,084,133 Common Shares 385,000 Options
Robert A. Dickinson Chairman of the Board and Director Lions Bay, British Columbia. Canada	Since June 1995	3,420,083 Common Shares 660,000 Options
Gordon J. Fretwell Director West Vancouver, British Columbia, Canada	Since July 2004	Nil Common Shares 332,000 Options
Russell E. Hallbauer Director West Vancouver, British Columbia, Canada	Since April 2008	106,600 Common Shares 322,500 Options
Wayne Kirk Director Orcas Island, Washington, USA	Since July 2004	30,000 Common Shares 540,000 Options
Peter Mitchell Director West Vancouver, British Columbia, Canada	Since May 2011	Nil Common Shares 125,000 Options
Stephen Scott Director West Vancouver, British Columbia, Canada	Since November 2007	Nil
Marchand Snyman Chief Financial Officer and Director North Vancouver, British Columbia, Canada	Since August 2008	40,000 Common Shares 461,000 Options
Ronald W. Thiessen President, CEO and Director West Vancouver, British Columbia, Canada	Since November 1995	2,094,928 Common Shares 631,500 Options
Trevor Thomas Secretary Vancouver, British Columbia, Canada	Since February 2008	Nil Common Shares 110,560 Options
Bruce Jenkins Senior VP, Corporate Development Vancouver, British Columbia, Canada	Since June 2004	3,700 Common Shares 244,500 Options

Name, Position and Country of Residence	Period as a Director or Officer of the Company	Securities Beneficially Owned or Controlled (1)
Steve Hodgson VP Engineering Vancouver, British Columbia, Canada	Since March 2005	90,000 Common Shares 384,500 Options
Sean Magee VP Public Affairs North Vancouver, British Columbia, Canada	Since October 2006	Nil Common Shares 168,836 Options

Notes:

1. Information was derived from insider reporting filings available at www.sedi.ca.

At the annual general meeting of the Company held on June 21, 2011, directors listed above were re-elected to a one-year term of office expiring at the next annual general meeting of Northern Dynasty, which is currently scheduled for June 2012. 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 wholly owned subsidiary of Hunter Dickinson Inc. ("HDI"), a private company. HDI through HDSI provides executive, engineering, geological and administrative services to, and incurs costs on behalf of, the Company and its subsidiaries at annually set rates pursuant to an agreement dated July 2, 2010. All officers have a term of office lasting until their removal or replacement by the Board of Directors.

Based on insider reports filed on www.sedi.ca, as at March 28, 2012, the above directors and officers beneficially owned, directly or indirectly, or exercised control or direction over 6,869,444 common shares of the Company (7.2%), or 11,234,840 common shares on a fully diluted basis (11.3%) ..

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

Committee	Membership
Audit Committee	Gordon Fretwell Wayne Kirk Peter Mitchell (Chair)
Compensation Committee	Gordon Fretwell (Chair) Wayne Kirk Peter Mitchell
Nominating and Governance Committee	Gordon Fretwell Wayne Kirk (Chair) Peter Mitchell
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

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. Through substantial financings and subsequent corporate success, Mr. Cousens has established strong ties with North American, European and Asian investors. Mr. Cousens is a director of HDI and HDSI.

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

Company	Positions Held	Name of Market	From	To
Northern Dynasty Minerals Ltd.	Director	TSX, NYSE Amex	June 1996	Present
Amarc Resources Ltd.	Director	TSX-V, OTCBB	September 1995	Present
Anooraq Resources Corporation	Director	TSX-V, JSE, NYSE Amex	September 1996	June 2009
Continental Minerals Corporation	Director	TSX-V, OTCBB	June 1994	April 2011
Detour Gold Corporation	Director	TSX	August 2006	January 2007
Farallon Mining Ltd.	Director	TSX	December 1995	April 2007
Heatherdale Resources Ltd.	Director and Chairman	TSX-V	November 2009	Present
Northcliff Resources Ltd.	Director		June 2011	February 2012
	Director of Capital Markets	TSX	February 2012	Present

Company	Positions Held	Name of Market	From	To
Rathdowney Resources Ltd.	Director	TSX-V	March 2011	Present
Rockwell Diamonds Inc.	Director	TSX-V, OTCBB, JSE	November 2000	November 2008
Taseko Mines Limited	Director	TSX, NYSE Amex	October 1992	Present

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

Mr. Dickinson is an economic geologist who has been actively involved in mineral exploration and mine development for over 40 years. He is Chairman of HDI and HDSI as well as a director and member of the management team of a number of the public companies associated with Hunter Dickinson Inc. He is also President and Director of United Mineral Services Ltd., a private resource company. He also serves as a Director of the BC Mining Museum and a Trustee of the BC Mineral Resources Education Program.

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

Company	Positions Held	Name of Market	From	To
Northern Dynasty Minerals Ltd.	Director	TSX, NYSE Amex	June 1994	Present
	Chairman		April 2004	Present
Amarc Resources Ltd.	Director	TSX-V, OTCBB	April 1993	Present
	Chairman		April 2004	Present
Anooraq Resources Corporation	Director	TSX-V, JSE, NYSE Amex	October 2004	June 2009
	Co-Chairman		October 2004	June 2009
Continental Minerals Corporation	Director	TSX-V, OTCBB	June 2004	April 2011
Curis Resources Ltd.	Director	TSX	November 2010	Present
	Chairman		November 2010	December 2010
Detour Gold Corporation	Director	TSX	August 2006	February 2009
Farallon Mining Ltd.	Director	TSX	July 1991	April 2007
Heatherdale Resources Ltd.	Director	TSX-V	November 2009	Present
Northcliff Resources Ltd.	Director and Chairman	TSX	June 2011	Present
Rathdowney Resources Ltd.	Director and Chairman	TSX-V	March 2011	December 2011
Quartz Mountain Resources Ltd.	Director and Chairman	TSX-V	December 2011	Present
Taseko Mines Limited	Director		January 1991	Present

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

Gordon Fretwell holds a Bachelor of Commerce 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	Name of Market	From	To
Bell Copper Corporation	Secretary	TSX-V	December 2008	May 2011
	Director		June 2001	April 2011
Benton Resources Corp.	Director	TSX-V	March 2005	Present
Continental Minerals Corporation	Director	TSX-V, OTCBB	February 2001	April 2011
Copper Ridge Explorations Inc.	Director/Secretary	TSX-V	September 1999	August 2009
Curis Resources Ltd.	Director	TSX	January 2011	Present
Coro Mining Corporation	Director	TSX	June 2009	Present
Frontera Copper Corporation	Director	TSX	February 2009	June 2009
Grandcru Resources Corp.	Director	TSX-V	December 2002	May 2008
ICN Resources Ltd.	Secretary	TSX-V	March 2009	August 2010
(formerly Icon Industries Ltd.)	Director		July 2004	March 2009
International Royalty Corporation	Director	TSX, NYSE Amex	February 2005	February 2010
Keegan Resources Inc.	Director	TSX, NYSE Amex	February 2004	Present
Lignol Energy Corporation	Director	TSX-V	January 2007	Present
Meritus Minerals Ltd.	Director	TSX-V	June 2007	Present
Northern Dynasty Minerals Ltd.	Director	TSX, NYSE Amex	June 2004	Present
Pine Valley Mining Corp.	Director	OTCBB	August 2003	September 2007
Quartz Mountain Resources Ltd.	Director	TSX-V, OTCBB	January 2003	Present
	Secretary		January 2003	December 2011
Rockwell Diamonds Inc.	Secretary	TSX-V, OTCBB, JSE	March 1998	November 2007

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 HDI and HDSI.

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

Company	Positions Held	Name of Market	From	To
Northern Dynasty Minerals Ltd.	Director	TSX, NYSE Amex	April 2008	Present
Curis Resources Ltd.	Director	TSX	November 2010	Present
	Chairman		December 2010	Present
Taseko Mines Limited	Director, President and Chief Executive Officer	TSX, NYSE Amex	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, a director of the following public companies:

Company	Positions Held	Name of Market	From	To
Northern Dynasty Minerals Ltd.	Director	TSX, NYSE Amex	July 2004	Present
Anooraq Resources Corporation	Director	TSX-V, OTCBB, JSE	July 2005	September 2011
Gabriel Resources Ltd.	Director	TSX	June 2008	Present
Great Basin Gold Ltd.	Director	TSX, NYSE Amex, JSE	July 2004	January 2012
Taseko Mines Limited	Director	TSX, NYSE Amex	July 2004	Present

PETER MITCHELL, CA – Director

Peter Mitchell is a Chartered Accountant with degrees in Economics (BA) from the University of Western Ontario and Business Administration (MBA) from the University of British Columbia. He

has extensive senior financial and operating experience with private equity portfolio companies in the manufacturing and service sector. He has also worked in treasury for Teck Corporation early in his career. Mr. Mitchell is a member of the Institute of Chartered Accountants of Ontario.

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

Company	Positions Held	Name of Market	From	To
Northern Dynasty Minerals Ltd.	Director	TSX, NYSE Amex	May 2011	Present
Northcliff Resources Ltd.	Director	TSX	June 2011	Present
Taseko Mines Limited	Chief Financial Officer	TSX, NYSE Amex	September 2008	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 19.1% 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 HDI and a director of HDSI.

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	Name of Market	From	To
Northern Dynasty Minerals Ltd.	Director	TSX, NYSE Amex	August 2008	Present
	Chief Financial Officer		August 2008	Present
Continental Minerals Corporation	Chief Financial Officer	TSX-V, OTCBB	January 2008	April 2011
Heatherdale Resources Ltd.	Chief Financial Officer	TSX-V	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 a director of Hunter Dickinson Inc. ("HDI") and its wholly owned subsidiary, Hunter Dickinson Services Inc. ("HDSI"), a company providing management and administrative services to several publicly-traded companies and focuses on directing corporate development and financing activities.

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

Company	Positions Held	Name of Market	From	To
Northern Dynasty Minerals Ltd.	Director	TSX, NYSE Amex	November 1995	Present
	President and Chief Executive Officer		November 2001	Present
Amarc Resources Ltd.	Director	TSX-V, OTCBB	September 1995	Present
	President and Chief Executive Officer		September 2000	Present
Corporation Anooraq Resources	Director	TSX-V, NYSE Amex, JSE	April 1996	June 2011
	President and Chief Executive Officer		September 2000	August 2007
Continental Minerals Corporation	Director	TSX-V, OTCBB	November 1995	April 2011
	Co-Chairman		January 2006	April 2011
Detour Gold Corporation	Director	TSX	July 2006	Present
	Chairman		July 2006	March 2009
Farallon Mining Ltd.	Director	TSX	August 1994	January 2011
	Chairman		December 2005	January 2011
Great Basin Gold Ltd.	Director	TSX, NYSE Amex, JSE	October 1993	Present
	Chairman		November 2006	Present
Quartz Mountain Resources Ltd.	President, Chief Executive Officer and Director	TSX-V	December 2011	Present
Rockwell Diamonds Inc.	Director	TSX, OTCBB, JSE	November 2000	September 2007
	Chairman		September 2006	September 2007
Taseko Mines Limited	Director	TSX, NYSE Amex	October 1993	Present
	Chairman		May 2006	Present

OTHER OFFICERS

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 general counsel for Hunter Dickinson Inc. Prior to joining Hunter Dickinson 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	Name of Market	From	To
Northern Dynasty Minerals Ltd.	Secretary	TSX, NYSE Amex	February 2008	Present
Amarc Resources Ltd.	Secretary	TSX-V, OTCBB	February 2008	Present
Anooraq Resources Corporation	Assistant Secretary	TSX-V, JSE, NYSE Amex	November 2007	March 2011
Continental Minerals Corporation	Secretary	TSX-V, OTCBB	February 2008	April 2011
Farallon Mining Ltd.	Secretary	TSX	December 2007	January 2011
Heatherdale Resources Ltd.	Secretary	TSX-V	November 2009	September 2010
Northcliff Resources Ltd.	Secretary	TSX	June 2011	Present
Rathdowney Resources Ltd.	Secretary	TSX-V	March 2011	Present
Rockwell Diamonds Inc.	Secretary	TSX, OTCBB, JSE	February 2008	Present
Taseko Mines Limited	Secretary		July 2008	Present

BRUCE JENKINS – Senior Vice President, Corporate Development

Bruce Jenkins is an environmental and government relations executive with more than 30 years of experience in project and corporate management. He supports the Pebble Partnership and helps guide environmental and permitting activities. Mr. Jenkins is also Executive Vice President of Environment and Sustainability for Hunter Dickinson Inc.

STEPHEN HODGSON – Vice President, Engineering

Stephen Hodgson is a professional engineer with 30 years of experience in mine operations, mine development and project engineering. He is Director of Engineering for the Pebble Partnership and Executive Vice President of Engineering for Hunter Dickinson Inc.

SEAN MAGEE – Vice President, Public Affairs

Sean Magee is a former journalist and speech writer with more than 15 years of natural resource industry communications experience. Formerly Director of Public Affairs for the Pebble Partnership, Mr. Magee has had a working relationship with Hunter Dickinson Inc. for more than 12

years and is the company's Executive Vice President of Strategic Communications and Public Affairs.

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

On February 23, 2011, the Company issued a news release announcing that it was in receipt of a new independent Preliminary Assessment of the Pebble Project, which is based on the information generated and provided by the Pebble Partnership and Northern Dynasty. The information provided by the Pebble Partnership and the Preliminary Assessment constitute a material change in the affairs of the Company because it changed the technical parameters and estimated net present value of the property by billions of dollars from the last such assessment done in 2004. Anglo American, the other 50% partner in the Pebble Partnership, has alleged that that the news release contained confidential information which is the property of the Pebble Partnership and was not authorized to be released, and Anglo American reserves all rights to claim that the release has damaged Anglo American and/or the Pebble Partnership. The Company has received legal advice that the news release was a permitted disclosure under the various agreements with Anglo American, and its issuance was a mandatory requirement under Canadian and US regulatory requirements. The Company does not believe that Anglo American's allegations have any merit; however, it cannot give assurances about future events or actions by Anglo American.

In February 2011, the U.S. Environmental Protection Agency ("EPA") announced it would undertake a Bristol Bay Watershed Assessment study focusing on the potential effects of large-scale mine development in the Nushagak and Kvichak drainages. This process was initiated in response to calls from tribes in opposition to the Pebble Project for the EPA to pre-emptively use its powers under Section 404c of the Clean Water Act to prohibit discharges of dredged or fill material in waters of the US within these drainages. Rather than acceding to this request, the EPA has embarked on a scientific study to assess potential impacts of hard rock mining and other resource development in the region. The Bristol Bay Watershed Assessment process is expected to conclude in late 2012 to early 2013.

In October 2011, a lawsuit filed in July 2009 by the Trustees for Alaska (an environmental law firm) on behalf of Nunamta Aulukestai – an organization established and funded to oppose development of the Pebble Project - was rejected by the Anchorage Superior Court. The lawsuit alleged that the Alaska Department of Natural Resources ("DNR") had violated the state constitution by granting exploration and temporary water use permits to the Pebble Partnership, and exploration activities had caused harm to vegetation, water, fish and wildlife. The Pebble Partnership actively participated in the trial proceedings after being granted intervener status. Superior Court Judge Aarseth denied each of the allegations made by Nunamta Aulukestai, and ruled that no evidence of environmental harm was presented. The plaintiffs have filed an appeal that is now pending before the Alaska Supreme Court.

In November 2011, by a narrow 280 – 246 (53% – 47%) margin, voters in Southwest Alaska's Lake & Peninsula Borough supported a ballot measure sponsored by anti-Pebble activists that, if upheld by the courts, might restrict future development that affects more than one square mile of land within the 31,000 square mile borough.

The initiative was opposed by a broad spectrum of Alaska interests, including a group of four Alaska Native village corporations representing seven Lake & Peninsula Borough communities whose private land holdings would be affected by the ordinance, the State of Alaska and the Pebble Partnership. It was also opposed by the Resource Development Council for Alaska, the Alaska State Chamber of Commerce, the Alaska Miners Association, Council of Alaska Producers, the Alaska Oil and Gas Association and the Alaska Industry Support Alliance, among others.

The Pebble Partnership and the State of Alaska view the initiative as unconstitutional and unenforceable because it seeks to restrict development of state-owned resources on state lands through a municipal ordinance. The State of Alaska and the Pebble Partnership have filed legal challenges in the Alaska Superior Court.

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 wholly owned subsidiary of Hunter Dickinson Inc. ("HDI"), a private company. 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 pursuant to annually set rates. During the year ended December 31, 2011, the Company paid HDSI approximately $3.5 million (2010 –$2.8 million) for services rendered by HDSI and reimbursed HDSI approximately $1.1 million (2010 – $0.7 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 as of the date of this AIF:

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. 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 that time. Currently, the holding represents approximately 19.1% .

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 are in effect during the fiscal year ended December 31, 2011:

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 under the Company's profile 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 under the Company's profile 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 July 2, 2010, filed on SEDAR on March 29, 2011. The particulars of this material contract are described under Item 13. Interest of Management and Others in Material Transactions.

ITEM 16. INTERESTS OF EXPERTS

Stephen Hodgson, PEng., David Gaunt, P.Geo., Hassan Ghaffari, P.Eng, Robert Morrison, P.Geo, Andre de Ruijter, P.Eng, Tysen Hantelmann, P.Eng, Aleksandar Zivkovic, P.Eng, Scott Cowie, MAusIMM, and Doug Ramsey, P.R. Bio., 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.

Messrs.' Hodgson and Gaunt monitor programs on Pebble on behalf of Northern Dynasty.

Mr. Hodgson and Mr. Gaunt 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.

None of Messrs. Ghaffari, Morrison, de Ruijter, Hantelmann, Zivkovic, Cowie, and Ramsey hold common shares of the Company.

Deloitte & Touche LLP are the Independent Registered Chartered Accountants of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia and has complied with the SEC's rules on auditor independence.

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, management's discussion and analysis, proxy circulars and interim financial statements of the Company, available under the Company's profile on SEDAR at www.sedar.com and from the U.S. Securities and Exchange Commission's (the "SEC") Electronic Document Gathering and Retrieval System ("EDGAR") at www.sec.gov.

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 when available.

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 and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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 consolidated 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 consolidated financial statements.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. 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, 2011, 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, 2011, 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, 2011. Deloitte & Touche LLP as stated in their report that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2011, 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.

Limitations of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any system of disclosure controls and procedures or 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 decision-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 controls. 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.

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

A. AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors has determined that Mr. Peter Mitchell 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. Mitchell is "independent", as that term is defined by the rules of Canadian National Instrument 58-101 and the rules of the NYSE Amex. Mr. Mitchell 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 2011	Year ended December 31 2010
Audit Fees (1)	$ 203,000	$ 122,000
Audit-Related Fees (2)	–	–
Tax Fees	–	–
All Other Fees	–	–
	$ 203,000	$ 122,000

Note:

(1) "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.

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

From time to time, management of the Company recommends to and requests approval from the audit committee for 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.

Consent of Independent Registered Chartered Accountants

We consent to the use of our reports dated March 28, 2012 relating to the consolidated financial statements of Northern Dynasty Minerals Ltd. for the year ended December 31, 2011 and the effectiveness of Northern Dynasty Minerals Ltd.'s internal control over financial reporting as at December 31, 2011 appearing 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, 2012

March 30, 2012

VIA EDGAR

United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")

Annual Report on Form 40-F

Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2011, (the “Annual Report”) to be filed by the Company with the United States Securities and Exchange Commission (the “SEC”).

I, J. David Gaunt, P.Geo., hereby consent to the use of my name in connection with reference to my involvement in the preparation of the resource estimate in the following technical report (the "Technical Report"):

- Preliminary Assessment of the Pebble Project, Southwest Alaska dated February 17, 2011

and to references to the Technical Report, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report related to me in the Annual Report.

Yours truly,

/s/ J. David Gaunt

J. David Gaunt, P.Geo.

Hunter Dickinson Inc.

March 30, 2012

VIA EDGAR

United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")

Annual Report on Form 40-F

Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2011, (the “Annual Report”) to be filed by the Company with the United States Securities and Exchange Commission (the “SEC”).

I, Hassan Ghaffari, P.Eng., hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical report (the "Technical Report"):

- Preliminary Assessment of the Pebble Project, Southwest Alaska dated February 17, 2011

and to references to the Technical Report, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,

“Original document signed by Hassan Ghaffari”

Hassan Ghaffari, P.Eng.

Wardrop, a Tetra Tech Company

March 30, 2012

VIA EDGAR

United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")

Annual Report on Form 40-F

Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2011, (the “Annual Report”) to be filed by the Company with the United States Securities and Exchange Commission (the “SEC”).

I, Robert Sinclair Morrison, MAusIMM (CP), P.Geo., hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical report (the "Technical Report"):

- Preliminary Assessment of the Pebble Project, Southwest Alaska dated February 17, 2011

and to references to the Technical Report, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,

“Original document signed by Robert Morrison”

Robert Sinclair Morrison, B.Sc., Ph.D., MAusIMM (CP), P.Geo.

Wardrop, a Tetra Tech Company

March 30, 2012

VIA EDGAR

United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")

Annual Report on Form 40-F

Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2011, (the “Annual Report”) to be filed by the Company with the United States Securities and Exchange Commission (the “SEC”).

I, Marinus Andre de Ruijter, P.Eng., hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical report (the "Technical Report"):

- Preliminary Assessment of the Pebble Project, Southwest Alaska dated February 17, 2011

and to references to the Technical Report, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,

“Original document signed by Marinus Andre de Ruijter”

Marinus Andre de Ruijter, P.Eng.

Wardrop, a Tetra Tech Company

March 30, 2012

VIA EDGAR

United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")

Annual Report on Form 40-F

Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2011, (the “Annual Report”) to be filed by the Company with the United States Securities and Exchange Commission (the “SEC”).

I, Tysen Hantelmann, P.Eng., hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical report (the "Technical Report"):

- Preliminary Assessment of the Pebble Project, Southwest Alaska dated February 17, 2011

and to references to the Technical Report, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,

“Original document signed by Tysen Hantelmann”

Tysen Hantelmann, P.Eng.

Wardrop, a Tetra Tech Company

March 30, 2012

VIA EDGAR

United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")

Annual Report on Form 40-F

Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2011, (the “Annual Report”) to be filed by the Company with the United States Securities and Exchange Commission (the “SEC”).

I, Aleksandar Zivkovic, P.Eng , hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical report (the "Technical Report"):

- Preliminary Assessment of the Pebble Project, Southwest Alaska dated February 17, 2011

and to references to the Technical Report, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,

Aleksandar Zivkovic, P.Eng

March 30, 2012

VIA EDGAR

United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")

Annual Report on Form 40-F

Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2011, (the “Annual Report”) to be filed by the Company with the United States Securities and Exchange Commission (the “SEC”).

I, Scott Cowie, MAusIMM, hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical report (the "Technical Report"):

- Preliminary Assessment of the Pebble Project, Southwest Alaska dated February 17, 2011

and to references to the Technical Report, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,

“Original document signed by Scott Cowie”

Scott Cowie, MAusIMM

Tetra Tech Australia Pty. Ltd.

March 30, 2012

VIA EDGAR

United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")

Annual Report on Form 40-F

Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2011, (the “Annual Report”) to be filed by the Company with the United States Securities and Exchange Commission (the “SEC”).

I, Doug Ramsey, R.P.Bio., hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical report (the "Technical Report"):

- Preliminary Assessment of the Pebble Project, Southwest Alaska dated February 17, 2011

and to references to the Technical Report, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,

“Original document signed by Doug Ramsey”

Doug Ramsey, R.P.Bio

March 30, 2012

VIA EDGAR

United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")

Annual Report on Form 40-F

Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2011, (the “Annual Report”) to be filed by the Company with the United States Securities and Exchange Commission (the “SEC”).

I, Stephen Hodgson, P.Eng., hereby consent to the use of my name in connection with reference to my involvement in the preparation of the resource estimate in the following technical report (the "Technical Report"):

- Preliminary Assessment of the Pebble Project, Southwest Alaska dated February 17, 2011

and to references to the Technical Report, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Report related to me in the Annual Report.

Yours truly,

/s/ Stephen Hodgson

Stephen Hodgson, P.Eng.

Hunter Dickinson Inc.