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, 2013 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 MKT**

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: **95,009,864 Common Shares**

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes [ ] No [x]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes [ ] No [x]

INTRODUCTORY INFORMATION

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

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:

Document	Exhibit No.
Annual Information Form of the Company for the year ended December 31, 2013 (the " **AIF**")	99.7
Audited financial statements of the Company for the years ended December 31, 2013 and 2012, including the reports of the Independent Registered Chartered Accountants with respect thereto	99.5
Management's Discussion and Analysis of the Company for the year ended December 31, 2013 (the " **MD&A**")	99.6

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. All statements in documents incorporated herein, other than statements of historical facts that address future production, permitting, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are 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. Other 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 Pebble Project; 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 Pebble Project;
- 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 Pebble Project (as defined in the AIF);
- the lack of known reserves on our Pebble Project;
- our inability to establish that our Pebble Project contains commercially viable deposits of ore;
- our ability to recover the financial statement carrying values of our Pebble Project 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 Pebble Project;

- potential claims by third parties to our Pebble Project;
- 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 share purchase options to purchase our shares.

We refer you to the section entitled "Risk Factors" under Item 5 in our AIF 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 companies in the United States ("US 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, except in limited circumstances where permitted under NI 43-101.

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 US 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. Consequently, the Company's audited financial statements for the years ended December 31, 2013 and 2012 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and are subject to Canadian auditing and auditor independence standards, each of which differ in some respects to 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 US GAAP.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the 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 ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our CEO and CFO 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 CEO and our CFO 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 CEO and the CFO, 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 ICFR 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 CEO and CFO, 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, with the participation of the CEO and CFO, assessed the effectiveness of the Company’s ICFR as of December 31, 2013. In making the assessment, it used the criteria set forth in the Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its assessment, management has concluded that the Company’s ICFR was effective as of December 31, 2013.

The Company’s ICFR as of December 31, 2013 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm who also audited the Company’s Consolidated Financial Statements for the year ended December 31, 2013. Deloitte LLP stated in their attestation report, that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2013 (exhibit 99.5), that in their opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013.

Management, including the CEO and CFO, has evaluated the Company’s ICFR 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 ICFR. There have been no changes that occurred during the Company’s fiscal year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

AUDIT COMMITTEE

Our Board of Directors (the "Board") has established a separately-designated independent Audit and Risk Committee (the "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. The Board has determined that each of the members of the Audit Committee is independent as determined under Rule 10A-3 of the Exchange Act and Section 803 of the NYSE MKT LLC Company Guide.

AUDIT COMMITTEE FINANCIAL EXPERT

Our Board has determined that Mr. Peter Mitchell 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 MKT 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 ended December 31:

	2013	2012
Audit Fees	$ 199,500	$ 175,000
Audit-Related Fees	–	–
Tax Fees	–	–
All Other Fees	–	–
Total	**$ 199,500**	**$ 175,000**

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 SEC, 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, 2013 with respect to our known contractual obligations:

Contractual obligation	**Total**	**Payments due by period**	
		Less than 1 Year	**1 – 3 years**
Long term debt obligations	$nil	$nil	$nil
Capital (finance) lease obligation	$nil	$nil	$nil
Operating lease obligations[1]	$3,639	$1,770	$1,869
Purchase obligations	$nil	$nil	$nil
Other long term liabilities	$nil	$nil	$nil
Total	**$3,639**	**$1,770**	**$1,869**

[1] Amounts are to be paid by the Company in US dollars. The conversion rate employed in the table was the year end rate of $1.0636 / US dollar .

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, 2009, 2012 and again in 2013 and is contained in the the Corporate Governance Policies and Procedures Manual in Appendix 4 which is available for download from the Company's website under Corporate at www.northerndynastyminerals.com.

No substantive amendments were made to the Company's Code of Ethics during the fiscal year ended December 31, 2013, 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, 2013.

NYSE MKT EQUITIES CORPORATE GOVERNANCE

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

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, 2013.

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 26, 2014.

NORTHERN DYNASTY MINERALS LTD.

By: */s/ Ronald W. Thiessen*

Ronald W. Thiessen
Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Certification of Chief Executive Officer pursuant to 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, 2013, and 2012, together with the reports of the Independent Registered Public Accounting Firm thereon
99.6	Management's Discussion and Analysis for the year ended December 31, 2013
99.7	Annual Information Form of the Company for the year ended December 31, 2013
99.8	Consent of Deloitte LLP, Independent Registered Public Accounting Firm
99.9	Consent of J. David Gaunt, P.Geo.

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 26, 2014

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 26, 2014

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, 2013 (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 26, 2014

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, 2013 (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 26, 2014

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

FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

(Expressed in thousands of Canadian Dollars)

Report of Independent Registered Public Accounting Firm

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, 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* 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, 2013 of the Company and our report dated March 25, 2014 expressed an unqualified opinion on those financial statements.

(Signed) Deloitte LLP

Chartered Accountants
Vancouver, Canada
March 25, 2014

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Northern Dynasty Minerals Ltd. (the "Company"), including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting ("ICFR"), as defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended (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 International Financial Reporting Standards ("IFRS"). The Company's ICFR 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 CEO and CFO, believe that any system of ICFR, 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, with the participation of the CEO and the CFO, assessed the effectiveness of the Company's ICFR as of December 31, 2013. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that the Company's ICFR was effective as at December 31, 2013.

The effectiveness of the Company's internal control over financial reporting, as of December 31, 2013, has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who also audited the Company's consolidated financial statements as of and for the year ended December 31, 2013, as stated in their report which appears on the following page.

The Company's management, including its CEO and CFO, has evaluated the Company's ICFR to determine whether any changes occurred during the period covered by the Company's Consolidated Financial Statements that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. There have been no changes that occurred during the Company's fiscal year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

/s/ *Ronald W. Thiessen*

Ronald W. Thiessen
Chief Executive Officer

/s/ *Marchand Snyman*

Marchand Snyman
Chief Financial Officer

Vancouver, British Columbia
March 25, 2014

Report of Independent Registered Public Accounting Firm

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, 2013 and December 31, 2012, and the consolidated statements of earnings, comprehensive income, cash flows and changes in equity for each of the years in the two-year period ended December 31, 2013, 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, 2013 and December 31, 2012, and their financial performance and cash flows for each of the years in the two-year period ended December 31, 2013 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, 2013, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 25, 2014 expressed an unqualified opinion on the Company’s internal control over financial reporting.

(Signed) Deloitte LLP

Chartered Accountants
Vancouver, Canada
March 25, 2014

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

	Notes	December 31 2013	December 31 2012
ASSETS			
Noncurrent assets			
Investment in the Pebble Limited Partnership	3	$ –	$ 99,336
Mineral property, plant and equipment	4	108,050	1,055
Total noncurrent assets		108,050	100,391
Current assets			
Amounts receivable from a related party	8	–	3
Amounts receivable and prepaid expenses	5	6,663	5,003
Restricted cash	6	1,276	–
Cash and cash equivalents	6	25,795	27,537
Total current assets		33,734	32,543
Total Assets		**$ 141,784**	**$ 132,934**
EQUITY			
Capital and reserves			
Share capital	7	$ 389,227	$ 389,189
Reserves		58,649	51,129
Deficit		(313,948)	(311,425)
Total Equity		133,928	128,893
LIABILITIES			
Noncurrent liabilities			
Deferred income taxes		3,803	3,632
Total noncurrent liabilties		3,803	3,632
Current liabilities			
Payable to a related party	8	459	148
Trade and other payables	9	3,594	261
Total current liabilities		4,053	409
Total Liabilities		7,856	4,041
Total Equity and Liabilities		**$ 141,784**	**$ 132,934**

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 25, 2014. They are signed on the Company's behalf by:

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

/s/ Peter Mitchell

Peter Mitchell
Director

Northern Dynasty Minerals Ltd.
Consolidated Statements of Comprehensive (Income) Loss
(Expressed in thousands of Canadian Dollars, except for share information)

	Notes		Year ended December 31 **2013**		2012
Expenses					
Exploration and evaluation expenses	11		$ 1,991	$	4,461
General and administrative expenses	11		6,245		6,780
Share-based compensation	7	(b)	641		5,225
Loss from operating activities			8,877		16,466
Foreign exchange (gain) loss			(340)		83
Interest income			(1,136)		(887)
Gain on discontinuance of equity method	3	(b)	(5,062)		–
Loss before tax			2,339		15,662
Deferred Income tax	12		184		–
Loss for the year			**$ 2,523**	**$**	**15,662**
Other comprehensive (income) loss					
Items that may be reclassified subsequently to loss					
Foreign exchange translation difference	3, 7	(c)	(6,874)		2,206
Deferred income tax on investment	7	(c)	128		(83)
Reversal of deferred income tax on investment	7	(c)	(141)		–
Other comprehensive (income) loss for the year			**$ (6,887)**	**$**	**2,123**
Total comprehensive (income) loss for the year			**$ (4,364)**	**$**	**17,785**
Basic and diluted loss per common share	10		$ 0.03	$	0.16

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 **2013**	2012
Cash flows from operating activities			
Loss for the year		$ (2,523)	$ (15,662)
Adjustments for items not affecting cash or operating activities:			
Foreign exchange (gain) loss		(332)	93
Interest received on cash held		(633)	(445)
Interest receivable on loan	5	(503)	(442)
Gain on discontinuance of equity method	3	(5,062)	–
Deferred income tax recovery	12	184	–
Share-based compensation		641	5,225
		(5,705)	4,431
Changes in non-cash working capital items			
Restricted cash	6	(1,269)	–
Decrease in amounts receivable and prepaid expenses		84	48
Decrease in amounts receivable from a related party		3	480
Increase in trade and other payables		1,246	91
Increase in payable to related party		311	148
		375	767
Net cash used in operating activities		(7,853)	(10,464)
Cash flows from investing activity			
Cash contribution to the Pebble Limited Partnership	3	(1,055)	–
Net cash received on assuming control of the Pebble Limited Partnership	3	6,507	–
Interest received on cash held		633	445
Net cash from investing activity		6,085	445
Cash flows from financing activity			
Common shares issued for cash on exercise of share purchase options		30	97
Net cash from financing activity		30	97
Net decrease in cash and cash equivalents		(1,738)	(9,922)
Effect of exchange rate fluctuations on cash held		(4)	2
Cash and cash equivalents at beginning of the year		27,537	37,457
Cash and cash equivalents at end of the year	6	**$ 25,795**	**$ 27,537**

Noncash investing and financing activities:

Assets and liabilities held in the Pebble Limited Partnership upon discontinuance of equity method and consolidation in these consolidated financial statements (note 3)

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 sharebased payments reserve	Foreign currency translation reserve (note 7(c))	Investment revaluation reserve	Deficit	Total equity
Balance at January 1, 2012	94,978,764	$ 388,987	$ 45,664	$ 2,470	$ (2)	$ (295,763)	$ 141,356
Shares issued for cash on exercise of share purchase options	21,000	97	-	-	-	-	97
Fair value of options allocated to shares issued on exercise	-	105	(105)	-	-	-	-
Share-based compensation	-	-	5,225	-	-	-	5,225
Loss for the year	-	-	-	-	-	(15,662)	(15,662)
Other comprehensive loss for the year net of tax	-	-	-	(2,123)	-	-	(2,123)
Balance at December 31, 2012	94,999,764	$ 389,189	$ 50,784	$ 347	$ (2)	$ (311,425)	$ 128,893
Shares issued for cash on exercise of share purchase options	10,100	30	-	-	-	-	30
Fair value of options allocated to shares issued on exercise	-	8	(8)	-	-	-	-
Share-based compensation	-	-	641	-	-	-	641
Loss for the year	-	-	-	-	-	(2,523)	(2,523)
Other comprehensive income for the year net of tax	-	-	-	6,887	-	-	6,887
Balance at December 31, 2013	95,009,864	$ 389,227	$ 51,417	$ 7,234	$ (2)	$ (313,948)	$ 133,928

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

1. NATURE 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 is listed on the Toronto Stock Exchange ("TSX") under the symbol "NDM" and on the New York Stock Exchange-MKT ("NYSE-MKT") under the symbol "NAK". The Company's corporate office is located at 1040 West Georgia Street, 15th floor, Vancouver, British Columbia.

The consolidated financial statements ("Financial Statements") of the Company as at and for the year ended December 31, 2013, include financial information for the Company and its subsidiaries (note 2(c)) (together referred to as the "Group" and individually as "Group entities"). The Company is the ultimate parent. At December 31, 2013, the Group retained a 100% interest in the Pebble Limited Partnership (the "Pebble Partnership") (note 3), which owns the Pebble Copper-Gold-Molybdenum Project (the "Pebble Project") located in Alaska, United States of America ("USA" or "US").

The Group is in the process of exploring and developing the Pebble Project 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 Group's mineral property interests, is entirely dependent upon the existence of economically recoverable mineral reserves; the ability of the Group to obtain financing to complete the exploration and development of the Pebble Project; the Group obtaining the necessary permits to mine; and future profitable production or proceeds from the disposition of the Pebble Project.

As at December 31, 2013, the Group has $25.8 million in cash and cash equivalents for its operating requirements. The Group has reviewed all programs, timelines and budgets and prioritized the allocation of available financial resources to advance the Pebble Project in the most efficient manner. The Group believes it will be able to meet corporate expenditure requirements and activities at the Pebble Project for the foreseeable future. Additional financing, which may include debt, equity or reliance on new joint venture partners, will be required to fund further exploration or development programs at the Pebble Project. There can be no assurances that the Group will be successful in obtaining additional financing. If the Group is unable to raise the necessary capital resources and generate sufficient cash flows to meet obligations as they come due, the Group may have to reduce or curtail its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"s) that are effective for the Group's reporting year ended December 31, 2013.

(b) Basis of Preparation

These Financial Statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information and for financial instruments classified as available-for-sale, which are stated at their fair value (note f).

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

(c) Basis of Consolidation

The Group has determined that the adoption of IFRS 10, *Consolidated Financial Statements,* does not affect the consolidation status of any of its subsidiaries or investees.

These Financial Statements incorporate the financial statements of the Company, the Company's subsidiaries and entities controlled by the Company and its subsidiaries listed below:

Name of Subsidiary	Place of Incorporation	Ownership Interest	Principal Activity
U5 Resources Inc.[1]	Nevada, USA	100%	Holding Company
0796412 BC Ltd.	British Columbia, Canada	100%	Not active
3537137 Canada Inc.	Canada	100%	Holds 20% of NDP[(5)]
Northern Dynasty Partnership ("NDP")	Alaska, USA	100%	Holds 99.9% of PLP and 100% of PMC
Pebble Mines Corp. ("PMC")	Delaware, USA	100%	General Partner, holds 0.1% of PLP
Pebble Limited Partnership ("PLP")[4]	Alaska, USA	100%	Holding Company and Exploration of the Pebble Project
Pebble West Claims Corporation[2]	Alaska, USA	100%	Holding Company
Pebble East Claims Corporation[2]	Alaska, USA	100%	Holding Company
Kaskanak Copper LLC	Delaware, USA	100%	Holds 100% of Kaskanak Inc.
Kaskanak Inc.[3]	Alaska, USA	100%	Holding Company

1 Holds the claims purchased from Liberty Star (note 4).
2. Holds the Pebble Project claims.
3. Holds the South Pebble, KAK and SP claims.
4. Holds 100% interest in Pebble East Corporation, Pebble West Corporation and Kaskanak Copper LLC.
5. The Company holds 80% of NDP.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Intra-Group balances and transactions, including any unrealized income and expenses arising from intraGroup transactions, are eliminated in preparing the Financial Statements. 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) Investment in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in a joint venture is accounted for using the equity method. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of changes in net assets of the joint venture attributable to the Group. An investment is accounted for using the equity method from the date on which the investee becomes a joint venture.

(e) 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, its subsidiaries 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.

The Pebble Partnership's functional currency is the US dollar. Before assuming control of the Pebble Partnership (note 3), the Group's investment in the Pebble Partnership joint venture (note 3) was translated at the end of each reporting period and exchange differences arising on translation of the US denominated investment were recognized directly in the foreign currency translation reserve through other comprehensive income or loss.

The results and financial position of entities within the Group which have a functional currency different from that of the Group are translated into Canadian dollars as follows:

- assets and liabilities for each statement of financial position are translated at the closing exchange rate at that date;
- income and expenses for each income statement are translated at average exchange rates for the period; and
- the resulting exchange differences are included in the foreign currency translation reserve within equity.

(f) Financial Instruments

Non-derivative financial assets:

The Group has the following non-derivative financial assets: available-for-sale financial assets (currently only of nominal value), and loans and receivables.

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 at fair value through profit and loss. 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. At December 31, 2013, the Group's AFS financial assets have nominal fair value.

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 currently comprise (i) amounts receivable including the loan receivable from Liberty Star (note 5), (ii) amounts receivable from a related party ($nil in current year), (iii) cash and cash equivalents and restricted cash (discussed further in note 6(b)).

Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash 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 and restricted cash 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 and other payables (note 9) and a 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 and liabilities:

The Group has no derivative financial assets or liabilities. Although the loan receivable from Liberty Star has an equity conversion option, it is not exercisable as the Group has not met the terms as laid out in the letter agreement (note 5).

(g) 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.

(h) 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.

(i) 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 loss, 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 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. This increase in the carrying amount is limited to 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.

(j) 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.

(k) Share-based Payment Transactions

Equity-settled share-based payments

The Group operates an equity-settled share-based option plan for its employees and service providers (note 7(b)). 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.

(l) 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 carry forwards 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.

(m) 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.

(n) 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 year. 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.

(o) Segment Reporting

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

(p) 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 Group uses the Black-Scholes Option Pricing Model to calculate the fair value of share purchase options granted for determining share-based compensation included in the loss for the year. Inputs used in this model require subjective assumptions including the expected price volatility from three to five years. Changes in the subjective input assumptions can affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Group's share purchase options. The weighted average assumptions applied are disclosed in Note 7(b).

ii. The loan receivable from Liberty Star Uranium & Metals Corp (note 5), which is secured by certain mineral claims, was past due at the end of the reporting period. The Group has not recognised an allowance for doubtful debts because the Group has a reasonable expectation that the loan will be settled by the transfer of the underlying mineral claims by the debtor, of which the recoverable amount exceeds the carrying value of the loan.

iii. Significant assumptions about the future and other sources of estimation uncertainty are made in determining the provision for any deferred income tax expense included in the loss for the year and the composition of deferred income tax liabilities included in the Statement of Financial Position in the Consolidated Financial Statements.

Critical accounting judgments

These include:

i. In terms of IFRS 6, *Exploration and Evaluation of Mineral Resources,* the Group used judgment in determining whether there are facts and circumstances suggesting that the carrying amount of the Group's exploration and evaluation assets ("E&E assets") may exceed their recoverable amount.

ii. IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21") defines the functional currency as the currency of the primary economic environment in which an entity operates. IAS 21 requires the determination of functional currency to be performed on an entity by entity basis, based on various primary and secondary factors. In identifying the functional currency of the parent and of its subsidiaries, management considered the currency in which financing activities are denominated and the currency that mainly influences the cost of undertaking the business activities in each jurisdiction in which the Group operates.

iii. The Group applied judgment in determining the classification of its interests in other entities. In particular, the Group determined the level of control or joint control and whether the Group has rights to assets and liabilities or to net assets of the arrangement based on the legal structure and contractual terms of the arrangement and, when relevant, other facts and circumstances . The Group concluded that its previous 50% interest in the Pebble Partnership that the Group held until December 10, 2013, was a joint venture in accordance with IFRS 11.

iv. The Group used judgment in determining that the acquisition of 50% of the Pebble Partnership should be treated as an asset acquisition and not a business combination under IFRS 3, *Business Combinations,* and hence the transaction was outside the scope of IFRS 3. The Group considered the current stage of the Pebble Project which has no proven or probable reserves and the fact that the project's technical feasibility and economic viability has still to be determined or demonstrated.

v. The Group has employed judgement that going concern was still an appropriate basis for the preparation of the Financial Statements. Although the Group no longer has access to a stream of financing for the development of the Pebble Project with the withdrawal of Anglo American from the Pebble Partnership and Pebble Project, the Group has reviewed all programs, timelines and budgets and prioritized the allocation of available financial resources to advance the Pebble Project in the most efficient manner and believes it will be able to meet corporate expenditure requirements and activities at the Pebble Project for the next year (refer note 1).

(q) Amendments, Interpretations, Revised and New Standards Adopted by the Group

Effective January 1, 2013 the Group adopted several new and revised standards, which are described as follows:

Interest in other entities

On January 1, 2013, the Group adopted a package of five new and revised standards relating to interests in other entities namely:

- IFRS 10, *Consolidated Financial Statements* ("IFRS 10")*;*
- IFRS 11, *Joint Arrangements* ("IFRS 10");
- IAS 27*, Separate Financial Statements* (as revised in 2011);
- IAS 28*, Investments in Associates and Joint Ventures* (as revised in 2011); and
- IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12").

IFRS 10 replaces parts of IAS 27, *Consolidated and Separate Financial Statements* that deal with consolidated financial statements, and SIC 12, *Consolidation – Special Purpose Entities.* IFRS 10 establishes control as the basis for determining which entities are consolidated in an entity's financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 sets out principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other investees.

IFRS 11 replaces IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers.* Accordingly, the Group has amended its accounting policy (note 2(d)) for the classification of arrangements which are subject to joint control. The Group now classifies any such arrangement as a joint operation or joint venture depending on the rights and obligations of the parties to the joint arrangement. For the arrangement to be classified as a joint operation, the parties that have joint control (referred to as "joint operators") have rights to the assets and obligations for the liabilities relating to the arrangement. In such circumstances the Group as a joint operator recognizes its portion of assets, liabilities, revenues and expenses in accordance with the contractual arrangement. For the arrangement to be classified a joint venture, the parties that have joint control (referred to as "joint venturers") have rights to the net assets of the arrangement, which is determined by considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. When the Group is a joint venturer, it recognizes the joint venture using the equity method of accounting in accordance with IAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011).

The Group reviewed and assessed the structure and legal form, the terms of the contractual arrangement, and other facts and circumstances in relation to its 50% interest in the Pebble Partnership and determined that, under IFRS 11, the interest was a joint venture and hence continued to employ the equity method of accounting until the Group assumed control of the Pebble Partnership in December 2013 (note 3). The investment was 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 was translated at the end of each reporting period (note 3).

IFRS 12 contains enhanced disclosure requirements to help financial statement users evaluate the nature of, and risks associated with, its interests in subsidiaries and other entities and the effects of those interests on its financial statements. Except for additional disclosures, if any, the adoption of IFRS 12 did not have any impact on the Financial Statements.

Presentation of financial statements

The Group adopted the amendments to IAS 1, *Presentation of Financial Statements,* which require the separate grouping of items of other comprehensive income into: (i) items that may be reclassified subsequently to profit or loss and (ii) items that will not be reclassified to profit or loss in future periods. If items of other comprehensive income are presented before tax, then income tax is allocated to each respective group. The Group's Consolidated Statements of Comprehensive (Income) Loss has been reorganized to comply with the required groupings.

Other new and revised standards

The following other new and revised standards were effective January 1, 2013 for the Group:

- IFRS 13, *Fair Value Measurement* – The standard did not require any additional disclosure or adjustment to fair value measurement techniques used by the Group*;*
- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* – not applicable to the Group as the Pebble Project is not in production; and
- Amendment to IFRS 7, *Financial Instruments: Disclosures* – The amendment had no impact as the Group has no financial assets and liabilities which were offset on the Statement of Financial Position or were subject to a master netting arrangement.

(r) Accounting Standards, Amendments and Revised Standards Not Yet Effective

Effective for the Group's financial years commencing on January 1, 2014

Amendments to IAS 32, *Financial Instruments: Presentation* ("IAS 32"), clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legal enforceable right of set-off" and "simultaneous realization and settlement". The amendments apply to annual periods beginning on or after January 1, 2014.

Amendments to IAS 36, *Impairment of Assets* ("IAS 36"), clarify the recoverable amount disclosures for non-financial assets, including additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount was based on fair value less costs of disposal. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted except an entity shall not apply those amendments in periods (including comparative periods) in which it does not also apply IFRS 13.

IFRIC 21, *Levies* ("IFRIC 21"), provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. IFRIC 21 explicitly excludes from its scope, outflows related to IAS 12, *Income Taxes,* fines and penalties and liabilities arising from emission trading schemes. IFRIC 21 clarifies that a liability be recognized only when the triggering event specified in the legislature occurs and not before. IFRIC 21 is effective retrospectively for annual periods beginning on or after January 1, 2014.

Effective date to be determined

IFRS 9, *Financial Instruments, Classification and Measurement* ("IFRS 9"), is the first phase of three phases to replace IAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. In July 2013, the IASB tentatively decided to defer the mandatory effective date and leave that date open pending the finalization of other phases of IFRS 9.

The Group anticipates that the adoption of the amendments to IAS 32 and IFRS 9 will have no material impact on its consolidated financial statements given the extent of its use of financial instruments in the ordinary course of business. Given that the Group is not subject to levies as defined, the Group does not anticipate the adoption of IFRIC 21 to have a significant impact on the consolidated financial statements. The amendment to IAS 36 will result in additional disclosure if and when the Group impairs non-financial assets.

3. INVESTMENT UNDER EQUITY METHOD AND DISCONTINUANCE OF EQUITY METHOD

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. To maintain its 50% interest in the Pebble Partnership, Anglo American was required to commit staged cash investments into the Pebble Partnership aggregating to US$1.5 billion to fund comprehensive exploration, engineering, environmental and socioeconomic programs and, if warranted, development of the Pebble Project. The Pebble Partnership agreement provided for equal project control rights (joint control) for both partners. The Group determined that its 50% interest in the Pebble Partnership was a joint venture and applied the equity method in accounting for this interest (note 2(q)).

Effective December 10, 2013 (the "Transition Date"), following the withdrawal of Anglo American from the Pebble Partnership, the Group’s ownership in the Pebble Partnership and the Pebble Project increased to 100% as the Pebble Partnership became a wholly-owned subsidiary of the Group. The Group has consolidated the Pebble Partnership in these Financial Statements from the Transition Date.

(a) The Pebble Limited Partnership under Joint Venture

Since the inception of the Pebble Partnership, the Group has not recognized any share of the losses in the Pebble Partnership as the Group had no obligation in respect to these losses as the agreement with Anglo American stated that the distribution of losses funded by Anglo American were to be allocated 100% to Anglo American until satisfaction of Anglo American’s earn-in expenditures.

The Group’s investment in the Pebble Partnership was carried in US dollars. Exchange differences arising from the translation of the Group’s investment in the Pebble Partnership were recognized directly in the foreign currency translation reserve through other comprehensive income or loss (note 7(c)). The following summarizes the movement in the carrying value of the investment in the Pebble Partnership under joint venture:

Investment in the Pebble Partnership		**December 31 2013**		December 31 2012
Carrying value at the beginning of the year	$	99,336	$	101,542
Cash contribution to Pebble Partnership		1,055		–
Gain on increase in net assets of Pebble Partnership attributable to the Group		5,062		–
Exchange difference on translation of investment in Pebble Partnership (note 7(c))		6,736		(2,206)
Discontinuance of equity method (note 3(b))		(112,189)		–
Carrying value at the end of the year	$	–	$	99,336

Summary financial information for the equity accounted investee on a 100% basis is as follows:

Assets and Liabilities		**December 10 2013**		December 31 2012
Non-current assets	$	106,758	$	101,344
Current assets		7,509		11,890
Total assets	$	114,267	$	113,234
Current liabilities		2,078		9,902
Total liabilities	$	2,078	$	9,902

Losses		**Period January 1 to December 10 2013**		Year Ended December 31 2012
Net loss for the period	$	68,803	$	102,863
Net cumulative losses	$	590,913	$	522,110

Since inception and up to the Transition Date, the Group has not recognized net loss and net cumulative losses of the Pebble Partnership in the Financial Statements of the Group.

(b) Discontinuance of Equity Method

On the Transition Date, pursuant to the terms of the Pebble Partnership agreement, Anglo American's ownership share in the Pebble Partnership reverted to the Group for a nominal consideration. Commencing from the Transition Date, the Group has consolidated all entities that comprised the Pebble Partnership (note 2(c)). The Group has determined that as the Pebble Partnership did not meet the definition of a business under IFRS 3 *Business Combinations,* the change in control of the Pebble Partnership has been accounted for as an asset acquisition in these Financial Statements. On the Transition Date, being the effective date of withdrawal of Anglo American, the Group has allocated the carrying amount of its investment in the Pebble Partnership to assets and liabilities of the Pebble Partnership.

		Carrying value
Carrying amount of investment in Pebble Partnership on the Transition Date (note 3(a))	$	112,189
Net assets of Pebble Partnership on the Transition Date		
Mineral property, plant and equipment	$	106,758
Current assets		7,509
Current Liabilities		(2,078)
Total	$	112,189

Subsequent to the Transition Date, the Group recognized $401 (US$377) in expenditures incurred by the Pebble Partnership which has been included in the consolidated statement of comprehensive (income) loss in these Financial Statements.

4. MINERAL PROPERTY, PLANT AND EQUIPMENT

The Group's exploration and evaluation assets are comprised of the following:

		Mineral Property interest		Plant and equipment		Total
Cost						
Beginning balance	$	1,055	$	–	$	1,055
Additions during the period (note 3(b))		105,642		1,222		106,864
Ending balance	$	106,697	$	1,222	$	107,919
Foreign currency translation difference		130		1		131
Net carrying value – Ending balance	$	106,827	$	1,223	$	108,050
Net carrying value – Beginning balance	$	1,055	$	–	$	1,055

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. Mineral rights in Pebble were acquired by the Group in 2001.

The Group's mineral property interest include mineral claims located to the west of the Pebble Project mineral claims acquired by the Group in 2010 in consideration for a US$1,000,000 ($1,055) cash payment to Liberty Star Uranium & Metals Corp. and its subsidiary, Big Chunk Corp. (together, "Liberty Star"). Additionally, the Group advanced an aggregate amount of approximately $4 million to Liberty Star, which is secured by additional adjacent mineral claims owned by Liberty Star (note 5).

5. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31 2013	December 31 2012
Sales tax receivable	$ 94	$ 177
Amounts receivable	217	–
Loan receivable	5,479	4,639
Prepaid expenses	873	187
Total	$ 6,663	$ 5,003

Loan Receivable

The loan receivable comprises the amount advanced to Liberty Star in cash, expenditures incurred by the Group in relation to Liberty Star's mineral claims in Alaska and interest accrued thereon (together, the "Loan") pursuant to a letter agreement dated June 2010 and subsequent amendments thereof (together, the "Letter Agreement"). The Loan is repayable in cash upon demand by the Group. The Loan accrues interest at 10% per annum, compounded monthly, and is secured by assets and mining claims owned by Liberty Star in Alaska, USA.

The principal amount and accrued interest relating to the Loan are as follows:

	December 31 2013	December 31 2012
Balance of the principal amount:		
Cash advance (US$3,000,000)	$ 3,191	$ 2,985
Expenses incurred on behalf of Liberty Star (US$730,174)	776	726
Total principal amount receivable (US$3,730,174)	3,967	3,711
Accumulated accrued interest (2013 - US$1,421,306; 2012 - US$933,012)	1,512	928
Balance at end of year (2013 - US$5,151,480; 2012 - US$4,663,186)	$ 5,479	$ 4,639

The Loan was advanced in conjunction with and in anticipation of the acquisition of a mineral property interest, pursuant to the Letter Agreement, which is summarized as follows:

(i) the Group acquired certain mineral claims from Liberty Star in the vicinity of the Pebble Project mineral claims (note (4)); and

(ii) the Group and Liberty Star agreed to enter into a joint venture arrangement whereby the Group, subject to an earn-in expenditure requirement, may acquire a 60% interest in certain of Liberty Star's mineral claims adjacent to the mineral claims acquired in (i) above. Liberty Star's assets held as collateral for the Loan include, but are not limited to, these mineral claims. The Letter Agreement provides that, in the event of execution of the joint venture agreement, the Group at its sole election can deem all or any part of the Loan to constitute part of the Group's contribution to the earn-in expenditure requirement or can convert the Loan into Liberty Star's common shares upon completion of a certain amount of minimum earn-in expenditure.

In October 2012, as the joint venture agreement contemplated in the Letter Agreement was not executed, the Group delivered a notice of repayment of the Loan to Liberty Star. In November 2012, the Group and Liberty Star negotiated a loan settlement agreement and an amendment thereto (together; the "Loan Settlement Agreement") whereby the Group agreed to extinguish the Loan in consideration for receiving title to certain of Liberty Star's mineral claims which were held as collateral for the Loan. At December 31, 2013, Liberty Star had not completed valid transfer of these claims to the Group and in accordance with the terms of the Loan Settlement Agreement, the Loan Settlement Agreement had not closed and the Group retained all its rights under the Letter Agreement. Accordingly, the Group has continued to recognize the Loan as a financial asset in these Financial Statements.

The Group believes that, at December 31, 2013, although the Loan was past due 405 days, the Group does not consider it impaired as the Group is awaiting court judgment on the valid transfer of the Settlement Claims in settlement of the loan. Notwithstanding, the Group has reasonable expectation that it will recover the carrying amount of the Loan by enforcing the legal rights conferred by the Letter Agreement and/or the Loan Settlement Agreement including, but not limited to, the right to receive all or any portion of the mineral claims held as collateral for the Loan.

6. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and Cash Equivalents

	December 31 2013	December 31 2012
Business and savings accounts	$ 7,334	$ 5,921
Guaranteed investment certificates	18,461	21,616
Total	$ 25,795	$ 27,537

(b) Restricted Cash

At December 31, 2013, restricted cash in the amount of $1,276 (December 31, 2012 – $nil) was held in the Pebble Partnership for certain equipment demobilization expenses relating to its activities undertaken when it was subject to joint control (note 3(a)). This cash is not available for general use by the Group. As per the terms of Anglo American's withdrawal from the Pebble Partnership, the Group has a current obligation (note 9) to refund any unutilized balance after a stipulated time period.

7. CAPITAL AND RESERVES

(a) Authorized Share Capital

At December 31, 2013, the authorized share capital comprised an unlimited (2012 – unlimited) number of common shares with no par value. All issued shares are fully paid.

(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 equaling 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 terms of three or five years) and typically terminate 90 days following the termination of the optionee's employment or engagement. In the case of death or retirement, any outstanding vested share purchase options will expire the earlier of the expiry date or one year from date of death or retirement. The vesting period for share purchase options is at the discretion of the Board of Directors at the time the share purchase options are granted.

The following reconciles the Group's share purchase options outstanding at the beginning and end of the year:

	2013		2012	
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	7,611,530	7.00	8,306,782	8.71
Granted	–	–	2,199,500	3.00
Exercised	(10,100)	3.00	(21,000)	4.62
Expired	(1,800,830)	7.79	(1,930,052)	6.01
Forfeited	(64,000)	4.26	(82,700)	7.77
Cancelled	(2,000,900)	11.76	(861,000)	15.44
Balance at end of year	3,735,700	4.13	7,611,530	7.00

The following table summarizes share purchase options exercised in 2013:

Date	Share purchase options exercised	Weighted average exercise price ($/option)	Weighted average market share price on exercise ($)
April 1, 2013	10,100	3.00	3.15

The following table summarizes share purchase options exercised in 2012:

Date	Share purchase options exercised	Weighted average exercise price ($/option)	Weighted average market share price on exercise ($)
January 27, 2012	17,000	5.00	7.85
October 5, 2012	4,000	3.00	4.45
	21,000	4.62	7.23

For share purchase options granted in 2012, the weighted average fair value was estimated at $0.87 per option and was based on the Black-Scholes option pricing model using the following assumptions:

Assumptions	
Risk-free interest rate	1.11%
Expected life	3.43 years
Expected volatility	60%
Grant date share price	$ 2.38
Expected dividend yield	Nil

The following table summarizes information about the Group's share purchase options outstanding at the end of the year:

	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	2,017,700	3.00	1.91	2,017,700	3.00	1.91
5.00 – 5.35	1,643,000	5.01	0.09	1,643,000	5.01	0.09
15.44	75,000	15.44	0.92	75,000	15.44	0.92
	3,735,700	4.13	1.09	3,735,700	4.13	1.09

(c) Foreign Currency Translation Reserve

	Year ended December 31	
	2013	2012
Balance at beginning of year	$ 347	$ 2,470
Foreign exchange translation differences		
Exchange gain (loss) on translation of the investment in the Pebble Partnership under joint venture (note 3(a))	6,736	(2,206)
Exchange gain on translation of the Pebble Partnership as a foreign subsidiary (note 3(b))	138	–
Total foreign exchange translation difference for the year	6,874	(2,206)
Deferred income tax on investment	(128)	83
Reversal of deferred income tax on investment	141	–
Balance at the end of year	$ 7,234	$ 347

The foreign currency translation reserve represents accumulated exchange differences arising on the translation of the Pebble Partnership, which has a US dollar functional currency.

The Company has not reallocated the accumulated foreign exchange translation reserve attributable to the translation of the Pebble Partnership under joint arrangement upon discontinuance of the equity method (note 3(b)), as the transition from joint control to the Group's control was accounted for using the historical cost of the investment.

8. RELATED PARTY BALANCES AND TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation (note 2(b)). Details between the Group and other related parties are disclosed below:

(a) Transactions and Balances with Key Management Personnel

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

	Year ended December 31	
Compensation	**2013**	2012
Short-term employee benefits [(i)]	$ 2,517	$ 2,222
Share-based compensation	230	2,781
Total	$ 2,747	$ 5,003

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

(b) Transactions and Balances with other Related Parties

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

	Year ended December 31	
Transactions	**2013**	2012
Entity with significant influence [(a)]		
Services rendered to the Group	$ 4,181	$ 3,531
Reimbursement of third party expenses incurred on behalf of the Group	829	1,129
Total paid by the Group	$ 5,010	$ 4,660
Jointly controlled entity [(b)]		
Reimbursement of third party expenses incurred by the Group	$ (90)	$ (25)
Total reimbursed (to) the Group	$ (90)	$ (25)

Balances receivable from related parties	**December 31 2013**	December 31 2012
Jointly controlled entity (b)	$ –	$ 3
Total	$ –	$ 3

Balances payable to related parties	**December 31 2013**	December 31 2012
Entity with significant influence over the Group (a)	$ 459	$ 148
Total	$ 459	$ 148

(a) Hunter Dickinson Services Inc. ("HDSI"), 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. HDSI also incurs third party costs on behalf of the Group which are reimbursed by the Group at cost. The Group may make pre-payments for services under terms of the services agreement. Several directors and other key management personnel of HDSI, who are close business associates, are also key management personnel of the Group.

(b) The Group incurred costs on behalf of the Pebble Partnership while under joint control (note 3(a)), which were reimbursed at cost.

9. TRADE AND OTHER PAYABLES

Falling due within the year	**December 31 2013**	December 31 2012
Trade	$ 2,318	$ 261
Other (note 6 (b))	1,276	–
Total	$ 3,594	$ 261

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following:

	December 31 2013	December 31 2012
Loss attributable to common shareholders	$ 2,523	$ 15,662
Weighted average number of common shares outstanding (000s)	95,007	94,995

Diluted loss per share did not include the effect of the of share purchase options outstanding as they are anti-dilutive.

11. EMPLOYMENT COSTS

The amount of salaries and benefits included in expenses are as follows:

	Year ended December 31	
	2013	2012
Exploration and evaluation expenses	$ 992	$ 856
General and administration expenses	3,389	2,874
Share-based compensation	641	5,225
Total	$ 5,022	$ 8,955

12. INCOME TAX EXPENSE

	Year ended December 31	
	2013	2012
Current tax expense (recovery)		
Current expense (recovery)	$ –	$ –
Current income tax expense (recovery)	$ –	$ –
Deferred income tax expense		
Current expense	$ 184	$ –
Deferred income tax expense	$ 184	$ –

	Year ended December 31	
Reconciliation of effective tax rate	**2013**	2012
(Loss) for the period	$ (2,523)	$ (15,662)
Total income tax expense (recovery)	184	–
(Loss) excluding income tax	(2,339)	(15,662)
Income tax using the Company's domestic tax rate	(602)	(3,916)
Non-deductible expenses and other	336	1,322
Increase in statutory tax rates	(1,465)	–
Foreign exchange	13	83
Deferred income tax assets not recognized	1,902	2,511
	$ 184	$ –

The Company's domestic tax rate for the year was 25.75% (2012 – 25.00%) .

Deferred income tax assets (liabilities)	**December 31 2013**	December 31 2012
Resource pool	$ –	$ 21,144
Tax losses	115	58
Net deferred income tax assets	115	21,202
Resource property/investment in Pebble Partnership	(3,901)	(24,834)
Equipment	(17)	–
Net deferred income tax liability	$ (3,803)	$ (3,632)

The Group had the following temporary differences at December 31, 2013 in respect of which no deferred tax asset has been recognized:

Expiry	Tax losses	Resource pools	Other
Within one year	$ –	$ –	$ –
One to five years	–	–	1,311
After five years	41,075	–	–
No expiry date	41	106,666	93
Total	$ 41,116	$ 106,666	$ 1,404

The Group has taxable temporary differences in relation to investments in foreign subsidiaries or branches for which deferred tax liabilities have not been recognized of approximately $9.5 million.

13. FINANCIAL RISK MANAGEMENT

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

(a) 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, restricted cash, amounts receivable and amounts receivable from related parties. The Group limits the exposure to credit risk by only investing its cash and cash equivalents and restricted cash 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. Amounts receivable (note 5) are primarily comprised of a secured loan and other receivable balances with government agencies.

(b) 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 and restricted cash. The Group's cash and cash equivalents and restricted cash are currently invested in business accounts and guaranteed investment certificates which are available on demand.

The Group's financial liabilities are comprised of trade and other payables (note 9) and payable to a related party (note 8), which are due for payment within 12 months from the reporting date. The carrying amounts of the Group's financial liabilities represent the Group's contractual obligations.

(c) Foreign exchange risk

The Group is exposed to foreign exchange risk in respect to its US dollar-denominated cash and cash equivalents, restricted cash, loan receivable, and trade and other payables. Additionally 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.

The exposure of the Group's financial assets to foreign exchange risk is as follows:

Currency	**December 31, 2013**		December 31, 2012	
US dollars – Financial assets	US dollar amount (000s)	Amount in Canadian dollars	US dollar amount (000s)	Amount in Canadian dollars
Amounts receivable	$ 5,360	$ 5,701	$ 4,663	$ 4,639
Cash and cash equivalents and restricted cash	7,083	7,534	45	45
Total exposed to currency risk	$ 12,443	$ 13,235	$ 4,708	$ 4,684

The exposure of the Group's financial liabilities to foreign exchange risk is as follows:

Currency	**December 31, 2013**		December 31, 2012	
US dollars – Financial liabilities	US dollar amount (000s)	Amount in Canadian dollars	US dollar amount (000s)	Amount in Canadian dollars
Trade and other payables	$ 3,197	$ 3,400	$ 40	$ 40
Total exposed to currency risk	$ 3,197	$ 3,400	**$** 40	**$** 40

Based on the above net exposures and assuming that all other variables remain constant, a 10% depreciation of the Canadian dollar relative to the US dollar would result in a decrease in the loss of approximately $983 in the year (2012 – $465). 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.

(d) Interest rate risk

The Group is subject to interest rate cash flow 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:

	December 31 2013	December 31 2012
Effect on loss	$ 267	$ 325

(e) 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.

(f) Fair value

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

14. COMMITMENTS AND CONTINGENCIES

The Group has the following commitments:

	2014 (000s)	2015 (000s)	2016 (000s)
Anchorage office lease (i)	US$ 740	US$ 763	US$ 651
Anchorage communication lease (ii)	144	84	–
Pebble Project site lease (iii)	780	260	–
Total	US$ 1,664	US$ 1,107	US$ 651
Total using year end rate of $1.0636/US$	$ 1,770	$ 1,177	$ 692

(i) Original term of 5 years expires on October 31, 2016.
(ii) Lease term expires on July 31, 2015.
(iii) Lease for accommodation at site, expires on April 30, 2015.

After the reporting period, the Group entered into a sub-lease agreement in respect of a portion of the Anchorage office space subject to the operating lease for an average annual rent of approximately US$218,000 ($232). The term of the sub-lease expires on October 31, 2016.

15. EVENTS AFTER THE REPORTING PERIOD

The Group granted 4,494,600 options at an exercise price of $1.77 per option with expiry dates of February 26, 2017 and 2019. 1,795,800 options expired unexercised with a weighted average exercise price of $5.17 per option with various expiry dates.



MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2013

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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 ("Financial Statements") of Northern Dynasty Minerals Ltd. ("Northern Dynasty" or the "Company") for the year ended December 31, 2013 as publicly filed under the Company's profile on SEDAR at www.sedar.com.

The Company reports in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee (together, "IFRS"). The following disclosure and associated Financial Statements are presented in accordance with IFRS. This MD&A is prepared as of March 25, 2014. All dollar amounts herein are expressed in Canadian dollars, unless otherwise specified.

This discussion includes certain statements that may be deemed "forward-looking statements" or "forward looking information" within the meaning of Canadian and United States securities law.

All statements in this disclosure, other than statements of historical facts, that address permitting, 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, continuity of mineralization, potential environmental issues and liabilities associated with exploration, development and mining activities, uncertainties related to the ability to obtain necessary permits, licenses and title and delays due to third party opposition, changes in government policies regarding mining and natural resource exploration and exploitation, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. For more information on the Company, investors should review the Company's continuous disclosure filings that are available under the Company's profile at www.sedar.com. For more information on the Company, investors should review the Company's Form 40-F filing with the United States Securities and Exchange Commission (the "SEC") at www.sec.gov and its annual information form and 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.

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

Northern Dynasty is a mineral exploration company which, via its subsidiaries, holds interests in mining claims on State of Alaska land in southwest Alaska, USA (“US” or “America”), which are part of or in the vicinity of the Pebble Copper-Gold-Molybdenum Project (the "Pebble Project"). The Pebble Project is an advanced, pre-development stage initiative to design the development of one of the world’s most important mineral resources when measured by aggregate contained metals.

Northern Dynasty acquired the right to earn an interest in the Pebble property in late 2001. From 2001 to 2007, the Company established substantial mineral resources at the Pebble deposit. Comprehensive environmental, social and engineering studies of the deposit and surrounding area to support mine planning and permitting activities were initiated in 2004.

In mid-2007, a wholly-owned affiliate of Northern Dynasty and a wholly-owned subsidiary of Anglo American plc ("Anglo American") established the Pebble Limited Partnership (the "Pebble Partnership") to advance the Pebble Project toward feasibility. To maintain its 50% interest in the Pebble Partnership, Anglo American was required to commit staged cash investments into the Pebble Partnership aggregating to US$1.5 billion for comprehensive exploration, engineering, environmental and socioeconomic programs and, if warranted, permitting of a planned project, followed by construction of the final approved Pebble Project. Anglo American’s cash contribution since the formation of the Pebble Partnership amounted to $595 million (US$573 million).

On September 15, 2013, Anglo American gave the Company its notice of withdrawal from the Pebble Partnership. In December 2013, Northern Dynasty exercised its right to acquire Anglo American’s interest in the Pebble Partnership and now holds a 100% interest in the Pebble Partnership and its general partner, Pebble Mines Corp., which administers the Pebble Project.

Subsequent to the end of the year, Thomas C. (Tom) Collier, an experienced US regulatory lawyer and former Chief of Staff in the US Department of Interior, was appointed Chief Executive Officer ("CEO") of the Pebble Partnership. Mr. Collier has extensive natural resource sector experience, specializing in the provision of strategic leadership to companies navigating federal environmental permitting processes, specifically the Environmental Impact Statement process under the USA

National Environmental Policy Act ("NEPA") and 404 wetlands permitting under the Clean Water Act.

Former Pebble Partnership CEO, John Shively, was named Chairman of Pebble Mines Corp. and will continue to play an active role on the Pebble strategic leadership team.

At December 31, 2013, Northern Dynasty had cash and cash equivalents on hand of $25.8 million for its operating requirements. In the fall of 2013, the Company initiated a review of all Pebble Partnership programs, timelines and budgets and prioritized the allocation of available financial resources to advance the Pebble Project in the most efficient manner. Management believes that the Company has sufficient capital resources to cover corporate expenditure requirements and activities at the Pebble Project for a period in excess of the next twelve months.

Plans for 2014

The Company's priority goals in 2014 are to address the US Environmental Protection Agency ("EPA")'s recently announced 404(c) process under the Clean Water Act, to move forward with environmental planning and project design work and to seek one or more potential joint venture or other partners to join the Pebble Project. Northern Dynasty has consolidated all of the technical data, engineering work and permitting documentation related to the Pebble Project into a data room to facilitate due diligence reviews by interested parties. The Company will also continue its review of the project and advance engineering and environmental studies, as well as regulatory documentation, to prepare for federal and state permitting under NEPA. A final decision on formal permit application timing depends on factors such as completion of technical assessments and interaction with regulatory agencies, and would be made by the Northern Dynasty and Pebble Mines Corp. Boards.

1.2.1 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 sound mine site and infrastructure development.

Mineralization indicating the presence of the Pebble deposit was discovered in 1987 by a prior operator. By 1997 an initial outline of a deposit of copper, gold and molybdenum had been identified.

From 2001-2007, Northern Dynasty explored the Pebble deposit and surrounding property using its own financial resources. This work led to an overall expansion of the deposit, including discovery of a substantial volume of higher grade mineralization to the east, 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.

The estimate of the Pebble deposit mineral resources has been updated several times as exploration has advanced. The most recent estimate was announced in February 2010, which at a 0.30% copper equivalent (CuEQ) [1] cut-off comprises:

- 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.

In February 2011, Northern Dynasty announced the results of an independent Preliminary Assessment ("PA") of the Pebble Project by Wardrop, a Tetra Tech Company. The PA analyzed the economics of three successive mine development cases comprising 25, 45 and 78 years of open pit mining, each at a posited processing rate of 200,000 tons per day. The results of the PA indicated the potential for positive returns on invested capital in a mine. Although additional engineering, environmental and socioeconomic studies and data collection programs designed to advance a prefeasibility study for the Pebble Project continued from 2011 through early 2013, this work was not sufficiently comprehensive or material to obviate the 2011 PA analyses and conclusions. However, since the withdrawal of Anglo American from the Pebble Partnership in late 2013 and in light of more recent stakeholder and regulatory feedback, Northern Dynasty initiated a comprehensive review of previous analyses of the Pebble Project, including the 2011 PA and various project components. Current studies of the Pebble Project investigate new infrastructure plans as well as lower throughput rates in a revised project development concept. As well, the cost and revenue inputs require updating given the nearly 4 years which have passed since the 2011 PA was done. For these reasons, any project which is ultimately put forward for permitting will almost certainly be different from the economic assessment model examined in the 2011 PA. Therefore conclusions in the 2011 PA study may have limited going-forward relevance at this time. There can be no assurances given by Northern Dynasty that the economics of the new alternative mine models being assessed will demonstrate economics similar to those projected in the 2011 PA.

In January 2012, the Pebble Partnership publicly released the Environmental Baseline Document ("EBD") for the Pebble Project. 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 primarily based on research undertaken between 2004 and 2008, although baseline data collecting and monitoring has continued. Public and expert review of the EBD was facilitated under the Keystone initiative (see further details in section 1.2.1.3 below) .

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[1] Mineral resources at February 2010 estimated 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. M+I include 527 million tonnes in the measured category grading 0.33% copper, 0.35 g/t gold and 178 ppm molybdenum and 5,414 million tonnes in the indicated category grading 0.43% copper, 0.35 g/t gold and 257 ppm 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 . Mineral resources that are not mineral reserves do not have demonstrated economic viability. The qualified person for the estimate is David Gaunt, P.Geo.

Compilation of 2009 to 2013 environmental baseline data reports as well as reports that analyze the results of the baseline studies will be completed so that it can be shared with state/federal agencies and the public as part of the future permitting process. The EBD study is available on the Company's website www.pebbleresearch.com.

1.2.1.1 Technical Programs

Pebble Project activities in 2013 included ongoing environmental monitoring and baseline data collection, engineering studies, stakeholder engagement, business development and public affairs programming as well as drilling and geo-hydrological testing at site.

Exploration and Drilling

The 2013 drilling program consisted of 29 holes, totaling 6,195 feet. All of the holes were drilled to collect geotechnical data.

Engineering

Engineering activities were designed to advance mine planning studies for the Pebble Project. The most recent phase of work commenced in 2011, and has included additional analysis of an open pit and process plant designs, and potential associated infrastructure options, along with compilation of potential designs for the transportation infrastructure and power plant. Development options and component alternatives are also being considered as part of the Company's review of the project.

Environmental and Socioeconomic

Environmental Baseline Document ("EBD")

The EBD discussed above provides information and analysis on baseline physical, chemical, biological and social conditions based upon data collection by the Pebble Partnership environmental study team from 2004 to 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. This work is ongoing.

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. The EBD was released in advance in order to provide stakeholders with additional time to review the substantial document in advance of project permitting.

The Pebble Partnership facilitated a four-day workshop with federal and state regulatory agencies in January 2012 to present the EBD findings. The workshop was broadcast publicly via the Internet. A series of public presentations has also been coordinated in more than 20 communities throughout southwest Alaska and elsewhere around the State to present the EBD findings. These presentations involved several of the authors of the document.

Work toward completion of a Project Description for the Pebble Project advanced in 2013. The Pebble Partnership expects to be in a position to initiate federal and state permitting under the NEPA in 2014, although a final determination on permit timing has not yet been made.

Comprehensive environmental and socioeconomic baseline study programs have continued at the Pebble Project site in 2013. This year's field programs have included surface and groundwater hydrology, water quality and fish resources studies, with a focus on monitoring.

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 locations of transportation infrastructure options. Examination of the potential transportation infrastructure 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 was undertaken at Pebble in 2013 that includes 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. Additional meetings were held recently to update stakeholders on the changes to the Pebble Project with Anglo American's withdrawal.

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, with the goal of enhancing 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. Grants totaling US$522,337 were awarded to sixteen charitable organizations, schools, and tribes serving southwest Alaska for 2014.

   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. The Bristol Bay Marketplace Business Idea Competition continued in 2013.

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, were 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. The process is designed to address: geology and geochemistry; hydrology and water quality; fish, wildlife and habitat; and social, economic and cultural dynamics. Four ISP events were held in October 2012 and a final event, focused on Wildlife, Wetlands and Endangered Species, was held in May 2013.

3. Elders Forum - The Elders Forum is an annual event hosted by the Pebble Partnership to foster meaningful dialogue and provide updated information on the Pebble Project to Native elders from communities throughout the Bristol Bay region. The fifth annual Elders Forum was held in August 2013, and involved over 200 attendees representing 22 of the 31 in- region communities.

   In addition, an Elders Advisory Committee comprised of 10 members representing eight sub- regions within Bristol Bay works directly with the Pebble Partnership on an ongoing basis to outline community concerns pertaining to mining and potential impacts on subsistence ways of life. The committee participates in mine tours, Pebble site tours and educational meetings and conferences in order to share information regarding modern mining with their communities.

As the Pebble Project advances toward the completion of a Project Description and preparation for project permitting under NEPA, it is expected that the Pebble Partnership will initiate further stakeholder engagement programs to involve stakeholders in the planning process.

Employment and Workforce Development

The Pebble Partnership has been one of the most important private sector employers in southwest Alaska for several years, and has implemented employee training and workforce development initiatives such as training in the areas of equipment operations, health, safety and environment.

1.2.1.2 Legal Matters

In October 2011, a lawsuit filed in July 2009 by the Trustees for Alaska (an activist 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 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 proposed to 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 filed legal challenges to the ballot initiative in the Alaska Superior Court, and on March 19, 2014 the court issued a permanent injunction barring the law from going into effect. The court ruled in favor of the Pebble Partnership, agreeing that the Alaska constitution and Alaska statutes preempted local governments from interfering with resource development on State lands.

An environmental group, Renewable Resources Coalition ("RRC"), has filed a lawsuit against the Pebble Partnership and others in superior court in California. The lawsuit follows a complaint that Pebble Partnership filed with the Alaska Public Offices Commission in 2009 which alleged that RRC and others had engaged in illegal conduct during the course of a ballot initiative campaign in 2008. The commission investigated and issued a report finding RRC and others had violated Alaska law, and subsequently RRC and others entered into a consent decree and paid a settlement fine. RRC then filed a lawsuit against the Pebble Partnership, asserting that the Pebble Partnership violated RRC's rights by acquiring documents and information which the Pebble Partnership had attached to its complaint to the Alaska Public Offices Commission. The trial court dismissed the lawsuit, finding that it was an improper retaliatory lawsuit and barred by California's Anti-SLAPP (Strategic Lawsuits against Public Participation) statute. An appellate court recently reversed that dismissal and remanded the case back to the trial court. A status hearing is set for April 2014. The Pebble Partnership maintains that its conduct in reporting illegal conduct to the proper law enforcement authority was appropriate and proper in all respects, and it will again ask the trial court to dismiss the lawsuit for lack of merit.

1.2.1.3 Bristol Bay Watershed Assessment

In February 2011, the US 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 all of the Bristol Bay area, subsequently narrowed to the Nushagak and Kvichak area drainages. This process was initiated in response to calls from persons and groups opposing the Pebble Project for the EPA to pre-emptively use its asserted authority under Section 404(c) 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 embarked on a scientific study to assess potential impacts of hard rock mining in the two drainages.

The EPA's first draft Bristol Bay Watershed Assessment ("BBWA") report was released on May 18, 2012. In the Company's opinion after review with its consultants, the draft report is a fundamentally flawed document. By the EPA's own admission, it has evaluated the effects of a "hypothetical project" that is, one which has neither been defined nor proposed, and for which key environmental mitigation strategies have not yet been developed and, hence would not yet be known. It is believed by the Company that the assessment was rushed – it is based on studies conducted over only one year in an area of 20,000 square miles. In comparison, the Pebble Project has studied the ecological and social environment surrounding Pebble for nearly a decade. The EPA also failed to fully consider the comprehensive and detailed data that the Pebble Partnership provided as part of its 27,000-page Environmental Baseline Document.

The EPA called for public comment on the quality and sufficiency of scientific information presented in the draft BBWA report. In response, the Pebble Partnership and Northern Dynasty made submissions on the draft report. Northern Dynasty made a presentation highlighting these shortcomings at the public hearings held in Seattle, Washington, on May 31, 2012 and in Anchorage, Alaska, on August 7, 2012. In July 2012, the Company also submitted a 635-page critique of the draft report in response to the EPA's call for public comment, and has called upon the EPA to cease such unwarranted actions on the watershed assessment until such time as a definitive proposal for the development of the Pebble deposit is submitted into the rigorous NEPA process.

Concerns about the reasonableness of the basis of risk assessment in the draft EPA report were stated by many of the independent experts on the peer review panel assembled to review the BBWA in a report entitled *"External Peer Review of EPA's Draft Document: An Assessment of Potential Mining Impacts on Salmon Ecosystems of Bristol Bay, Alaska"* released in November 2012. In a wide-ranging critique of t he draft report's methodology and findings, many peer review panelists called the EPA's effort to evaluate the effects of a "hypothetical mining scenario" on the water, fish, wildlife and cultural resources of Southwest Alaska *"inadequate*", *"premature", "unreasonable", "suspect" and "misleading*". The full peer review report can be found at: http://www.epa.gov/ncea/pdfs/bristolbay/Final-Peer-Review-Report-Bristol-Bay.pdf.

"The authors have attempted to develop a hypothetical mine and attempted to assess possible environmental effects associated with mine development, operation, and closure," said Dr. William Stubblefield, a senior professor at Oregon State University and an expert in environmental toxicology. "Although interesting, the potential reality of the assessment is somewhat questionable. It is also unclear why EPA undertook this evaluation, given that a more realistic assessment could probably have been conducted once an actual mine was proposed and greater detail about operational parameters available."

On April 26, 2013, the EPA released a revised draft of the BBWA report and announced another public comment and Peer Review period. The Pebble Partnership and Northern Dynasty made submissions on the revised draft. In late May 2013, Northern Dynasty filed a 205-page submission which describes the same major shortcomings as the original report published in May 2012. For additional information on Northern Dynasty's submission to the EPA and the Company's critique of the BBWA report, see http://www.northerndynastyminerals.com/ndm/BristolBay.asp.

In mid-January 2014, the EPA released the final version of its BBWA. The report still reflects many of the same fundamental shortcomings as previous drafts. It does not include any recommendations or regulatory actions that will affect future development of the Pebble Project.

On February 28, 2014, the EPA announced that it is initiating a process under the Clean Water Act to investigate potential impacts on aquatic habitat and fisheries associated with mine development in southwest Alaska. The EPA process, which is a continuation of the BBWA study initiated in 2011, will include consultation with the U.S. Army Corps of Engineers and the Pebble Partnership. Based on input the EPA receives during any one of these steps, the agency has stated it could decide to take action under Section 404(c) of the Clean Water Act or decide that further review is not necessary. Northern Dynasty management continues to be of the opinion that any final decisions about Pebble should be made by federal and state regulators working within the NEPA permitting process based on an actual permit application, and not unilaterally and pre-emptively by the EPA.

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 (the "FMM Agreement") of Kaskanak Copper LLC (the "LLC") with Full Metal Minerals (USA) Inc. ("FMMUSA"), which indirectly owned 100% of FMMUSA's South Pebble Claims (the "FMM Properties"). On May 8, 2013, the Pebble Partnership purchased FMMUSA's entire ownership interest in the LLC for a cash consideration of US$750,000. As a result, the Pebble Partnership is the indirect owner of a 100% interest in the FMM Properties.

The FMM Properties total 542 claims covering approximately 135 square miles are located west of mineral claims held by the Pebble Partnership.

1.2.2.2 Big Chunk North and South

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 and which was repayable 45 days after being called (the "Loan"). The parties agreed, through various amendments to the original agreement, to increase the principal amount of the Loan by US$730,174 (the "Additional Loan Amount"), being the amounts expended by Northern Dynasty on annual assessment work, rental and related fees relating to the maintenance of Liberty Star's claims in Alaska. Northern Dynasty carried out initial exploration surveys in 2010.

Northern Dynasty called for the repayment of the Loan in October 2012 and, after failure by Liberty Star to make any repayment, Northern Dynasty agreed to accept transfer of 199 claims (the "Settlement Claims") covering 47.9 square miles located north of the ground held 100% by the Pebble Partnership in settlement of the Loan. Prior to transfer of the Settlement Claims to Northern Dynasty, a third party purported to register a lien on the Settlement Claims in respect of a debt allegedly owed by Liberty Star, which Liberty Star disputes. Liberty Star has filed a claim against the third party, who has in turn filed a counterclaim against Liberty Star and has joined Northern Dynasty and its subsidiary, U5 Resources Inc., as parties to the lawsuit. Each of U5 Resources Inc. and Northern Dynasty has tendered its defence of the counterclaim to Liberty Star, which is obligated to indemnify Northern Dynasty and U5 Resources Inc. from any losses arising from the failure of Liberty Star to transfer clear title to the Settlement Claims.

The total area of the properties is 71.7 square miles, and includes 95 Purchased Claims and 199 Settlement Claims. All of these claims are located in the vicinity of the Pebble Project.

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. Although prices have been variable since that time, overall they have weakened. The recent closing price is US$2.98/lb.

Although gold prices have dropped from time to time, the average annual price steadily increased from 2008 to 2012. Gold prices trended lower in 2013; however, there has been some improvement in prices in early 2014. The recent closing price is US$1,314/oz.

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. Prices improved but were variable in 2010 and 2011. Prices then increased to US$15.00/lb in early April 2012, before decreasing through July 2013, then varying for the remainder of the year, averaging US$10.40/lb. The recent closing price is US$10.21/lb.

Average annual prices as well as the average prices so far in 2013 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	3.61/lb	1,669/oz	12.81/lb
2013	3.32/lb	1,410/oz	10.40/lb
2014 (to the date of this MD&A)	3.21/lb	1,293/oz	10.26/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. The 2013 figures include the Pebble Partnership on a consolidated basis with effect from December 10, 2013. All figures are expressed in thousands of Canadian dollars unless otherwise stated except per share amounts.

Statements of Financial Position	**December 31 2013**	**December 31 2012**	**December 31 2011**
Investment in the Pebble Partnership ("PLP")	$ –	$ 99,336	$ 101,542
Mineral property, plant and equipment	108,050	1,055	1,055
Current assets	33,734	32,543	42,644
Total assets	**141,784**	**132,934**	**145,241**
Shareholders' equity	133,928	128,893	141,356
Other liabilities	3,803	3,632	3,715
Current liabilities	4,053	409	170
Total shareholders' equity and liabilities	**141,784**	**132,934**	**145,241**
Working capital	**$ 29,681**	**$ 32,134**	**$ 42,474**

Expenses (income)	**Year ended December 31 2013**	**Year ended December 31 2012**	**Year ended December 31 2011**
Exploration and evaluation	$ 1,991	$ 4,461	$ 819
General and administrative	6,245	6,780	6,168
Share-based compensation	641	5,225	14,205
Exchange (gain) loss	(340)	83	(58)
Interest income	(1,136)	(887)	(944)
Gain on discontinuance of equity method	(5,062)	–	–
Loss before tax	2,339	15,662	20,190
Income tax expense (recovery)	184	–	(51)
Loss for the year	$ 2,523	$ 15,662	$ 20,139
Basic and diluted loss per common share	$ 0.03	$ 0.16	$ 0.21
Weighted average number of common shares outstanding	95,007	94,995	94,852

1.4 Summary and Discussion of Quarterly Results

All monetary amounts are expressed in thousands of dollars except per share amounts and where otherwise indicated. Minor differences are due to rounding.

Statements of Financial Position	Dec 31 2013	Sep 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012	Mar 31 2012
Investment in PLP [1]	$ –	$ 102,870	$ 105,017	$ 101,443	$ 99,336	$ 98,168	$ 101,652	$ 99,595
Mineral property, plant & equipment	108,050	1,055	1,055	1,055	1,055	1,055	1,055	1,055
Current assets	33,734	28,044	29,693	30,817	32,543	35,623	38,605	40,811
Total assets	**141,784**	**131,969**	**135,765**	**133,315**	**132,934**	**134,846**	**141,312**	**141,461**
Equity	133,928	127,859	131,629	129,456	128,893	130,214	137,191	137,282
Deferred income tax ("DIT")	3,803	3,760	3,839	3,709	3,632	3,589	3,719	3,643
Current liabilities	4,053	350	297	150	409	1,043	402	536
Total shareholders' equity and liabilities	**141,784**	**131,969**	**135,765**	**133,315**	**132,934**	**134,846**	**141,312**	**141,461**
Working capital	29,681	27,694	29,396	30,667	32,134	34,580	38,203	40,275
Comprehensive (Income) Loss								
Expenses								
Exploration and evaluation	1,076	270	246	399	663	1,255	1,274	1,269
General and administrative	1,810	1,552	1,495	1,388	2,076	2,472	1,136	1,096
Share-based compensation	–	–	217	424	486	1,260	1,702	1,777
Loss from operating activities	2,886	1,822	1,958	2,211	3,225	4,987	4,112	4,142
Exchange (gain) loss	(183)	114	(175)	(96)	(48)	136	(87)	82
Interest income	(413)	(234)	(265)	(224)	(233)	(240)	(251)	(163)
Gain on discontinuance of equity method [1]	(5,062)	–	–	–	–	–	–	–
(Income) loss before tax	(2,772)	1,702	1,518	1,891	2,944	4,883	3,774	4,061
Income tax expense (recovery)	184	–	–	–	2	(2)	–	–
(Income) loss for the quarter	(2,588)	1,702	1,518	1,891	2,946	4,881	3,774	4,061
Foreign exchange translation difference	(3,340)	2,147	(3,574)	(2,107)	(1,168)	3,484	(2,057)	1,947
Deferred income tax	–	(79)	130	77	41	(128)	76	(72)
Reversal of DIT	(141)	–	–	–	–	–	–	–
Comprehensive (income) loss	$ (6,069)	$ 3,770	$ (1,926)	$ (139)	$ 1,819	$ 8,237	$ 1,793	$ 5,936
Basic and diluted (income) loss per common share	$ (0.03)	$ 0.02	$ 0.02	$ 0.02	$ 0.03	$ 0.05	$ 0.04	$ 0.04

[1] Pebble Limited Partnership. Up to the change of control in Q4 of 2013, it was held under joint venture and accounted for under the equity method.

Discussion of Quarterly Trends

The Pebble Partnership accounts are denominated in US dollars. Exchange differences arising from the translation of the Pebble Partnership are taken directly to the foreign currency translation reserve through other comprehensive income or loss. The Company has recorded translation gains in five quarters as a result of depreciation of the Canadian dollar relative to the US dollar and losses in three quarters as a result of the appreciation of the Canadian dollar relative to the US dollar. The following table summarizes the movement in the US dollar to the Canadian dollar and the resulting exchange differences recognized in each quarter:

Period	USD movement to CAD	1CAD for 1USD Start	End	Recognized (gain) loss
Q1 2012	Depreciation	$1.02	$1.00	$1.9 million
Q2 2012	Appreciation	$1.00	$1.02	$(2.1) million
Q3 2012	Depreciation	$1.02	$0.98	$3.5 million
Q4 2012	Appreciation	$0.98	$0.99	$(1.1) million
Q1 2013	Appreciation	$0.99	$1.02	$(2.1) million
Q2 2013	Appreciation	$1.02	$1.05	$(3.6) million
Q3 2013	Depreciation	$1.05	$1.03	$2.1 million
Q4 2013	Appreciation	$1.03	$1.06	$(3.4) million
FY 2012	Depreciation	$1.02	$0.99	$2.2 million
FY 2013	Appreciation	$0.99	$1.06	$(6.8) million

Share-based compensation expense has fluctuated due to the timing of share purchase option grants and the vesting periods associated with these grants. The fair value of share purchase options ("options") is determined at the grant date and the compensation expense for each tranche is recognized over the period during which the options vest. The Company granted options in Q2 of 2012 however, share-based compensation ("SBC") did not increase due to the lower estimated fair value for these options of $0.87 per option as compared to $6.56 per option for the previous year's grant and notwithstanding the vesting of one-half of these options at grant date. In Q1 and Q4 of 2012 SBC related to the amortization of SBC on options that were still vesting. In Q3 of 2012, the Company recognized approximately $458,000 in additional SBC in respect to options that the Company's directors voluntarily agreed to cancel that were still vesting. In 2013, as no options were granted, the remaining unamortized SBC was recognized. All options were fully vested by end of Q3 of 2013.

Exploration and evaluation expenses averaged around $1.3 million for three quarters from Q1 to Q3 of 2012 as the Company conducted a further technical study to advance work completed since the issue of the 2011 Preliminary Assessment ("2011 PA"). From Q4 of 2012 through Q3 of 2013, exploration and evaluation expenses trended lower due to the completion of work related to the technical study. In Q4 of 2013, additional costs were incurred as a result of the withdrawal of Anglo American from the Pebble Partnership and the Company consolidating the Pebble Partnership from December 10, 2013.

1.5 Results of Operations

The following financial data has been prepared in accordance with IFRS effective for the year ended December 31, 2013 and is expressed in thousands of 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 Operations for the Year Ended December 31, 2013 vs. 2012

The Company recorded a decrease in loss of $13.1 million due mainly to the decrease in exploration and evaluation expenses, share-based compensation expense and a gain recognized on discontinuance of the equity method (in respect to the Pebble Partnership).

Exploration and evaluation expenses ("E&E") decreased by $2.5 million as the Company's work on technical studies wound down.

General and administrative expenses ("G&A") decreased to $6.2 million from $6.8 million in 2012 due mainly to a reduction in consulting fees paid and conference and travel costs. In 2012, in response to EPA's initiatives such as the BBWA (refer *1.2.1.3 Bristol Bay Watershed Assessment),* the Company initiated a program to retain US political and scientific representatives and consultants to assist, consult and represent the Company, which costs in 2013 have been lower. This was offset by increased shareholder communication in 2013 as the Company has focused more resources in the area of investor relations and shareholder communication.

The following table provides a breakdown of G&A incurred in the year as compared to 2012, expressed in thousands of dollars:

G&A	**2013**	2012
Conference and travel	$ 340	$ 566
Consulting	836	1,761
Insurance	342	343
Legal, accounting and audit	275	255
Office costs	670	702
Management and administration	2,572	2,095
Shareholder communication	983	830
Trust and filing	227	228
Total	$ 6,245	$ 6,780

Share-based compensation decreased to $0.6 million from $5.2 million in 2012 due mainly to the Company not granting share purchase options. In 2012 the Company granted 2.2 million options were granted and recognized an additional $0.5 million expense for options that were cancelled voluntarily. Although over 2.0 million options were cancelled voluntarily in 2013, they were fully vested, and there was no impact on SBC as the Company had previously recognized SBC thereon.

After the recognition of an exchange gain on translation of the Pebble Partnership which has a US dollar functional currency of $6.9 million (2012 – loss of $2.2 million) (refer *Discussion of Quarterly Trends in 1.4),* the comprehensive income for the year was $4.4 million as compared to a comprehensive loss of $17.8 million in 2012.

1.5.2 Cash Flows for the Year Ended December 31, 2013 vs. 2012

Net cash used in operations decreased by $2.7 million to $7.8 million in 2013 due mainly to the decrease in Company corporate activities.

The Company contributed a further $1.0 million to the Pebble Partnership before the change in control of the Pebble Partnership on December 10, 2013. On assumption of control, the Company's cash resources increased by $6.5 million.

The Company received $0.6 million in interest on cash balances as compared to $0.4 million in 2012 as the Company's funds were invested at higher rates. For the year, the Company had a net decrease in cash of $1.7 million (2012 – $9.9 million) .

1.5.3 Financial position as at December 31, 2013 vs. December 31, 2012

The Company's total assets increased by $8.9 million to $141.8 million. The increase was mainly the result of consolidating the assets and liabilities of the Pebble Partnership as a result of assuming control thereof (discussed further in Note 3 in the Notes to the Financial Statements). In respect to non-current assets, the Company recognized the Pebble mineral property and plant and equipment as it discontinued the equity method of accounting for the Pebble Partnership which including a foreign exchange gain on translation amounted to an increase of $7.7 million. Current assets increased by $1.2 million. The Company consolidated amounts receivable and prepaid expenses, certain restricted cash ($1.2 million) and cash and cash equivalents from the Pebble Partnership ($6.5 million – see previous section). The additional cash and cash equivalents reduced the decrease in cash and cash equivalents utilized for the year to $1.7 million. Other changes included the change in value of the amounts receivable due to accrued interest ($0.3 million) and foreign exchange gain on translation ($0.5 million) .

1.5.4 The Pebble Partnership under Joint Venture

Until the change of control on December 10, 2013, the Company accounted for its investment in the Pebble Partnership under the equity method.

Expenditures incurred by the Pebble Partnership on the Pebble Project were funded by Anglo American in order to retain its 50% interest in the Pebble Project. Anglo American's total contributions from inception of the Pebble Partnership to December 31, 2013 total $594.9 million (US$573.2 million) .. For the period ended January 1 to December 10, 2013, the Pebble Partnership incurred losses of $68.8 million (December 31, 2012 – $102.9 million) . E&E costs decreased to $58.5 million from $93.3 million in the previous year as the Pebble Partnership focused on various programs to advance the completion of a prefeasibility study for the Pebble Project and the completion of a Project Description to support the permit application under NEPA (refer discussion in 1.2.1.1 *Technical Programs*). In Q1 of 2012, the Pebble Partnership released the EBD.

The main E&E costs during the period ended January 1 to December 10, 2013, were:

- engineering (2013 – $10.6 million; December 31, 2012 – $19.1 million);
- environmental planning and testing (2013 – $13.9 million; December 31, 2012 – $20.0 million);
- site activities (2013 – $18.8 million; December 31, 2012 – $36.6 million);
- corporate affairs (2013 – $13.7 million; December 31, 2012 – $16.5 million); and
- business development (2013 – $1.5 million; December 31, 2012 – $1.1 million).

For further discussion on exploration activities and related technical programs see section *1.2.1.1 Technical Programs*.

1.6 Liquidity

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company completed its last private placement financing in 2008. Since then inflows into the treasury have been through the issue of 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.

Northern Dynasty has $25.8 million in cash and cash equivalents for its operating requirements. In the fall of 2013, the Company initiated a review of all Pebble Partnership programs, timelines and budgets and prioritized the allocation of available financial resources to advance the Pebble Project in the most efficient manner (refer to 1.2). Based on available cash resources Management believe the Company will be able to meet corporate expenditure requirements and activities at the Pebble Project for at least the next twelve months. Additional financing, which may include debt, equity or reliance on new joint venture partners, will be required to fund further exploration or development programs at the Pebble Project. There can be no assurances that the Company will be successful in obtaining additional financing. If the Company is unable to raise the necessary capital resources and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations.

At December 31, 2013, the Company had working capital of approximately $29.7 million as compared to $32.1 million at December 31, 2012. The Company has no long term debt, capital lease obligations, operating leases or any other long term obligations other than those disclosed in the Financial Statements (refer note 14, *Commitments and Contingencies,* in the notes to the Financial Statements).

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 Company is responsible for maintenance payments on the Pebble Project claims and other claims in the vicinity thereof (see 1.2.2) and routine office leases.

1.7 Capital Resources

The Company's capital resources consist of its cash reserves. As of December 31, 2013, the Company had no long term debt or commitments for material capital expenditures other than what has been disclosed in the Financial Statements.

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

1.8 Off-Balance Sheet Arrangements

There are 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 and 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. The following summarizes the transactions with HDSI expressed in thousands of dollars for the year:

Transactions		**2013**		2012
Services rendered by HDSI	$	4,181	$	3,531
Reimbursement of third party expenses incurred by HDSI		829		1,129
Total paid by the Company	$	5,010	$	4,660

The Company continues to use resources provided by HDSI to assist with ongoing administration and management of the Company, including continuous disclosure obligations, shareholder communications, public affairs and investor relations, assisting the Company with the Pebble Partnership as appropriate.

Other related party transactions include compensation paid to key management personnel (directors and senior management including the Senior Vice President, Corporate Development; Vice President ("VP"), Corporate Communication, VP, Engineering and VP, Public Affairs). For the year ended December 31, 2013, this comprised directors' fees and salaries of $2.5 million (2012 – $2.2 million) and share -based compensation of $0.2 million (2012 – $2.8 million) .

1.10 Fourth Quarter 2013 vs 2012

The Company recorded total comprehensive income of $6.1 million as compared to a $1.8 million loss in 2012 as the Company recognized a gain on discontinuance of the equity method for accounting for the Pebble Partnership and a larger foreign exchange gain on translation as compared to 2012.

The Company recorded an increase in E&E of $0.4 million as the Company initiated a review of all Pebble Partnership programs, timelines and budgets in order to prioritize the allocation of available financial resources to advance the Pebble Project in the most efficient manner with the withdrawal of Anglo American.

G&A decreased to $1.8 million from $2.1 million in 2012. The decrease was due mainly to decreased consulting costs and less conference and travel related costs. This was offset by increased management and administration resulting from the withdrawal of Anglo American from the Pebble Partnership.

The following table provides a breakdown of G&A incurred during the quarter as compared to the fourth quarter of 2012, expressed in thousands of dollars:

G&A	**2013**	2012
Conference and travel	$ 29	$ 230
Consulting	154	564
Insurance	86	89
Legal, accounting and audit	214	175
Office costs	237	147
Management and administration	894	596
Shareholder communication	191	270
Trust and filing	5	5
Total	$ 1,810	$ 2,076

SBC decreased to $nil from $0.5 million in 2013 due mainly to the Company not granting options. The Company had recognized the remaining unamortized SBC in previous quarters.

On the discontinuance of the equity method for accounting for the investment in Pebble Partnership, the Company recorded a gain of $5.1 million in the quarter. The Company recognized, through other comprehensive income or loss, an exchange gain of $3.3 million in 2013 versus a $1.2 million gain in 2012 on translation of the investment in the Pebble Partnership. As the Pebble Partnership has a US dollar functional currency, the Company is impacted by movements in the US / Canadian dollar exchange rate (see 1.4, *Discussion ofQuarterly Trends*).

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 preparation of the 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 may differ from these estimates. The following are specific areas where significant estimates or judgments exist:

Estimates

i. The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of share purchase options granted for determining share-based compensation included in the loss for the year. Inputs used in this model require subjective assumptions including the expected price volatility from three to five years. Changes in the subjective input assumptions can affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

ii. The loan receivable from Liberty Star Uranium & Metals Corp (refer Note 5 in the Notes to the Financial Statements), which is secured by certain mineral claims, was past due at the end of the reporting period. However the Company has not recognized an allowance for doubtful debts because the Company has a reasonable expectation that the loan will be settled by the transfer of the underlying mineral claims by the debtor.

iii. Significant assumptions about the future and other sources of estimation uncertainty are made in determining the provision for any deferred income tax expense included in the loss for the year and the composition of deferred income tax liabilities included in the Statement of Financial Position in the Consolidated Financial Statements.

Judgments

i. In terms of IFRS 6, *Exploration and Evaluation of Mineral Resources* ("IFRS 6"), the Company used judgment in determining that there are no facts and circumstances suggesting that the carrying amount of the Company's exploration and evaluation assets (which comprise the mineral property and plant and equipment)("E&E assets") may exceed their recoverable amount.

ii. IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"), defines the functional currency as the currency of the primary economic environment in which an entity operates. IAS 21 requires the determination of functional currency to be performed on an entity by entity basis, based on various primary and secondary factors. In identifying the functional currency of the parent and of its subsidiaries, Management considered the currency that mainly influences the cost of undertaking the business activities in each jurisdiction in which the Company operates.

iii. The Company applied judgment in determining the classification of its interests in other entities. In particular, the Company determined the level of control or joint control and whether the Group has rights to assets and liabilities or to net assets of the arrangement based on the legal structure and contractual terms of the arrangement and, when relevant, other facts and circumstances . The Company concluded that its previous 50% interest in the Pebble Partnership that the Company held until December 10, 2013, was a joint venture in accordance with IFRS 11, *Joint Arrangements*.

iv. The Company used judgment in determining that the acquisition of 50% of the Pebble Partnership should be treated as an asset acquisition and not a business combination under IFRS 3, *Business Combinations,* and hence the transaction was outside the scope of IFRS 3. The Company considered the current stage of the Pebble Project which has no proven or probable reserves and the fact that the project's technical feasibility and economic viability has still to be determined or demonstrated.

v. The Company has employed judgment that going concern was still an appropriate basis for the preparation of the Financial Statements. Although the Company no longer has access to a stream of financing for the development of the Pebble Project with the withdrawal of Anglo American from the Pebble Partnership and Pebble Project, the Company has reviewed all programs, timelines and budgets and prioritized the allocation of available financial resources to advance the Pebble Project in the most efficient manner and believes it will be able to meet corporate expenditure requirements and activities at the Pebble Project for the next year.

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 mineral property.

1.12.2 Impairment analysis of assets

At the end of each reporting period, the carrying amounts of the Company's assets, which comprise mainly its E&E assets and the Liberty Star loan receivable, are reviewed to determine whether there is any indication that those assets are impaired. The Liberty Star loan receivable is discussed under estimates above (refer (ii)). With respect to the Company's E&E assets, the Company determined that, as per IFRS 6, there were no facts or circumstances suggesting that the carrying value was impaired.

Recoverability of the carrying amount of the mineral property is dependent on successful development and commercial exploitation or alternatively, sale thereof.

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

At December 31, 2013, 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 of restoration, rehabilitation and environmental costs. 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, 2013, the Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is minimal.

1.12.4 Share-based compensation expense

As indicated in 1.12 (i) the Company uses the Black -Scholes option pricing model to estimate the fair value of options granted through its Board of Directors, to directors, employees and service providers. Changes in any of the inputs in the model such as expected volatility, expected life to exercise and interest rates could cause a significant change in the share-based compensation expense charged in a period. During the year the Company did not grant any share purchase options. The share-based compensation expense recognized in the year relates to the vesting of tranches of share purchase options that were granted in prior years. The weighted average fair value of options granted in 2012 was estimated at $0.87 per option based on the following weighted average assumptions and inputs:

		2012
Risk-free interest rate		1.11%
Expected life		3.43 years
Expected volatility		60%
Grant date share price	$	2.38
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.

Further discussion can be found in Note 2 in the Notes to the Financial Statements which accompany this MD&A.

1.13 Changes in Accounting Policies including Initial Adoption

Accounting Standards, Amendments and Revised Standards Adopted

The Company adopted a number of new and revised standards and amendments that became effective on January 1, 2013 which are discussed in Note 2 in the Notes to the Financial Statements which accompany this MD&A.

Accounting Standards, Amendments and Revised Standards Not Yet Effective

The Company has disclosed information and potential impact thereof in Note 2 in the Notes to the Financial Statements which accompany this MD&A.

1.14 Financial Instruments and Other Instruments

The Company has no derivative financial assets or liabilities. The loan receivable from Liberty Star which the Company continues to record in its consolidated financial statements has an equity conversion option which is not exercisable as the terms set out in the letter agreement were not completed (refer Note 5(a) in the Notes to the Financial Statements).

1.14.1 Non-derivative financial assets:

The Company has the following non-derivative financial assets: available-for-sale financial assets and loans and receivables.

Available-for-sale ("AFS") financial assets

The Company has marketable securities which are classified as AFS financial assets and are measured at fair value with changes therein, other than impairment losses recognized in other comprehensive income or loss. At the reporting date these securities had a nominal value.

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 currently comprise (i) amounts receivable including the loan receivable from Liberty Star, (ii) amounts receivable from a related party ($nil in current year), (iii) cash and cash equivalents and restricted cash (see below).

Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash 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 Company's cash and cash equivalents and restricted cash are invested in business and savings accounts and guaranteed investment certificates which are available on demand by the Company.

1.14.2 Non-derivative financial liabilities:

The Company has the following non-derivative financial liabilities: trade and other payables and a payable to a related party.

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, restricted cash and amounts receivable which includes the Company's loan receivable from Liberty Star and any amounts receivable from related parties. There has been no change in the Company's objectives and policies for managing this risk except for changes in the carrying amounts of financial assets exposed to credit risk, and there was no significant change to the Company's exposure to credit risk during the year ended December 31, 2013. Management has also concluded that there is no objective evidence of impairment to its amounts receivable including the recoverability of the loan receivable from Liberty Star (see discussion below).

Management assesses the recoverability of the loan receivable from Liberty Star as at the end of each reporting period based on financial information available. In October 2012, the Company delivered notice to Liberty Star for repayment of the loan principal and accrued interest. In November 2012, a loan settlement agreement was negotiated pursuant to which Liberty Star was to transfer to the Company certain of its mineral claims held as collateral for the loan receivable in payment of the loan principal and accrued interest. As of December 31, 2013 and to the date of this MD&A, Liberty Star had not completed the valid transfer of the claims to the Company as per the loan settlement agreement and as such the loan settlement agreement is not closed and accordingly the Company continues to retain its rights under the original loan letter agreement. The Company has reasonable expectation that it will recover the carrying amount of the loan receivable by enforcing the legal rights conferred by the original loan letter agreement and/or the loan settlement agreement including, but not limited to, the right to receive all or any portion of the mineral claims held as collateral for the loan receivable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. There has been no change in the Company's objectives and policies for managing this risk. The Company's liquidity position has been discussed in Section 1.6 *Liquidity*.

Foreign Exchange Risk

The Company is subject to both currency transaction risk and currency translation risk: its loan receivable from Liberty Star is denominated in US dollars; the Pebble Partnership has a US dollar functional currency; and certain of the Company's corporate expenses are incurred in US dollars. As the Company's functional currency is the Canadian dollar, the fluctuation of the US dollar in relation to the Canadian dollar will consequently have an impact upon the losses incurred by the Company as well as the value of the Company's assets and total 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 financial assets to foreign exchange risk is as follows:

Currency	**December 31, 2013**		December 31, 2012	
US dollars – Financial assets	US dollar amount (000s)	Amount in Canadian dollars	US dollar amount (000s)	Amount in Canadian dollars
Amounts receivable	$ 5,360	$ 5,701	$ 4,663	$ 4,639
Cash and cash equivalents	7,083	7,534	45	45
Total exposed to currency risk	**$ 12,443**	**$ 13,235**	**$ 4,708**	**$ 4,684**

The exposure of the Company's financial liabilities to foreign exchange risk is as follows:

Currency	**December 31, 2013**		December 31, 2012	
US dollars – Financial liabilities	US dollar amount (000s)	Amount in Canadian dollars	US dollar amount (000s)	Amount in Canadian dollars
Trade and other payables	$ 3,197	$ 3,400	$ 40	$ 40
Total exposed to currency risk	**$ 3,197**	**$ 3,400**	**$ 40**	**$ 40**

A 10% depreciation of the Canadian dollar relative to the United States dollar at December 31, 2013 would have decreased loss by $983 (2012 - $465). This analysis assumes that all other variables, in particular interest rates, remain constant.

There has been no change in the Company's objectives and policies for managing this risk, except for the changes in the carrying amounts of financial assets exposed to foreign exchange risk, and there was no significant change to the Company's exposure to foreign exchange risk during the year ended December 31, 2013.

Interest rate risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents. There has been no change in the Company's objectives and policies for managing this risk and no significant change to the Company's exposure to interest rate risk during the year ended December 31, 2013.

Assuming that all variables remain constant, a 100 basis points change in a decrease or increase in interest rates would have resulted in a decrease or increase in interest income of approximately $267 (2012 - $325).

Commodity price risk

While the value of the Company's core mineral resource property, held through its 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 year. 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 25, 2014	95,009,864
Share options – as of March 25, 2014 (Weighted average exercise price per share: $2.19)	6,434,500

1.15.2 Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's CEO and CFO 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 CEO and CFO, 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 CEO and the CFO, 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 ICFR 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 ICFR as of December 31, 2013. In making the assessment, it used the criteria set forth in the Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on their assessment, management has concluded that, as of December 31, 2013, the Company's ICFR was effective based on those criteria.

The Company's ICFR as of December 31, 2013, has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who also audited the Company's consolidated financial statements for the year ended December 31, 2013. Deloitte LLP, as stated in their report that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2013, expressed an unqualified opinion on the effectiveness of the Company's ICFR.

1.15.4 Changes in Internal Control over Financial Reporting

There has been no change in the design of the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR during the period covered by this MD&A.

1.15.5 Limitations of Controls and Procedures

The Company's management, including its CEO and CFO, believe that any system of disclosure controls and procedures or ICFR, 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

Please refer to "Risk Factors" under **Item 5** in the Company's **2013 Annual Information Form** filed under the Company's profile on SEDAR at www.sedar.com for a detailed discussion. The Company's Form 40-F which is filed with the SEC on EDGAR at www.sec.gov.com also discusses certain risk factors.



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2013

This annual information form ("AIF") is as of March 25, 2014

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ITEM 2. PRELIMINARY NOTES

This AIF will be incorporated into a filing with the United States Securities Exchange Commission (the "SEC") under Form 40-F. 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 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 under the Company's profile 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, 2013, as reported by the Bank of Canada for the conversion of one Canadian dollar into one United States dollar ("U.S. dollar"), was 0.9402.

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		
	2013	**2012**	**2011**
Rate at end of year	0.9402	1.0051	0.9833
Average rate for year	0.9711	1.0004	1.0110
High for year	1.0165	1.0299	1.0583
Low for year	0.9342	0.9599	0.9430

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:

Term	Meaning
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 Electromagnetic Technique ("ZTEM") airborne survey	A geophysical survey deployed from a helicopter or small aircraft that 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 sub-divided into categories depending on the confidence level of the estimate based on level of detail of sampling and geological understanding of the deposit. The categories, from lowest confidence to highest confidence, are inferred resource, indicated resource and measured resource. Reserves are similarly sub-divided by order of confidence into probable (lowest) and proven (highest). These classifications can be more particularly described as follows:

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

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

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

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

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

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

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

ITEM 3. CORPORATE STRUCTURE

Northern Dynasty Minerals Ltd. is a mineral exploration company incorporated on May 11, 1983 pursuant to the *Company Act* of the Province of British Columbia (predecessor statute 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 continued to comply with its continuous disclosure obligations 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 MKT Exchange ("NYSE MKT").

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" or "PLP"), in which the Company again (since December 2013) owns a 100% interest through an Alaskan general partnership, the Northern Dynasty Partnership. A 100% subsidiary of the Company, Pebble Mines Corp. is the general partner of the Pebble Partnership and responsible for its day-to-day operations. 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 other consolidated interests and entities, 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 southwest 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, 2013, approximately $783 million in exploration expenditures have been incurred on the Pebble Project. Of this amount, approximately $595 million (US$573 million) in funding has been provided to the Pebble Partnership by an affiliate of Anglo American plc ("Anglo American") and expended from 2007 to December 10, 2013 when Northern Dynasty re-acquired Anglo American's 50% ownership interest in the Pebble Partnership on the latter's withdrawal. 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 non-material annual interest revenue as a consequence of investing its surplus funds.

Significant Acquisitions, Dispositions and Group Reorganization

Northern Dynasty via 100% owned subsidiaries and other entities holds indirect interests in mineral claims on State land in southwest Alaska, USA. These claims (including certain area claims) form what is referred to as the Pebble Copper-Gold-Molybdenum Project (the "Pebble Project").

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 Partnership. The purpose of the Pebble Partnership is to engineer, permit, construct and operate a modern, long-life mine at the Pebble Project. Anglo American through a wholly-owned affiliate subscribed for 50% of the Pebble Partnership's equity effective July 31, 2007. To maintain its 50% interest in the Pebble Partnership, Anglo American was required to commit staged cash investments into the Pebble Partnership aggregating to US$1.5 billion.

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 American's investment, as these benefits accrue exclusively to Anglo American under the Pebble Partnership Agreement and applicable tax regulations.

On September 15, 2013, Anglo American gave notice to the Company of its withdrawal from the Pebble Partnership. In December 2013, the Company exercised its right to acquire Anglo American's 50% interest to retain 100% interest in the Pebble Partnership and Pebble Mines Corp., which administers the Pebble Project.

The Pebble property consists of 1,940 mineral claims covering the Pebble deposit and associated resource lands.

2006 Equity Investment 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 $10.00 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% of Northern Dynasty's outstanding and issued common shares. Rio Tinto plc announced on December 23, 2013 that it will undertake a strategic review of its investment in Northern Dynasty, the results of which has not been communicated to Northern Dynasty as of the date of the AIF.

Purchase of Interests in Mining Claims in the vicinity of the Pebble Property

Pebble Partnership Interest in the Kaskanak Property

On January 31, 2012, the Pebble Partnership entered into a Limited Liability Company Agreement of Kaskanak Copper LLC (the "LLC") with Full Metal Minerals (USA) Inc. ("FMMUSA"), a wholly-owned subsidiary of Full Metal Minerals Corp., whereby the Pebble Partnership could earn an interest in the LLC, which indirectly owned 100% of FMMUSA's South Pebble Claims (the "FMM Properties"). On May 8, 2013, the Pebble Partnership purchased FMMUSA's interest in the LLC for a cash consideration of US$750,000. As a result, the Pebble Partnership is the indirect owner of a 100% interest in the FMM Properties, which total 542 mining claims located west of the Pebble property.

Northern Dynasty Interest in Liberty Star Mining Claims

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 95 mining claims (the "Purchased Claims") to a US subsidiary of Northern Dynasty (U5 Resources Inc.) 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 and which was repayable 45 days after it was called (the "Loan"). The parties agreed, through various amendments to the original agreement, to increase the principal amount of the Loan by US$730,174 (the "Additional Loan Amount"), being the amounts expended by Northern Dynasty on annual assessment work, rental and related fees relating to the maintenance of Liberty Star's claims in Alaska. Northern Dynasty carried out initial exploration surveys in 2010.

Northern Dynasty called for the repayment of the Loan in October 2012 and, after failure by Liberty Star to make any repayment, Northern Dynasty agreed to accept transfer of 199 claims (the "Settlement Claims") located north of the ground held 100% by the Pebble Partnership in settlement of the Loan. Prior to transfer of the Settlement Claims to Northern Dynasty, a third party purported to register a lien on the Settlement Claims in respect of a debt allegedly owed by Liberty Star, which Liberty Star disputes. Liberty Star has filed a claim against the third party, who has in turn filed a counterclaim against Liberty Star and has sought to join Northern Dynasty as a party to the lawsuit. Each of U5 Resources Inc. and Northern Dynasty has tendered its defense of the counterclaim to Liberty Star, which is obligated to indemnify Northern Dynasty and U5 Resources Inc. from any losses arising from the failure of Liberty Star to transfer clear title to the Settlement Claims.

ITEM 5. DESCRIPTION OF BUSINESS

The Pebble Project

The Company's business is the exploration and advancement towards feasibility, permitting and ultimately development of a copper gold molybdenum mineral resource in Alaska, USA known as the "Pebble Project".

The Pebble Project is Subject t o State and Federal 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).

Once a decision is made to enter permitting, the Pebble Project will be required to satisfy permitting requirements at three levels: federal, state and local (borough). The process takes approximately 3-4 years to complete and involves 11 regulatory agencies, 60+ categories of permits and significant ongoing opportunities for public involvement. The Alaska Department of Natural Resources Large Mine Permitting Team is responsible for coordinating permitting activities for large mine projects.

To satisfy permitting requirements under the *National Environmental Policy Act ("NEPA")* and other regulatory statutes, a project must provide a comprehensive project design and operating plan for mine-site and infrastructure facilities; documentation of development alternatives investigated; mitigation and compensation strategies, and identification of residual effects; and environmental monitoring, reclamation and closure plans. The first step is to provide the required information for an Environmental Impact Statement ("EIS") under NEPA, including a Project Description and Environmental Baseline Document. Prepared by a third-party contractor under the direction of a lead federal agency, expected to be the US Army Corps of Engineers, the EIS will determine whether sufficient evaluation of the project's environmental effects and development alternatives has been undertaken. It will also provide the basis for federal, state and local government agencies to make individual permitting decisions.

Under the *U.S. Clean Water Act, Section 404(c)*, the Administrator of the Environmental Protection Agency ("EPA") is given the right to disallow the specification (including the withdrawal of specification) of any defined area as a disposal site whenever he or she determines that the release of such material will have an unacceptable adverse effect on municipal water supplies, local wildlife, spawning and breeding areas of fisheries, shellfish beds, and/or recreational areas. Such decisions made by the Administrator require notice and opportunity for public hearings, and consultation with the Secretary. The Administrator shall set forth in writing and make public his or her findings and reasons for making any determination under this subsection.

Historical Pebble Project 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.

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 companies.

Technical Summary

Location and Property Description

The Pebble Project is located in southwest Alaska. It is situated approximately 200 mi (320 km) southwest of Anchorage and 19 mi (30 km) northwest of the village of Iliamna.

Location of the Pebble Project



Northern Dynasty holds a 100% indirect interest via subsidiaries in 1,940 mineral claims (194,360 acres) that comprise the Pebble property, 542 Kaskanak mineral claims (86,720 acres) and 95 mineral claims (15,200 acres) held by U5 Resources, which are subject to annual renewal. No surface rights are currently held. The Pebble Partnership applies for work permits annually for its programs.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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.

The climate of the Iliamna area is similar to Anchorage where the mean daily maximum temperature in July is 63 degrees F (17 degrees C) and the mean daily minimum temperature in January is 9 degrees F (minus 13 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 soil 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 an important porphyry copper system. Subsequent drilling by Cominco Ltd. (now Teck) intercepted significant intervals of porphyry-style gold, copper and molybdenum mineralization.

When it became 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 completed 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 prices 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 spans the eastern and southern margins of the Late Cretaceous (89.7 Ma) tonalite-granodiorite Kaskanak Batholith (medium to coarse grained igneous rocks of intermediate composition that cover a large area) that covers an area of approximately 200 square km, 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±molybdenum mineral occurrences, including the large Pebble copper-gold-molybdenum deposit and the Thirty-Eight porphyry copper-gold-molybdenum deposit, are related to granodiorite intrusions that are very similar in composition and age to the Kaskanak batholith.

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

The Pebble East zone, discovered in 2005, occurs in a mineralized intrusion and adjacent volcaniclastic sedimentary rocks under a cover of younger, 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 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 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 m line spacing and 2,000 m 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 electromagnetic 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 noted above.

Drilling

Extensive drilling has taken place over more than 19 years. A total of approximately 1,041,927 ft (317,579 m) has been drilled in 1,353 holes on the property from 1988 to 2013. 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; 23,582 ft (7,188 m) were drilled in 9 holes on deposit delineation and exploration targets and 27,186 ft (8,286 m) were drilled in 76 cored geotechnical holes for engineering and hydrological purposes in 2011; 17 core holes (8,363 ft/2,549 m) were drilled for exploration purposes, 38 core holes (15,973 ft/4,868 m) to collect geotechnical data, and 26 sonic holes (11,424 ft/3,482 m) for hydrological investigations in 2012; and 29 core holes, totaling 6,195 ft (1,887 m), were drilled to collect geotechnical data in 2013.

Most of the work 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 1,117 holes were drilled vertically and 236 are inclined from minus 42 to minus 85 degrees at various azimuths.

Drilling from 1988 to 2013 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]	606	465,957.7	142,024
FMM	7	5,450.0	1,661
TOTAL	**1,1353**	**1,041,926.7**	**317,579**

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
2011	85	50,767.7	15,474
2012	81	35,760.2	10,900
2013	29	6,190.0	1,887
TOTAL	**1,353**	**1,041,926.7**	**317,579**

BY PURPOSE

Purpose	# Holes	Feet	Metres
Exploration [1, 5]	654	856,039.3	260,921
Geotechnical	380	86,294.2	26,302
Metallurgical	61	60,835.0	18,543
Environmental	258	38,758.3	11,814

BY TYPE

Purpose	# Holes	Feet	Metres
Core [1, 5]	1,131	1,023,211.1	311,875
Percussion [6]	222	18,715.6	5,704
TOTAL	**1,353**	**1,041,926.7**	**317,579**

BY AREA

Area	# Holes	Feet	Metres
East	141	446,379.3	136,056
West	443	351,986.7	107,286
Main [7]	101	10,674.7	3,254
NW	202	45,743.4	13,943
North	46	25,695.9	7,832
NE	10	1,097.0	334
South	98	50,262.5	15,320
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	21	3,105.0	946
Southern	152	60,355.9	18,396
SW	51	9,337.8	2,846
Sill	39	10,445.5	3,184
Cook Inlet	8	909.5	277
TOTAL	**1,353**	**1,041,926.7**	**317,579**

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 on Kaskanak mineral claims. 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.

Some numbers may not sum exactly due to rounding.

Drill hole locations from 1988 to 2013 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 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 and Security of Samples

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 drilled and recovered since 2004 have been sampled and assayed. Sample of Cretaceous core have been taken 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 for sampling. It is then 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, ICP 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 2007-2013. 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 (2008-2012). 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.

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 5,929 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 2004-2013 match well. From 2004 to the end of 2013, a total of 1,362 blanks have been inserted to test for contamination. With a few minor exceptions, results are at very low background levels. Copper, gold and molybdenum assays have been monitored by internal lab and field inserted standards and other elements 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 an estimate prepared for the Pebble Partnership by David Gaunt, P.Geo., Hunter Dickinson Services Inc. Mr. Gaunt is a "qualified person" as contemplated by NI 43-101 who has reviewed the disclosure. He is not independent of the Company. Results are tabulated below:

CautionaryNotetoInvestorsConcerningEstimatesofMeasured andIndicatedResources

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 (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 < /B>beconvertedintoreserves.**

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

CautionaryNote toInvestors ConcerningEstimates ofInferred 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 SEC 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)	Mt	Cu (%)	Au (g/t)	Mo (ppm)	CuEQ(%)	Cu (Blb)	Au (Moz)	Mo (Blb)	CuEQ (Blb)
Inferred									
0.30	4,835	0.24	0.26	215	0.53	25.6	40.4	2.29	56.5
0.40	2,845	0.32	0.30	259	0.66	20.1	27.4	1.62	41.4
0.60	1,322	0.48	0.37	289	0.89	14.0	15.7	0.84	25.9
1.00	353	0.69	0.45	379	1.20	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 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.

Exploration and Development

Engineering

Northern Dynasty began comprehensive site programs, involving collection of engineering, environmental and socioeconomic data for mine planning studies in addition to resource drilling in 2004. Initially, drilling was carried out to collect geotechnical, metallurgical and hydrological data to use for mine planning at Pebble West along with scoping level engineering studies.

Following the discovery of Pebble East by exploration drilling 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.

In February 2011, Northern Dynasty announced the results of an independent Preliminary Assessment ("2011 PA") of the Pebble Project by Wardrop, a Tetra Tech Company. The 2011 PA analyzed the economics of three successive mine development models comprising 25, 45 and 78 years of open pit mining each at a nominal processing rate of 200,000 tons per day. The results of the 2011 PA indicated the potential for positive returns on invested capital in a mine.

The phase of engineering work which began in 2011 has included additional analysis of various mine and process plant designs, and alternative associated infrastructure options, along with the study of potential designs for a variety of potential transportation infrastructure and power supply options.

Although additional engineering, environmental and socioeconomic studies and data collection programs designed to advance a planned prefeasibility study for the Pebble Project continued from 2011 through early 2013, this work was not sufficiently comprehensive or material to obviate the 2011 PA analyses and conclusions. However, since the withdrawal of Anglo American from the Pebble Partnership in late 2013 and in light of more recent stakeholder and regulatory feedback, Northern Dynasty has initiated a comprehensive review of previous analyses of the Pebble project, including the 2011 PA and various project components. Current studies of the Pebble project investigate new infrastructure plans as well as lower throughput rates in a revised project development concept. As well, the cost and revenue inputs require complete updating given the nearly 4 years which have passed since the 2011 PA work was done. For these reasons, any project at Pebble which is ultimately put forward for permitting will almost certainly be different from the economic assessment model examined in the 2011 PA. Therefore the conclusions in the 2011 PA study have very limited going-forward relevance at this time and, accordingly, its conclusions have not been repeated in this AIF. There can be no assurances given by Northern Dynasty that the economics of the new alternative mine models being assessed will demonstrate economics similar to those projected in the 2011 PA.

Environmental and Socioeconomic

Environmental Studies

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. 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.

Comprehensive environmental and socioeconomic baseline study programs have continued at the Pebble Project site since that time. Field programs in 2013 were primarily focused on surface and groundwater hydrology, water quality and fish resources.

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.

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 locations of transportation infrastructure options. Examination of the potential transportation infrastructure sites will be undertaken once a decision is made regarding the exact location of these project features.

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.

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: stakeholder tours to the Pebble Project site and to operating mines in the United States and Canada 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 regional fisheries and the communities they support. Grants are awarded based on criteria and selections made by an independent advisory board of citizens from communities throughout the Bristol Bay region, and administered by the Alaska Community Foundation. To the end of 2013, the Pebble Fund has supported 160 community- led projects in 25 communities throughout the Bristol Bay region of southwest Alaska, directly investing some US$5.25 million while leveraging nearly US$16 million more in matching funds from other organizations.
- 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 six 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.

Plans for 2014

The Company's priority goals in 2014 are to address the EPA's recently announced 404(c) process under the Clean Water Act, to move forward with environmental planning and project design work and to seek one or more potential joint venture or other partners to join the Pebble Project. Northern Dynasty has consolidated all of the technical data, engineering work and permitting documentation related to the Pebble Project into a data room to facilitate due diligence reviews by interested parties. The Company will also continue its review of the project and advance engineering and environmental studies, as well as regulatory documentation, to prepare for federal and state permitting under the NEPA. A final decision on formal permit application timing depends on factors such as completion of technical assessments and interaction with regulatory agencies, and will be made by the Northern Dynasty and Pebble Mines Corp. Boards.

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 Project is Subject to Political* and *Environmental Regulatory Opposition

As is typical for a large scale mining project, the Pebble Project faces concerted opposition from many individuals and organizations who particularly fear its possible impact on the Bristol Bay Watershed ("BBW"). The BBW is an important wildlife habitat and salmon spawning area. The United States Environmental Protection Agency has gone so far as to suggest that it may peremptorily prevent the Pebble Project from proceeding even before a mine permitting application is filed based on the EPA's concerns over the impact of a large mine on the BBW. Accordingly the greatest risk to the Pebble Project is seen to be political/permitting risk which may ultimately preclude construction of a mine at Pebble. (See "Contingencies" in section 12.2 below)

Northern Dynasty will require additional funding to meet the development objectives of the Pebble Project.

Northern Dynasty will need to raise additional financing to continue permitting and development of the Pebble Project. In addition, a positive production decision at the Pebble Project would require significant capital for project engineering and construction. Accordingly, the continuing development of the Pebble Project will depend upon Northern Dynasty's ability to obtain financing through debt financing, equity financing, the joint venturing of projects, or other means. There can be no assurance that Northern Dynasty will be successful in obtaining the required financing, or that it will be able to raise the funds on terms that do not result in high levels of dilution to shareholders.

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".

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. There can be no assurance that any future economic or technical assessments undertaken by the Company with respect to the Pebble Project will demonstrate positive economics or feasibility.

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

Northern Dynasty has only had losses since inception 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 pre-development stage.

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, 2013, Northern Dynasty had working capital of approximately $29.7 million, which is sufficient to fund its operations in fiscal 2014. Northern Dynasty's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interest 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 Pebble Project, 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 and related 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 possibly result in further declines in the trading price of Northern Dynasty's common shares. Furthermore, Northern Dynasty anticipates that its ability to raise additional financing to fund exploration of a new property or the acquisition of a new property or project would be impaired as a result of the failure to establish commercial viability of the Pebble Project.

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

The ability of Northern Dynasty to raise financing to fund 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 or the application thereof and the presence of unknown environmental hazards on Northern Dynasty's mineral properties may result in significant unanticipated compliance and reclamationcosts.

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* hat *are not insurable and, as a result, Northern Dynasty will not be able to recover loss es 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 95,009,864 common shares without par value were issued and outstanding as fully paid and non-assessable as of December 31, 2013. As of March 24, 2014, there were 95,009,864 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, 2013.

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 MKT for the periods listed.

	Toronto Stock Exchange			NYSE MKT		
Monthly	High ($)	Low ($)	Average Daily Trading Volume	High (US$)	Low (US$)	Average Daily Trading Volume
December 2013	1.78	1.07	80,000	1.68	1.00	455,200
November 2013	1.46	1.11	82,000	1.41	1.06	300,600
October 2013	1.98	1.40	43,000	1.93	1.35	244,100
September 2013	2.45	1.35	137,800	2.36	1.31	471,400
August 2013	2.45	2.00	36,000	2.38	1.91	194,100
July 2013	2.84	2.06	32,200	2.73	1.94	137,000
June 2013	2.78	1.94	38,600	2.67	1.85	157,000
May 2013	2.90	2.25	38,000	2.82	2.09	225,800
April 2013	3.28	2.33	157,000	3.17	2.27	405,500
March 2013	3.66	2.75	137,900	3.63	2.67	348,200
February 2013	3.79	3.24	83,400	3.78	3.14	242,500
January 2013	4.19	3.19	83,000	4.26	3.26	237,700

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 MKT)).

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 25, 2014 are shown in the following table:

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	6,000 Common Shares 210,000 Options
Robert A. Dickinson Chairman of the Board and Director Lions Bay, British Columbia, Canada	Since June 1995	3,420,083 Common Shares 480,000 Options
Gordon J. Fretwell Director West Vancouver, British Columbia, Canada	Since July 2004	Nil Common Shares 150,000 Options
Russell E. Hallbauer Director West Vancouver, British Columbia, Canada	Since April 2008	106,600 Common Shares 210,000 Options
Wayne Kirk Director Orcas Island, Washington, USA	Since July 2004	30,000 Common Shares 270,000 Options
Peter Mitchell Director Chicago, Illinois, USA	Since May 2011	Nil Common Shares 150,000 Options
Ken Pickering Director Chemainus, British Columbia, Canada	Since September 2013	Nil Common Shares 150,000 Options
Marchand Snyman Chief Financial Officer and Director West Vancouver, British Columbia, Canada	Since August 2008	40,000 Common Shares 480,000 Options
Ronald W. Thiessen President, CEO and Director West Vancouver, British Columbia, Canada	Since November 1995	2,108,878 Common Shares 480,000 Options

Name, Position and Country of Residence	Period as a Director or Officer of the Company	Securities Beneficially Owned or Controlled (1)
Trevor Thomas Secretary Vancouver, British Columbia, Canada	Since February 2008	Nil Common Shares 145,000 Options
Bruce Jenkins Senior VP, Corporate Development Vancouver, British Columbia, Canada	Since June 2004	10,000 Common Shares 200,000 Options
Stephen Hodgson VP Engineering Vancouver, British Columbia, Canada	Since March 2005	90,000 Common Shares 200,000 Options
Sean Magee VP Public Affairs North Vancouver, British Columbia, Canada	Since October 2006	Nil Common Shares 200,000 Options
Doug Allen VP Corporate Communications Vancouver, British Columbia, Canada	Since June 2012	Nil Common Shares 200,000 Options

Notes:

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

The directors listed above, except for Ken Pickering, were re-elected at the annual general meeting of the Company held on June 19, 2013, for a one-year term of office expiring at the next annual general meeting of Northern Dynasty, which is currently scheduled for June 19, 2014. Mr. Pickering was appointed a director of Northern Dynasty in September 2013. 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 25, 2014, the above directors and officers beneficially owned, directly or indirectly, or exercised control or direction over 5,811,561 common shares of the Company (6.1%), or 9,336,561 common shares on a fully diluted basis (9.5%) .

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

Committee	Membership
Audit and Risk Committee	Gordon Fretwell Wayne Kirk Peter Mitchell (Chair)
Compensation Committee	Gordon Fretwell (Chair) Ken Pickering Peter Mitchell
Nominating and Governance Committee	Gordon Fretwell Wayne Kirk (Chair) Ken Pickering
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 MKT	June 1996	Present
Amarc Resources Ltd.	Director	TSX-V, OTCBB	September 1995	Present
Atlatsa Resources Corporation	Director	TSX-V, JSE, NYSE MKT	September 1996	June 2009
Continental Minerals Corporation	Director	TSX-V, OTCBB	June 1994	April 2011
Heatherdale Resources Ltd.	Director and Chairman	TSX-V	November 2009	Present
Northcliff Resources Ltd.	Director	TSX	June 2011	February 2012
	Director		May 2012	Present
Quartz Mountain Resources Ltd.	Director and Chairman	TSX-V, OTCBB	November 2012	Present
Rathdowney Resources Ltd.	Director	TSX-V	March 2011	Present
Taseko Mines Limited	Director	TSX, NYSE MKT	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 45 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 Britannia Mine 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 MKT	June 1994	Present
	Chairman		April 2004	Present
Amarc Resources Ltd.	Director	TSX-V, OTCBB	April 1993	Present
	Chairman		April 2004	Present
Atlatsa Resources Corporation	Director	TSX-V, JSE, NYSE MKT	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	November 2012
	Chairman		November 2010	December 2010
Heatherdale Resources Ltd.	Director	TSX-V	November 2009	Present
Northcliff Resources Ltd.	Director	TSX	June 2011	Present
	Chairman		June 2011	January 2013
Rathdowney Resources Ltd.	Director and Chairman	TSX-V	March 2011	December 2011
Quartz Mountain Resources Ltd.	Director	TSX-V	December 2011	Present
	Chairman		December 2011	November 2012
Taseko Mines Limited	Director	TSX, NYSE MKT	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

Company	Positions Held	Name of Market	From	To
Benton Resources Corp.	Director	TSX-V	July 2003	Present
	Secretary		December 2003	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 2009
Golden Dory Resources Corp.	Secretary	TSX-V	August 2008	Present
ICN Resources Ltd.	Secretary	TSX-V	March 2009	August 2010
	Director		July 2004	August 2010
International Royalty Corporation	Director	TSX, NYSE MKT	June 2003	February 2010
Asanko Gold Inc. (formerly Keegan Resources Inc.)	Director	TSX, NYSE MKT	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 MKT	June 2004	Present
Quartz Mountain Resources Ltd.	Director	TSX-V, OTCBB	January 2003	Present
	Secretary		January 2003	December 2011
Rare Earth Metals Inc.	Secretary	TSX-V	December 2009	Present
Rockwell Diamonds Inc.	Secretary	TSX-V, OTCBB, JSE	September 2012	Present

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. Mr. Hallbauer is currently the President and Chief Executive Officer of Taseko Mines Limited.

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 MKT	April 2008	Present
Curis Resources Ltd.	Director	TSX	November 2010	Present
	Chairman		December 2010	September 2012
	Co-Chairman		September 2012	Present
Taseko Mines Limited	Director, President and Chief Executive Officer	TSX, NYSE MKT	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 MKT	July 2004	Present
Atlatsa Resources Corporation	Director	TSX-V, NYSE MKT, JSE	July 2005	September 2011
Gabriel Resources Ltd.	Director	TSX	June 2008	Present
Great Basin Gold Ltd.	Director	TSX, NYSE MKT, JSE	July 2004	January 2012
Luna Gold Corp.	Director	TSX, OTCQX	May 2012	Present
Taseko Mines Limited	Director	TSX, NYSE MKT	July 2004	Present

Peter Mitchell, CA – Director

Mr. Mitchell is currently the Senior Vice President and Chief Financial Officer of Coeur Mining, Inc. in Chicago, Illinois. He is a graduate of the University of Western Ontario with a Bachelor of Arts in Economics as well as a graduate of the MBA program of the University of British Columbia. Mr. Mitchell is a Chartered Accountant and worked most recently as the Chief Financial Officer of Taseko Mines Limited. Prior to that he held senior roles in three private equity portfolio companies including President of Florida Career College based in Fort Lauderdale, Florida, President and CEO of Vatterott Education Centers in St Louis, Missouri and Vice Chairman and CFO of Von Hoffmann Corporation, also based in St Louis, Missouri.

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 MKT	May 2011	Present
Coeur Mining, Inc.	Senior Vice President and Chief Financial Officer	NYSE, TSX	June 2013	Present
Northcliff Resources Ltd.	Director	TSX	June 2011	Present
Taseko Mines Limited	Chief Financial Officer	TSX, NYSE MKT	September 2008	May 2013

Ken Pickering – Director

Mr. Pickering is a Professional Engineer and mining executive with 40 years of experience in a variety of capacities in the natural resources industry. He has led the development, construction and operation of world-class mining projects in Canada, Chile, Australia, Peru and the United States, focusing on operations, executive responsibilities and country accountabilities.

Mr. Pickering 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 MKT	September 2013	Present
Endeavour Silver Corp.	Director	TSX, NYSE	August 2012	Present
THEMAC Resources Group Limited	Director	TSX-V	March 2011	Present

Marchand Snyman, CA (SA), CA (Aust.) – Director, Chief Financial Officer

Marchand Snyman is a member of the Institute of Chartered Accountants in Australia and of the South African Institute of Chartered Accountants. He is a director and Chief Operating Officer of HDI and a director of HDSI.

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.

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 MKT	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	April 2012
Northcliff Resources Ltd.	Director and Chairman	TSX	January 2013	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 HDI and 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 MKT	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
Atlatsa Resources Corporation	Director	TSX-V, JSE NYSE MKT	April 1996	June 2011
Continental Minerals Corporation	Director	TSX-V, OTCBB	November 1995	April 2011
	Co-Chairman		January 2006	April 2011
Detour Gold Corporation	Director	TSX	July 2006	May 2012
	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 MKT, JSE	October 1993	June 2013
	Chairman		November 2006	June 2013
Quartz Mountain Resources Ltd.	President, CEO and Director	TSX-V	December 2011	Present

Company	Positions Held	Name of Market	From	To
Taseko Mines Limited	Director	TSX, NYSE MKT	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 HDI. HDI, 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 MKT	February 2008	Present
Amarc Resources Ltd.	Secretary	TSX-V, OTCBB	February 2008	Present
Atlatsa Resources Corporation	Assistant Secretary	TSX-V, JSE, NYSE MKT	November 2007	March 2011
Continental Minerals Corporation	Secretary	TSX-V, OTCBB	February 2008	April 2011
Curis Resources Ltd.	Secretary	TSX	June 2013	Present
Farallon Mining Ltd.	Secretary	TSX	December 2007	January 2011
Heatherdale Resources Ltd.	Secretary	TSX-V	November 2009	September 2010
			June 2013	Present
Northcliff Resources Ltd.	Secretary	TSX	June 2011	Present
Quartz Mountain Resources Ltd.	Secretary	TSX-V	June 2013	Present
Rathdowney Resources Ltd.	Secretary	TSX-V	March 2011	Present
Rockwell Diamonds Inc.	Secretary	TSX, OTCBB, JSE	February 2008	September 2012
Taseko Mines Limited	Secretary	TSX, NYSE MKT	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 over 35 years of experience in mine operations, mine development and project engineering. He is also Executive Vice President of Engineering for Hunter Dickinson Inc.

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

Company	Positions Held	Name of Market	From	To
Rathdowney Resources Ltd.	Director	TSX-V	December 2011	Present

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. Mr. Magee has had a working relationship with Hunter Dickinson Inc. for more than 12 years and is currently HDI's Executive Vice President of Strategic Communications and Public Affairs.

Doug Allen – Vice President, Corporate Communications

Doug Allen is an asset management industry specialist with more than 30 years of experience on both the sell-side and the buy-side of the investment industry. His experience includes extensive investment work in the mining industry. Mr. Allen serves as the primary liaison between the broker-dealer and asset management industries and the Company.

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.

As publicly disclosed at www.sedar.com, in September, 2012, Great Basin Gold Ltd. ("GBG"), a company for which Ronald W. Thiessen was at the time a director, and for which Mr. Wayne Kirk was at that time a former director having resigned as a director in January 2012, filed for creditor protection under the Companies' Creditors Arrangement Act ("CCAA") in Canada, and as well, GBG's principal South African subsidiary Southgold Exploration (Pty) Ltd. ("Southgold"), filed for protection under the South African Companies Act business rescue procedures. These companies continued to be subject to the insolvency proceedings at the time that Mr. Thiessen resigned.

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

12.1 Legal Matters

In October 2011, a lawsuit filed in July 2009 by the Trustees for Alaska (an activist 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 proposed to 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 filed legal challenges to the ballot initiative in the Alaska Superior Court, and on March 19, 2014 the court issued a permanent injunction barring the law from going into effect. The court ruled in favor of the Pebble Partnership, agreeing that the Alaska constitution and Alaska statutes preempted local governments from interfering with resource development on State lands.

An environmental group, Renewable Resources Coalition ("RRC"), has filed a lawsuit against the Pebble Partnership and others in superior court in California. The lawsuit follows a complaint that Pebble Partnership filed with the Alaska Public Offices Commission in 2009 which alleged that RRC and others had engaged in illegal conduct during the course of a ballot initiative campaign in 2008. The commission investigated and issued a report finding RRC and others had violated Alaska law, and subsequently RRC and others entered into a consent decree and paid a settlement fine. RRC then filed a lawsuit against the Pebble Partnership, asserting that the Pebble Partnership violated RRC's rights by acquiring documents and information which the Pebble Partnership had attached to its complaint to the Alaska Public Offices Commission. The trial court dismissed the lawsuit, finding that it was an improper retaliatory lawsuit and barred by California's Anti-SLAPP (Strategic Lawsuits against Public Participation) statute. An appellate court recently reversed that dismissal and remanded the case back to the trial court. A status hearing is set for April 2014. The Pebble Partnership maintains that its conduct in reporting illegal conduct to the proper law enforcement authority was appropriate and proper in all respects, and it will again ask the trial court to dismiss the lawsuit for lack of merit.

12.2 Contingencies

Bristol Bay Watershed Assessment

In February 2011, the US 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 all of the Bristol Bay area, subsequently narrowed to the Nushagak and Kvichak drainages. This process was initiated in response to calls from persons and groups opposing the Pebble Project for the EPA to pre-emptively use its asserted authority under Section 404(c) 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 embarked on a scientific study to assess potential impacts of hard rock mining in the two drainages.

The EPA's first draft Bristol Bay Watershed Assessment ("BBWA") report was released on May 18, 2012. The draft report is a fundamentally flawed document. By the EPA's own admission, it has evaluated the effects of a 'hypothetical project' – a project that has not been defined or proposed – and for which key environmental mitigation strategies are not known. The assessment was rushed – it is based on studies conducted over only one year in an area of 20,000 square miles. In comparison, the Pebble Partnership has studied the ecological and social environment surrounding Pebble for nearly a decade. The EPA also failed to fully consider the comprehensive and detailed data that the Pebble Partnership provided as part of its 27,000-page Environmental Baseline Document.

The EPA called for public comment on the quality and sufficiency of scientific information presented in the draft BBWA report. In response, Northern Dynasty made a presentation highlighting these shortcomings at the public hearings held in Seattle, Washington, on May 31, 2012 and in Anchorage, Alaska, on August 7, 2012. In July 2012, the Company also submitted a 635-page critique of the draft report in response to the EPA's call for public comment, and has called upon the EPA to cease action on the watershed assessment until such time as a definitive proposal for the development of the Pebble deposit is submitted into the NEPA process.

Concerns about the reasonableness of the basis of risk assessment in the draft EPA report were stated by many independent experts on the peer review panel assembled to review the BBWA in a report entitled 'External Peer Review of EPA's Draft Document: An Assessment of Potential Min ing Impacts on Salmon Ecosystems of Bristol Bay, Alaska" released in November 2012. In a wide-ranging critique of the draft report's methodology and findings, many peer review panelists called the EPA's effort to evaluate the effects of a 'hypothetical mining scenario' on the water, fish, wildlife and cultural resources of Southwest Alaska "inadequate", "premature", "unreasonable", "suspect" and "misleading". The full peer review report can be found at: http://www.epa.gov/ncea/pdfs/bristolbay/Final-Peer-Review-Report-Bristol-Bay.pdf.

"The authors have attempted to develop a hypothetical mine and attempted to assess possible environmental effects associated with mine development, operation, and closure," said Dr. William Stubblefield, a senior professor at Oregon State University and an expert in environmental toxicology. "Although interesting, the potential reality of the assessment is somewhat questionable. It is also unclear why EPA undertook this evaluation, given that a more realistic assessment could probably have been conducted once an actual mine was proposed and greater detail about operational parameters available."

On April 26, 2013, the EPA released a revised draft of the BBWA report and announced another public comment and Peer Review period. The Pebble Partnership and Northern Dynasty made submissions on the revised draft. In late May 2013, Northern Dynasty filed a 205-page submission which describes the same major shortcomings as the original report published in May 2012. For additional information on Northern Dynasty's submission to the EPA and the Company's critique of the BBWA report, see http://www.northerndynastyminerals.com/ndm/BristolBay.asp.

In mid-January 2014, the EPA released the final version of its BBWA. It does not include any recommendations or regulatory actions that will affect future development of the Pebble Project. The report still reflects many of the same fundamental shortcomings as previous drafts. The Peer Review report emphasizes that important information about the potential effects of mine development on the natural resources of Bristol Bay is not presented in the final BBWA report, and these issues should be examined during the more rigorous and comprehensive process to be undertaken under the NEPA once the Pebble Partnership has applied for permits. In its response, EPA states that the BBWA is "not intended to be an environmental impact assessment," and "is not intended to duplicate or replace a regulatory process."

On February 28, 2014, the EPA announced that it is initiating a process under the Clean Water Act to investigate potential impacts on aquatic habitat and fisheries associated with mine development in southwest Alaska. The EPA process, which is a continuation of the BBWA study initiated in 2011, will include consultation with the U.S. Army Corps of Engineers and the Pebble Partnership. Based on input the EPA receives during any one of these steps, the agency has stated it could decide to take action under Section 404(c) of the Clean Water Act or decide that that further review is not necessary. Northern Dynasty management continues to be of the opinion that any final decisions about Pebble should be made by federal and state regulators working within the NEPA permitting process based on an actual permit application, and not unilaterally and pre-emptively by the EPA.

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.

Certain directors of a private company, HDSI, a wholly owned subsidiary of HDI (refer Item 10 – Directors and Officers) are also directors of the Company. Pursuant to a management services agreement with HDSI, HDSI provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company and its subsidiaries at annually set rates. During the year ended December 31, 2013, the Company paid HDSI approximately $4.2 million (2012 – $3.5 million) for services rendered by HDSI and reimbursed HDSI approximately $0.8 million (2012 – $1.1 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.

ITEM 14. TRANSFER AGENT AND REGISTRAR

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

ITEM 15. MATERIAL CONTRACTS

Other than the management services agreement with HDSI as set out in Item 13, the Company has no contracts that can be considered to be material which are still in effect as of the end of the fiscal year ended December 31, 2013.

ITEM 16. INTERESTS OF EXPERTS

David Gaunt, P.Geo., is a person

(a) who is named as in 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.

Mr. Gaunt holds an interest in the common shares of the Company, directly or indirectly, or through share purchase options, representing less than 1% of the Company's outstanding share capital.

Deloitte LLP are the Independent Registered Chartered Accountants of the Company and are 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. AUDIT and RISK COMMITTEE, AUDITOR FEES, EXEMPTIONS, CODE OF ETHICS

Audit and Risk Committee ("Audit Committee") Charter

The Audit Committee has adopted a charter that sets out its mandate and responsibilities, and is attached to this AIF as Appendix A.

Composition of the Audit Committee

The Audit Committee currently consists of Peter Mitchell, Wayne Kirk, and Gordon Fretwell. Mr. Mitchell is the Chairman of the Audit Committee. The Committee reviews all financial statements of the Company prior to their publication, reviews audits performed, considers the adequacy of audit procedures, recommends the appointment of independent auditors, reviews and approves the professional services to be rendered by them and reviews fees for audit services. The Audit Committee Charter has set criteria for membership which all members of the Audit Committee are required to meet consistent with National Instrument 52-110 and other applicable regulatory requirements. The Audit Committee, as needed, meets separately (without management present) with the Company's auditors to discuss the various aspects of the Company's financial statements and the independent audit. Each Audit Committee member is an independent director and is financially literate. Both Mr. Kirk and Mr. Fretwell are experienced securities lawyers. Mr. Mitchell, the Audit Committee Chairman is a Chartered Accountant and is a financial expert.

Relevant Education and Experience

As a result of their education and experience, each member of the Audit Committee has familiarity with, an understanding of, or experience in:

- the accounting principles used by the Company to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- reviewing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, and
- an understanding of internal controls and procedures for financial reporting.

See disclosure regarding biographical information in Item 10. Directors and Officers – Principal Occupation and Other Companies Served by Current Directors of Northern Dynasty.

Reliance on Certain Exemptions available in NI 52-110

The Company's auditor, Deloitte LLP, has not provided any material non-audit services during the most recently completed fiscal year.

Pre-Approval Policies and Procedures

The Company has procedures for the review and pre-approval of any services performed by its auditor. The procedures require that all proposed engagements of its auditor for audit and non-audit services be submitted to the Audit Committee for approval prior to the beginning of any such services. The Audit Committee considers such requests 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 audit and non-audit services, with set maximum dollar amounts for each itemized service. During such deliberations, the Audit Committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the regulations of the US Securities and Exchange Commission, and whether the services requested and the fees related to such services could impair the independence of the auditors.

Principal Accountant Fees and Services

The Audit Committee has reviewed the nature and amount of the audit and non-audit services provided by Deloitte LLP to the Company to ensure auditor independence. Fees incurred with Deloitte LLP for audit and non-audit services in the last two fiscal years are outlined in the following table.

Nature of Services	Year ended December 31, 2013	Year ended December 31, 2012
Audit Fees (1)	$ 199,500	$ 175,000
Audit-Related Fees (2)	–	–
Tax Fees (3)	–	–
All Other Fees (4)	–	–
Total	$ 199,500	$ 175,000

Notes:

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.
3. "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
4. "All Other Fees" include all other non-audit services.

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.

Code of Ethics

The Company has adopted a code of ethics that applies to all directors, officers and employees of the Company. A copy of the Code of Ethics, which is included as part of the Company's Governance Policies and Procedures Manual is available for download from the Company's website at www.northerndynastyminerals.com and under the Company's profile on SEDAR at www.sedar.com.

APPENDIX A

Audit and Risk Committee Charter

1. **Purpose: Responsibilities and Authority**

The Audit and Risk Committee (the "Audit Committee" or "Committee") shall carry out its responsibilities under applicable laws, regulations and stock exchange requirements with respect to the employment, compensation and oversight of the Company's independent auditor, and other matters under the authority of the Committee. The Committee also shall assist the Board of Directors in carrying out its oversight responsibilities relating to the Company's financial, accounting and reporting processes, the Company's system of internal accounting and financial controls, the Company's compliance with related legal and regulatory requirements, and the fairness of transactions between the Company and related parties. In furtherance of this purpose, the Committee shall have the following responsibilities and authority:

(a) Relationship with Independent Auditor.

(i) Subject to the law of British Columbia as to the role of the Shareholders in the appointment of independent auditors, the Committee shall have the sole authority to appoint or replace the independent auditor.

(ii) The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.

(iii) The independent auditor shall report directly to the Committee.

(iv) The Committee shall approve in advance all audit and permitted non-audit services with the independent auditor, including the terms of the engagements and the fees payable; provided that the Committee Chairman may approve services to be performed by the independent auditors and the fees therefor between Committee meetings if the amount of the fee does not exceed $50,000, provided that any such approval shall be reported to the Committee at the next meeting thereof. The Committee may delegate to a subcommittee the authority to grant pre-approvals of audit and permitted non-audit services, provided that the decision of any such subcommittee shall be presented to the full Committee at its next scheduled meeting.

(v) At least annually, the Committee shall review and evaluate the experience and qualifications of the lead partner and senior members of the independent auditor team.

(vi) At least annually, the Committee shall obtain and review a report from the independent auditor regarding:

(A) the independent auditor's internal quality-control procedures;

(B) any material issues raised by the most recent internal quality-control review, or peer review, of the auditor, or by any inquiry or investigation by *governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;*

(C) any steps taken to deal with any such issues; and

(D) all relationships between the independent auditor and the Company.

(vii) At least annually, the Committee shall evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.

(viii) The Committee shall ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit, the concurring partner responsible for reviewing the audit, and other audit partners as required by law.

(ix) The Committee shall consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.

(x) The Committee shall recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account or participated in any capacity in the audit of the Company.

(b) Financial Statement and Disclosure Review.

(i) The Committee shall review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be filed with applicable securities regulatory authorities and included in the Company's annual reports.

(ii) The Committee shall review and discuss with management (and, to the extent the Committee deems it necessary or appropriate, the independent auditor) the Company's quarterly financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether such financial statements should be filed with applicable securities regulatory authorities.

(iii) The Committee shall review and discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the independent auditor's assessment of the quality of the Company's accounting principles, any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls over financial reporting, and any special steps adopted in light of material control deficiencies.

(iv) At least annually and prior to the publication of annual audited financial statements, the Committee shall review and discuss with management and the independent auditor a report from the independent auditor on:

(A) all critical accounting policies and practices used by the Company;

(B) all alternative accounting treatments of financial information that have been discussed with management since the prior report, ramifications of the use of such alternative disclosures and treatments, the treatment preferred by the independent auditor, and an explanation of why the independent auditor's preferred method was not adopted; and.

(C) other material written communications between the independent auditor and management since the prior report, such as any management letter or schedule of unadjusted differences, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.

(v) Prior to their filing or issuance, the Committee shall review the Company's Annual Information Form/Annual Report to the SEC, quarterly and annual earnings press releases, and other financial press releases, including the use of "pro forma" or "adjusted" non-GAAP information.

(vi) The Committee shall review and discuss with management the financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be specific or it may be in general regarding the types of information to be disclosed and the types of presentations to be made.

(c) Conduct of the Annual Audit.

The Committee shall oversee the annual audit, and in the course of such oversight the Committee shall have the following responsibilities and authority:

(i) The Committee shall meet with the independent auditor prior to the audit to discuss the planning and conduct of the annual audit, and shall meet with the independent auditor as may be necessary or appropriate in connection with the audit.

(ii) The Committee shall ascertain that the independent auditor is registered and in good standing with the Canadian Public Accounting Board and the Public Company Accounting Oversight Board and that the independent auditor satisfies all applicable Canadian independence standards, Independence Standards Board Standard No. 1, and SEC Regulation S-X, Section 2-01. The Committee shall obtain from the auditor a written statement delineating all relationships between the auditor and the Company as per ISB Standard 1, and review relationships that may impact the objectivity and independence of the auditor.

(iii) The Committee shall discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including

(A) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management;

(B) the management letter provided by the independent auditor and the Company's response to that letter; and

(C) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

(iv) The Committee shall obtain from the independent auditor assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934 and that, in the course of conducting the audit, the independent auditor has not become aware of information indicating that an illegal act has or may have occurred or, if such an act may have occurred, that the independent auditor has taken all action required by Section 10A(b) of the Securities Exchange Act of 1934.

(v) The Committee shall make such inquiries to the management and the independent auditor as the Committee members deem necessary or appropriate to satisfy themselves regarding the efficacy of the Company's financial and internal controls and procedures and the auditing process.

(d) Compliance and Oversight.

(i) The Committee shall meet periodically with management and the independent auditor in separate executive sessions. The Committee may also, to the extent it deems necessary or appropriate, meet with the Company's investment bankers and financial analysts who follow the Company.

(ii) The Committee shall discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

(iii) The Committee shall discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies, and regularly review the top risks identified by management and the policies and practices adopted by the Company to manage those risks..

(iv) At least annually and prior to the filing of the AIF/Annual Report to the SEC, the Committee shall review with management and the independent auditor the disclosure controls and procedures and confirm that the Company (with CEO and CFO participation) has evaluated the effectiveness of the design and operation of the controls within 90 days prior to the date of filing of the AIF/Annual Report to the SEC. The Committee also shall review with management and the independent auditor any deficiencies in the design and operation of internal controls and significant deficiencies or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls. As a part of that review, the Committee shall review the process followed in preparing and verifying the accuracy of the CEO and CFO annual certifications required to be included in the AIF/Annual Report to the SEC.

(v) At least annually and prior to the filing of the AIF/Annual Report to the SEC, the Committee shall review with management and the independent auditor

management's internal control report and assessment of the internal controls and procedures, and the independent auditor's report on and assessment of the internal controls and procedures.

(vi) The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(vii) The Committee shall discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or reports which raise material issues regarding the Company's financial statements or accounting policies.

(viii) At least annually, the Committee shall meet with the Company's legal counsel and discuss any legal matters that may have a material impact on the financial statements or the Company's compliance policies.

(ix) The Committee shall oversee the preparation of all reports relating to the Committee required under applicable laws, regulations and stock exchange requirements.

(x) The Committee shall exercise oversight with respect to anti-fraud programs and controls.

(e) Related Party Transactions.

(i) The Committee shall review for fairness to the Company proposed transactions, contracts and other arrangements between the Company and its subsidiaries and any related party or affiliate, and make recommendations to the Board whether any such transactions, contracts and other arrangements should be approved or continued. The foregoing shall not include any compensation payable pursuant to any plan, program, contract or arrangement subject to the authority of the Company's Compensation Committee.

(ii) As used herein the term "related party" means any officer or director of the Company or any subsidiary, or any shareholder holding a greater than 10% direct or indirect financial or voting interest in the Company, and the term "affiliate" means any person, whether acting alone or in concert with others, that has the power to exercise a controlling influence over the Company and its subsidiaries. "Related party" includes Hunter Dickinson Services Inc.

(f) Additional duties.

The Committee shall perform the following additional duties:

(i) The Committee shall review and recommend hedging and dividend policies.

(ii) The Committee shall oversee the Company's insurance program and approve insurance policy limits.

(iii) The Committee shall review the appointment of senior financial personnel and make recommendations to the Board of Directors regarding the appointment of the Chief Financial Officer.

(iv) The Committee shall recommend to the Nominating and Governance Committee the qualifications and criteria for membership on the Committee.

2. **Structure and Membership**

(g) Number and qualification.

The Committee shall consist of three persons unless the Board should from time to time otherwise determine. All members of the Committee shall meet the experience and financial literacy requirements of National Instrument NI 52-110 and the rules of the Toronto Stock Exchange and the NYSE MKT. At least one member of the Committee shall be a "financial expert" as defined in Item 407 of SEC Regulation S-K.

(h) Selection and Removal.

Members of the Committee shall be appointed by the Board, upon the recommendation of the Nominating and Governance Committee. The Board may remove members of the Committee at any time with or without cause.

(i) Independence.

All of the members of the Committee shall be “independent” as required for audit committees by National Instrument NI 52-110, the rules of the Toronto Stock Exchange and the NYSE MKT, and SEC Rule 10A-3.

(j) Chair.

Unless the Board elects a Chair of the Committee, the Committee shall elect a Chair by majority vote.

(k) Compensation.

The compensation of the Committee shall be as determined by the Board.

(l) Term.

Members of the Committee shall be appointed for one-year terms. Each member shall serve until his or her replacement is appointed, or until he or she resigns or is removed from the Board or the Committee.

3. **Procedures and Administration**

(m) Meetings.

The Committee shall meet as often as it deems necessary in order to perform its responsibilities, but not less than quarterly. The Committee shall keep minutes of its meetings and any other records as it deems appropriate.

(n) Subcommittees.

The Committee may form and delegate authority to one or more subcommittees, consisting of at least one member, as it deems appropriate from time to time under the circumstances.

(o) Reports to the Board.

The Committee shall regularly report to the Board with respect to such matters as are relevant to the Committee's discharge of its responsibilities, and shall report in writing on request of the Chairman of the Board.

(p) Charter.

The Committee shall, at least annually, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

(q) Independent Advisors.

The Committee shall have the authority to engage such independent legal and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be regular advisors to the Company. The Committee is empowered, without further action by the Board, to cause the Company to pay appropriate compensation to advisors engaged by the Committee.

(r) Investigations.

The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it deems appropriate, including the authority to request any Officer or other person to meet with the Committee and to access all Company records.

(s) Annual Self-Evaluation.

The Committee shall evaluate its own performance at least annually.

4. **Additional Powers**

The Committee shall have such other duties as may be delegated from time to time by the Board of Directors.

5. **Limitation of Committee's Role**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

6. **Committee Member Independence, Financial Literacy and Financial Expert Requirements**

A. Independence

See Appendix 2 of the Company's Corporate Governance Overview and Guidelines.

B. Financial Literacy and Financial Expert Requirements

NI 52-110

Section 3.1(4) states that each audit committee member must be financially literate.

Section 1.6 defines the meaning of financial literacy as follows:

"For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements."

NYSE MKT Section 803(B)(2)(a)(iii)

Each issuer must have an Audit Committee of at least three members, each of whom:

"is able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee who is financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities. A director who qualifies as an audit committee financial expert under Item 407(d)(5)(ii) of Regulation S-K . . . is presumed to qualify as financially sophisticated. "

ITEM 407(d)(5)(ii) 0F REGULATION S-K, DEFINITION OF FINANCIAL EXPERT

For purposes of this Item, an audit committee financial expert means a person who has the following attributes:

(A) An understanding of generally accepted accounting principles and financial statements;

(B) The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(C) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the small business issuer's financial statements, or experience actively supervising one or more persons engaged in such activities;

(D) An understanding of internal control over financial reporting; and

(E) An understanding of audit committee functions.

A person shall have acquired such attributes through:

(A) Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

(B) Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

(C) Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(D) Other relevant experience.

Consent of Independent Registered Public Accounting Firm

We consent to the use of our reports dated March 25, 2014 relating to the consolidated financial statements of Northern Dynasty Minerals Ltd. and the effectiveness of Northern Dynasty Minerals Ltd.'s internal control over financial reporting appearing in this Annual Report on Form 40-F of Northern Dynasty Minerals Ltd. for the year ended December 31, 2013.

(Signed) Deloitte LLP

Chartered Accountants
Vancouver, Canada
March 26, 2014

March 25, 2014

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, 2013, (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 as a named expert in connection with reference to my involvement in the preparation of the technical disclosure in the Annual Report which is based upon resource estimate in the following technical report (the "Technical Report"):

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

and I consent 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.

I have read the Company’s Annual Report and confirm that it that is represents full true and plain disclosure of the material technical facts about the Pebble Project that are within my area of expertise as a professional geologist.

Yours truly,

/ J. David Gaunt/

J. David Gaunt, P.Geo.

Hunter Dickinson Inc.